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Caxton House Tothill Street London SW1H 9NF

6400

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

10 September 1984

Dear Andrew,

SEMINAR OF INDUSTRY AND EMPLOYMENT

I now attach my Secretary of State's note on "Passport for a Job", referred to in your letter of 6 September. This is to be taken under item 4 of your annotated agenda for the Seminar.

I am copying this letter to David Peretz (HM Treasury), Elizabeth Hodgkinson (Department of Education and Science), John Ballard (Department of the Environment), Michael Reidy (Department of Energy), Callum McCarthy (Department of Trade and Industry), Steve Godber (Department of Health and Social Security), Richard Hatfield and Peter Gregson (Cabinet Office).

Yours sincerely

David Normington

D J NORMINGTON
Principal Private
Secretary

INCREASING EMPLOYMENT THROUGH DEREGULATION

Note by the Secretary of State for Employment.

1 There is little doubt that many employers - especially many potential employers - are deterred from taking on extra people by their fear of the paperwork and legal obligations involved. This is particularly true where full-time employees are concerned and must be at least part of the explanation for the rapid growth in part-time employment at a time when full-time job opportunities are actually decreasing. It is also of course one of the reasons for the growth of the black economy. If the full benefits of economic regeneration are to be reflected in a reduction in the unemployment count it is vital that we should persuade employers and small businessmen who have not yet employed anyone that the "employment system" is neither bureaucratic nor burdensome. If we can do so, we may unlock a completely new area of job opportunities.

Passport for a Job - a possible scheme

2 As agreed at our last meeting, officials from the Departments concerned have therefore been examining the potential for an entirely new idea of a "Passport for a Job". This would be a scheme which exempted employers who employed people at below a certain wage from their obligations in respect of those employees for tax and national insurance and from the main requirements of employment protection legislation. The aim of such a scheme would be to demonstrate the potential benefits of deregulation, to encourage the employment of people at realistic wage rates and thereby to promote job opportunities.

3 Officials have now reported. It became clear during their studies that any proposal of this sort would involve several major departures from existing policy - exemption from both income tax and national insurance contributions balanced

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- benefits.

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by the removal of the individual employee's rights under existing arrangements for sick pay, employment protection and in some cases Wages Council awards. The officials' report shows that none of these changes presents overwhelming difficulties nor need they necessarily involve new primary legislation. But they would undoubtedly be controversial, involving, as they do, removal of individuals' employment rights, and they could be expensive. While I am attracted, therefore, by a scheme of this kind which would establish the principle of deregulation, before going any further I would appreciate colleagues' views on the practicability of such a scheme and on the coverage.

Focus of the Scheme

4 The main question is how to focus such a scheme. Officials looked at the possibility of a scheme for the under 18s. However, I now think they are the wrong target. For those entering working life at that age our proclaimed objective is proper training and our chosen instrument for the Government contribution is the Youth Training Scheme. We have only just begun to escape from the clash of aims between YTS and the Young Workers Scheme and it would be a mistake to resuscitate it. Furthermore it seems to me that the social security review of young people's benefits could open a preferable way to achieving the scheme's employment aims for under 18s.

5 I therefore believe we ought to consider targetting any scheme within the post YTS age group ie broadly within the range 18 to 25 year olds. The unemployment rate in this age group is more than double that of other adults and about one-third of them have been unemployed for a year or more. I

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have considered a number of options. The greatest impact would be achieved by a scheme which was open to all employers and covered the whole 18 to 25 age group. But initial assessments suggest that the costs of such a scheme would be too great to contemplate at present. I have also looked at the possibility of focussing on the long-term unemployed in the 18 to 25 age group. But again the costs of such a scheme would be considerable and I am anxious to avoid a scheme which seems to be treating the long-term unemployed as second class citizens.

Preferred Option

6 My preferred option, therefore, is a scheme which would run end on to YTS and be available to everyone up to the age of 20. Young people would become eligible for the scheme once they had exhausted the possibilities of youth training; and employers would be able to keep young people under 20 on the scheme perhaps for up to two years provided their pay did not exceed, say, £50 per week.

7 Such a scheme could be presented as an extension of the principle of the Young Workers Scheme. It would be easier to defend removing employment rights from this age group since it could be presented as a new and more effective way of helping young people into their first employment after the Youth Training Scheme. The impact of deregulation should also be proportionately greater on this age group than on older people. They are more likely to accept modest wages and flexible conditions than those with more responsibilities. A Scheme of this sort will be seen by many as a test of the principles of deregulation, so it is important that we should choose the group who are likely to benefit the most.

8 Our initial calculations suggest that the full cost of such a scheme might be around £120m and the net cost £86m. Some of the costs might be offset by savings on the Young

Workers Scheme, which "Passport" would replace. The effect on the unemployment count, which depends on the popularity of the scheme and is inevitably speculative, might be around 40,000.

