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10 DOWNING STREET

THE PRIME MINISTER

21 February 1980

Dear Mr. Jones,

Thank you for your letter of 1 February concerning EEC aid to the Shotton Area.

You asked in particular for further details of the EEC money allocated to Shotton steelworkers that I mentioned in the House during Question Time on 29 January. This assistance is being provided under the Iron and Steel Employees' Readaptation Benefits Scheme (ISERBS), which is jointly funded by the European Coal and Steel Community (ECSC) and the UK Government. This Scheme provides benefits to redundant steelworkers in three ways: make up of earnings during new employment; supplements to unemployment benefit; and assistance for retraining. These benefits are payable for varying periods of up to 2½ years after a worker has been made redundant. Further details are given in the attached note.

Since we joined the European Community in 1973, over £26 million has been allocated under this Scheme to eligible redundant steelworkers in the UK. An application on behalf of Shotton steelworkers was submitted to the Commission by the Department of Industry on 14 November 1979; the Commission

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allocated £7.7 million for these men on 9 January 1980. The Government's contribution is estimated to be over £9 million.

You also requested information regarding further European aid for Shotton. Over £2 million has been allocated to the Shotton area from the European Regional Development Fund for public authority infrastructure schemes, and a further £0.25 million has been allocated from the same fund for industrial projects. Another £0.79 million is likely to be allocated in the near future, again for infrastructure schemes. In recent years about £1 million in ECSC loans and a further £1 million in EIB loans have been allocated to the Shotton area. Such interest-subsidised loans remain potentially available for any firm which might wish to apply for them. The ECSC loans have exchange risk cover operated by the Department of Industry under Section 7 of the Industry Act 1972. These are figures for the Shotton area itself; if account were to be taken of comparable aid to other parts of Clwyd affected by steel redundancies, the assistance would be much larger.

The Government is currently pressing for a larger share of that part of the non-quota section of the European Regional Development Fund allocated to steel closure areas. We have also lodged a provisional application on behalf of BSC (Industry) Ltd with the European Social Fund for about £4 million to provide further aid for retraining of redundant workers in steel closure areas, including Shotton.

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Aid for the Shotton area does not, as you are aware, depend only on EEC based schemes. The Government's own remedial measures include the uprating of the Shotton TTWA to SDA status. We have also made available an additional £15 million to allow the WDA to provide industrial sites and factory space over the next 3-4 years. This supplement, in addition to their normal programme, has enabled the WDA, in concert with BSC (Industry) Ltd., to commit expenditure of £13 million during 1980/81 to the area. The Agency will have substantial funds from its regular budget and the balance of the extra £15 million available to continue a development programme for the Shotton Area in subsequent years.

Yours sincerely,

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Barry Jones, Esq., M.P.

A BRIEF SUMMARY OF ISERBS BENEFITS

Eligibility: To be eligible for benefits under the scheme a steel-worker must have been in the full time employment of the same steel company for 52 weeks prior to redundancy or re-deployment. He must also:

- (i) be under the age of 65 (men) or 60 (women) at the date of redundancy or transfer
- (ii) have been wholly or mainly engaged in Treaty of Paris activities
- (iii) have been made redundant or re-deployed as the result of a permanent closure or reduction in activity
- (iv) not have begun working at the plant within 52 weeks of the beginning of the rundown in activity which lead to the redundancy or re-deployment.

Benefits available:

- (i) Make-up of earnings during new employment: when current earnings in new full time job are less than 90% of previous earnings, weekly payments are made to bring current income up to 90% of previous earnings, less any state or other benefits already being received. The entitlement period for benefit is 78 weeks for men under 55 and women under 50; 104 weeks for men aged 55 to 59 and women aged 50 to 54, and up to 130 weeks for men over 60 and women over 55.
- (ii) Unemployment: benefits supplement the national unemployment benefit scheme. During the first 26 weeks of unemployment (after a 2 week waiting period) Earnings Related Supplement (ERS) is payable. If this falls short of 90% of the maximum rate of ERS, the ISERB Scheme will top payments up to 90%. If ERS lasts for less than 26 weeks, the Scheme will make an equivalent payment for the rest of the 26 weeks. Then from the 29th week of unemployment, under 55s (women under 50) get a further 26 weeks of "ERS equivalent" payments - i.e. 90% of the maximum rate of ERS, or the rate of ERS that was being received if it was higher. Over 55s (women over 50) do not receive the "ERS equivalent" payment, but from the 29th week of unemployment receive 90% of previous earnings for 52 weeks, then 50% for a further 26 weeks (less any state or other benefits being received).

Alternatively, over 55s (women over 50) usually have the right to convert the benefits they would have received during unemployment into a capital sum payable into the former steel company's pension scheme for the purchase of immediate additional pension benefits (or if this is not possible, applied to purchase an annuity).

- (iii) Training: Eligible steel workers on approved training courses receive a benefit equivalent to previous after-tax earnings less any other allowances or benefits already

being received. This is paid for a maximum of 52 weeks within the individual steelworker's eligibility period.

All weekly benefits may be adjusted annually to take account of increase in the cost of living.. No benefits are payable after normal retirement age is reached.

- (iv) Travelling, Resettlement and Removal Grants: benefits are provided to steelworkers redeployed within the same company. They are similar to those available under the Employment Transfer Scheme to people who take up employment with a new company.

Costs of Training: The Scheme also provides for a contribution to be made towards the costs of providing a "relevant course of training" - defined as training -

- (i) conducted under arrangements made under the provisions of the Employment and Training Act 1973
- (ii) approved by the Training Services Agency
- (iii) approved by the Iron and Steel Industry Training Board and being a course conducted by or on behalf of a steel company, or
- (iv) approved by the Secretary of State and the Commission of the European Communities for the purposes of the scheme.

For courses in categories (iii) and (iv), the European Commission's approval has to be obtained. Normally, we would expect to be able to show evidence that the appropriate industry training board were satisfied with the content of the course.

If the training is for work with an identified future employer, the allowable costs are shared equally by the employer, the ECSC and the UK Government. If the future employer is not known, costs are shared equally by the ECSC and the UK Government.