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AT
16/2

cc KW

SECRETARY OF STATE FOR EMPLOYMENT

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Telephone Direct Line 01-213 6400

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The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

16th February 1984

Dear Patrick,

Thank you for your letter of 6 December in which you suggested that some of the funds allocated to the Manpower Services Commission might be used to support an increased Development Commission programme. I am sorry for the delay in replying.

As you probably know, since you wrote, Peter Morrison and Nigel Vinson met and corresponded on this subject. I know that Peter was very keen to do what he could to see if the Development Commission might be a possible managing agent under the Community Programme. Officials of the MSC and officials of the Development Commission discussed if there was a possible way ahead. As it turns out, and I know that Nigel accepts this point, it is just not possible to bring any proposal from the Development Commission within the scope of the Community Programme rules.

You will appreciate that all our schemes are national schemes with national targets. They operate in rural areas just as they do in inner cities. To switch resources out of these programmes will necessarily mean that we will be unable to meet our already announced targets. I am sure you would agree that would not be a very sensible way to proceed. Hence, I do not see that there is a way ahead on the basis you proposed. I am copying this letter to the Prime Minister, Norman Tebbit, Peter Rees and David Young.

Yours
Tom

MANPOWER: Special Empt Measures

A10

Jeno

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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JF5157
Secretary of State for Trade and Industry

22 December 1983

The Rt Hon Patrick Jenkin QC MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

nbpm
DmB
29/12

Dear Secretary of State,

Thank you for copying to me your letter to Tom King in which you supported Nigel Vinson's proposal that some MSC funds be used in support of the Development Commission's programme for 1984/85. I am not sure that it would be appropriate to transfer funds already allocated in the way proposed, but no doubt Tom and Peter will have views on this. Perhaps the Development Commission might by agreement act as MSC's agents in providing training tailored to the employment opportunities and special needs of rural areas in order to meet Nigel Vinson's point.

2 I am copying this letter to the recipients of yours.

Yours sincerely
M McCarthy
(Seen and approved by Mr Tebbit, and signed in his absence)

NORMAN TEBBIT

Manpower
Employment
measures
PT10

E(A)(83)19 Training for Jobs

6Q How does training in the UK compare with provision in other countries?

A

Young People	% in full-time vocational education	% in apprenticeship	% in work with negligible training or unemployment
Britain	10	14	44
Germany	19	50	9
France	40	14	19

Adults	% receiving vocational training (20-24)	% in retraining (25-44)
Britain	13	2
Germany	20	1
France	22	4

File

BRIEFING FOR THE LEADER OF THE HOUSE

WHITE PAPER - TRAINING FOR JOBS (Cmnd 9135)

Line to Take

Our White Paper "Training for Jobs" has been welcomed up and down the country by employers, and other training providers.

My Rt Hon Friend the Secretary of State for Employment is meeting the local authority associations next week to hear their views about our proposals, and I hope local authorities, like others will play a full part in taking forward the initiative we have announced.

BACKGROUND NOTE

WHITE PAPER : TRAINING FOR JOBS (Cmnd 9135)

The White Paper's title - "Training for Jobs" - explains the thinking behind it. Britain's economic performance over the years has reflected the haphazard and inadequate way we have approached training our workforce.

One of the most important aspects of the plans in the White Paper is the attempt to bring the worlds of education and employment closer together. Each year £800m of central and local government money in England and Wales is spent through further education colleges on work related courses below degree level or their equivalent. The Manpower Services Commission is already responsible for funding more than 10 per cent of this provision, mainly through Training Opportunities Programme and Youth Training Scheme. In future, the MSC will be given the responsibility for determining how more of this money is spent, so that training and vocational educational courses are more closely tailored to the needs of employers.

Before recommending to the Government what courses should be supported, the MSC will consult the education service, employers and other interested parties. This is an important new responsibility for the MSC and the Government is asking the Commission to report to the Government as a matter of urgency on the machinery, at local as well as national level, needed to do the job.

Training for Jobs sets out the next steps. The Commission will be completely restructuring its adult training provision. There will be two main publicly funded programmes which will double to 250,000 the number of people trained, almost half of them unemployed. First, a re-directed TOPS scheme with a series of pilot schemes targetted on specific groups will focus on job-related training directed to employers' needs. Second, there will be more help for unemployed people who need training at a more basic level to help them find work.

The Government will also be looking at the practicality of establishing a scheme of loans for people who would be willing to pay for training of their own choice. One possibility is an arrangement under which the Commission would guarantee loans made by financial institutions against default. A loan scheme would not replace but supplement existing programmes particularly for those in jobs.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

cc NO

NBPM AT 7/12

My ref: J/PSO/16450/83
Your ref:

6 December 1983

Dear Tom,

You will remember that I raised in E(A) the point made to me (and I think also to you when you were here) by Nigel Vinson, Chairman of the Development Commission, that the rural areas component of Manpower Services Commission funds would be better spent on the type of permanent job creation which the Development Commission does so well. The Prime Minister asked us to look into the possible use of MSC money to support an increased Development Commission programme.

