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CONFIDENTIAL

The Rt Hon Kenneth Clarke, QC MP
Paymaster General
Department of Employment
Caxton House
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NBM

8 October 1986

Dear Ken,

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for sending me a copy of your letter of ^{at 11.45} 25 September to John MacGregor with the report by officials on ways to alleviate the impact of major redundancies.

I support the proposal that an official group be created to consider the possibility of special measures packages in cases where a redundancy is likely to have an exceptional or disproportionate impact on an area. A systematic approach in this way will complement the basic programme of area regeneration undertaken in Scotland mainly by the Scottish Development Agency. I would expect such packages in Scotland to be organised largely by or through the Agency, although I do not see it as being able to finance any significant major new packages from its currently planned resources and I am sure that the content of new packages will have to draw on other sources for its funding. The SDA has considerable experience in putting together co-ordinated local programmes where there have been major redundancies and I suggest this is drawn on in the preparation of the criteria which will be used by the official group to prepare its recommendations for E(A). The remit for the officials' report was to look at major redundancies but, with the emphasis in the report on an area approach, I believe it would be useful if the criteria were able to operate not only in such cases but also when an area suffered from a number of simultaneous redundancies, perhaps, but not necessarily, in the same industry, since these can have an impact as large as a single major redundancy. I have in mind such examples as the possible effects on a regional economy of a run-down in oil, or a general run-down in the textile industry of a predominantly rural area.

I am interested in your thoughts about an initiative with the banks on small loans to new businesses. There has been interest in some areas of

Scotland in such schemes, but few are in operation. I would be glad to be kept informed of any work on establishing any network of local investment funds.

I am copying this letter to the Prime Minister and other members of E(A).

*Yours ever,
Malcolm*

MALCOLM RIFKIND

MAN POWER SONS PT14