Nigel's argument is that many of the national youth employment and training schemes are not truly available to country dwellers because of problems in travelling; they equip the trainees for jobs that are available only in the towns, thus fuelling migration of young people; and, in many cases, they are only a temporary alleviation in contrast to the permanent new jobs created under the Commission's various factory building and small firms assistance schemes.

There is a lot of force in these arguments, and I believe that we should be directing as much of our effort in the rural communities as we can to projects where permanent jobs can be created. But as you probably know for 1984/85 I am able to maintain only the same level of provision to the Development Commission as this year, although they believe they could spend an additional £3M, partly on new schemes which you and I encouraged them to undertake and partly to meet a healthy recovery in demand for factories and business assistance. Nigel has had difficulties in spending his allocation in recent years, but I think those troubles are behind him. He is in danger of overspending this year, and I believe that the additional £3M bid is realistic. I hope therefore it will be possible for some MSC funds to be used in support of the Development Commission's programme for 1984/85.

I enclose a Memorandum prepared by my officials in conjunction with those in the Development Commission which could form the basis for discussion between us.

I am copying this letter to the Prime Minister, Norman Tebbit and Peter Rees.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Tom King MP

DC BID FOR EXTRA FUNDS

The Commission's case for increased funding rests primarily on the nature of its role in stimulating permanent job opportunities in rural areas, activities which have been continually encouraged by Ministers. An increase in resources for the Commission need not necessarily be at the expense of the MSC; but the DC has drawn attention to MSC programmes because of the large budget put at MSC's disposal and the nature of its activities. The DC argue this leads to the wrong balance of priorities on Government spending to alleviate unemployment in rural areas, at least.

The MSC is understood to be primarily concerned with training and preparation for work. The intention behind MSC spending is therefore not directly to stimulate more jobs but to make people more employable. In rural areas this can be counter productive - after training the young people migrate to the towns to work.

The Development Commission is required by statute to be concerned with all aspects of regenerating rural areas, and, after many years in this work, regards the stimulation of permanent job opportunities as its main objective on which hangs the other assistance it provides and help it gives. A large proportion of its budget (about 75% in 1982/83) is directly concerned with the creation of permanent job opportunites in furtherance of its socio-economic mission.

At a time of high unemployment - and when unemployment is forecast to remain high for the immediate future - the Commission argues that higher priority should be given and more resources put into stimulating new and permanent job opportunites particularly in rural areas. Making people better equipped to do jobs - the MSC role - is obviously important, but will not actually get people permanently off the dole queues unless there are permanent jobs for them to take up. The Development Commission argue therefore that it is sensible to spend slightly more on the kind of work it undertakes - if necessary, by reducing the amount provided to the MSC, although the Government might prefer to find resources from other programmes.

It has been argued that regional assistance generally is often not about creating new jobs but about moving jobs around the country. The Commission would, however, counter and recent research seems to confirm that this is not true in respect of the job stimulating work it does in rural areas. Whilst attracting businesses to move to rural areas certainly has a role to play in achieving the Commission's objectives, in practice the help it and its agencies provide is mainly directed at helping existing small firms to become more efficient and profitable so that they can either expand and create more jobs locally or can preserve more jobs than they would otherwise have done; and/or encouraging local entrepreneurs to turn business ideas into action and thereby create job opportunities. It would be untrue to claim that every job secured as a result of the Commission's factory workshop programme or CoSIRA's advisory services and loans, is a new one but in most cases it will be going to a local person, and will be locally a new job. The Commission's assistance is much less concerned with attracting the larger "foot loose" business

from urban areas or the more prosperous south, than with building on and developing the existing economic potential of the rural areas themselves and the evidence shows that current measures are successful in achieving this.

In the context of the Commission's 1984/85 Estimates the notes below deal with the two main areas of the Commission's work (the provision of industrial premises and lending) where additional funding has been sought for the year which are judged to be capable of making the greatest contribution towards new job opportunities and are most at risk if additional funding cannot be found. Other parts of the Commission's programme (eg CoSIRA's advisory and training services and certain activities of RCC's) also lead to new jobs, but their efforts are less direct, are difficult to quantify and are relatively slow to build.

INDUSTRIAL PREMISES

Factories Provision

The Commission finances, through English Industrial Estates, the development of workshops and small factories in its priority rural areas.

In 1982/83, more factories were built, 134, and let, 168 plus 10 sold, than in any previous year. Expenditure was, in real terms, lower than in several previous years, however, because the average size of units has reduced to meet the demand for small workshops; 129 of the 134 units built in 1982/83 were under 2,500 sq.ft.

For the first 6 months of 1983/84, there has been a further significant increase, pro rata, on the 1982/83 figures. 123 units were completed, 109 let and 4 sold. Again, 110 of the 123 units completed were under 2,500 sq.ft.

Expenditure incurred, at 1983 (2nd quarter) prices, on factory provision over the last five years is:-

1979/80	£12.5 million	
1980/81	£9.6 "	
1981/82	£5.7 "	/change of administration of factory programme/
1982/83	£8.3 "	
1983/84	£9.5 to £10 million (forecast outturn).	

1984/85 Estimated (at 1983 prices) £12 million; an increase of £2.5 million on the approved 1983/84 estimate.

Each 1,000 sq.ft. provides accommodation for 2.5 to 4 jobs. At an average cost per sq.ft. of £30, the 1984/85 programme would provide between 1,000 and 1,600 permanent job opportunities, at a gross cost per job of £7,500 to £12,000.

A reduction of £3 million in the attainable forecast of £12 million expenditure in 1984/85 would lead to a corresponding reduction inthe provision of 250 to 400 workspaces.

Redundant Buildings Grants

Grants of 35% are available from the Commission, through CoSIRA, for the conversion of redundant buildings to provide work spaces, in the Commission's priority rural areas, with a normal cut-off point of £50,000 per project (£17,500 grant).

Over 120 grants have been approved so far in 1983/84, totalling £737.000, an average of just over £6,000. Even if only one or two jobs result from each project, the average grant cost per job is low.

The scheme was only introduced throughout the Special Investment Areas from 1 April 1983. The demand, as shown above, has been very high, and it is expected that it could reach £1 million in 1984/85, an increase of £400.000 on 1983/84's approved figure. £1 million would attract about £2 million of private finance, to provide permanent work-space and help to preserve redundant buildings.

Partnership Schemes with Local Authorities

The Commission can contribute up to 50% of the costs of workshops, either conversions or new-build, provided by Local Authorities. The contributions are serviced by rent receipts or reimbursement should the units be sold.

This is the only one of the three schemes which operates outside as well as within the Special Investment Areas; the Commission has authority to spend up to 5% of its overall factories' budget, or £500,000, whichever is the greater, on the partnership scheme outside the SIAs, each year, but only in areas which demonstrate need.

Overall projects totalling 215,000 sq.ft. with contributions from the Commission of £2,391,000 (£11.12 per sq.ft.net) have been approved to date; demand is constrained by Local Authorities' ability to fund the remaining 50% of costs.

The forecast out-turn for 1983/84 is £1.275 million; the bid for 1984/85 is £1.300 million, a slight increase on the forecast out-turn, but a reduction of £400,000 on the 1983/84 estimate. This reflects the demand from Local Authorities.

Using the 2.5 to 4 jobs per 1,000 sq.ft. formula, the programme approved to date will provide 540 to 860 workspaces, at an average gross cost per job, to the Commission, of £2,780 to £4,430.

To summarise: costs per job are:-

1. Factories, 100% funded:- £7,500 - £12,000
2. Redundant Buildings Grants (35%) less than £6,000.
3. Partnership schemes with Local Authorities (50%) £2,780-£4,430

The number of permanent job opportunities lost through a reduction in forecast expenditure in 1984/85 would depend on the apportionment of the reduction to the various headings. Schemes 2 and 3 are demand led, and it is doubtful if forecast expenditure could be increased from the projected levels.

LENDING

The policy is to help clients make maximum use of private sector finance and for CoSIRA only to lend to the extent that the private sector is unwilling or unable to put up the money required on the right terms. Considerable effort goes into helping small firms to raise private sector finance and to encourage the banks to lend to small firms and often the fact that CoSIRA is providing back-up services persuades a bank to lend where it would not otherwise do so.

Where CoSIRA lends its expects the greater share of the loan capital required to come from the banks etc. Currently CoSIRA's average contribution to lending projects is 28% giving considerable leverage on the private sector.

In 1983/84 CoSIRA expect to lend some £4.1m to projects worth £14.65m resulting in some 1,000 extra jobs at a gross cost to the loan fund of just over £4,000 per job. Of the £4.1m to be lent only about £1.5m will be new Government money to top up the loan fund replenishment, the bulk will come from the capital repayments of earlier loans. All the capital advanced will of course eventually be repaid (and re-lent) with interest. The interest on loans is repaid to the DC and supports other parts of its programmes. Interest in the current year is forecast at £2.4m. The average CoSIRA loan is about £15,000. To date writes-off have been practically negligible.

The recent JURUE evaluation of the effectiveness of DC activities in certain areas pointed up CoSIRA lending as a very cost-effective way to stimulate new jobs.

Efforts to promote the use of private sector finance will continue with at least one more joint lending scheme with a bank planned for introduction shortly. With all that, however, the demand for CoSIRA loans is building as interest rates have eased and stabilised and the economy begins to pick up. The Commission's draft estimates for 1984/85 allow for loan fund replenishment of £1.7m itself a large reduction on CoSIRA's estimated range of requirements (£2.1m to £2.6m). A reduction of loan fund replenishment to its original approved level for the current year (£1.3m) or rather less is thought unavoidable if the Commission's overall provision is significantly below its bid.