9 In my view such a scheme is the minimum necessary really to test whether the present system deters employers from taking people on. If we do anything less or do only part of the package we shall not make the major impact we are seeking nor establish the value of deregulation and realistic wage levels to employment creation.

10 I should appreciate colleagues' views on the feasibility of such an approach.

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Discussion Document

TOWARDS FULLER EMPLOYMENT

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DISCUSSION DOCUMENT

6 September 1984

TOWARDS FULLER EMPLOYMENT

1. We have weathered the world recession far better than many of our competitors. During the past year alone, Gross Domestic Product has risen by nearly 3%; industrial output has grown by 3.5%; investment has increased by 10% in real terms; industrial profits have improved by 25%; productivity is better by 5.25% and inflation has been kept at its lowest level for 15 years. And yet, unemployment has remained obstinately high. This worrying persistence of high unemployment during economic recovery is a matter of urgent concern, not only to the Government but also to every private individual, business and trade union.

THE GROWTH OF UNEMPLOYMENT

2. The problem of unemployment is not new to Britain. Since 1960, the number of people registered as unemployed has risen painfully through the lifetimes of different Parliaments and different governments. The trend has been steadily upward despite some oscillations. In 1962, there were 454,000 people on the register; in 1972, 855,000; and in 1982, 2,793,000. [Graph]

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3. Nor is the problem unique to Britain. [Comparison with Europe].

4. The pattern in many of the countries of the Pacific has been quite different. There are, of course, important historical and cultural differences between European and Pacific basin nations. But we should be willing to learn what we can from the dramatic successes of Japan, Hong Kong and South Korea. [Statistical comparisons from D/Emp]

5. We should also be willing to ask why the United States has avoided the substained upward trend in unemployment that has occurred in Britain. Between 1962 and 1982, over 30 million additional jobs were created in the United States, even allowing for closures and dismissals. As a result, the proportion of the American civilian workforce registered as unemployed, instead of increasing steadily, has varied between 3.5% and 10% over the past twenty years. It was 5.5% in 1962, and was still only 5.6% in 1972. Indeed, even in the difficult years since 1972, the unemployment rate has risen and fallen by turns. It increased markedly in 1975, then gradually reduced until 1979. It rose again from 1979 to 1982, and is now falling once more.

6. Why has America been so successful at creating new jobs, not merely in recent years but continuously over the last

two decades? At first glance, it is tempting to suppose that the cause was buoyant demand stimulated by Government borrowing. But this argument is false.

7. Over the past 20 years, there has been no shortage of demand in Britain. The amount of money available for buying new goods and services in Britain increased seventeen times as fast as the increase in the volume of production between 1962 and 1982. In America, by contrast, demand - as measured by nominal GDP - rose half as fast as in England, and increased only five times as fast as production.

8. [Treasury passage dealing with Reaganomics, rebutting the argument that the Federal deficit is the main cause of increased employment, and distinguishing short cyclical fluctuation based on money stimulus etc from the long-term trend of job creation in an enterprise culture; also commenting on the 'natural' rate of unemployment in the US.]

9. [Rebuttal of other fallacious explanations of Britain's unemployment record (eg lack of investment), and examples of the lump of labour fallacy (eg high technology, growth in workforce)].

THE NATURE OF THE OBSTACLESExcessive Wage Rises

10. A more significant consideration is the high level of wage increases in Britain: between 1962 and 1982, average real wages in the United States rose by well under P%; over the same period in Britain, they rose by some Q%. The divergence has been even greater during the past 3 years: the Government's clearly articulated strategy has succeeded in bringing down the rate of inflation; but wage increases have not reflected this. Real wages [have not changed in the United States since 1981], whereas in Britain, they have risen by X%. If these British rises had been matched by corresponding increases in the amount of goods produced by each employee, they would have constituted a wholly welcome improvement to our standard of living. But without such increases in productivity, they have forced companies to reduce costs by shedding labour. These are the sad facts behind the assertion that people can price themselves into and out of jobs.

11. Many commentators are coming to understand that people in Britain have priced themselves out of jobs over the past 20 years. Some conclude, with a considerable weight of evidence on their side, that the very large wage increases have been the major cause of high unemployment.

12. Why has the British economy experienced such high wage increases? It is sometimes suggested that the responsibility lies with governments that refuse to impose statutory limits on pay. But there is no evidence to support this view. [Paragraph by Treasury/DEmp making good, clear arguments against pay policies]

13. The true cause of excessive wage increases is the short-sighted attitude too often found in British industry. Unfortunately Trade Unions act on behalf of the bulk of their members who already have jobs without considering the fate of those others, usually not current Union members, who do not have and cannot find jobs. Such unions have pressed for high rates of pay, which suit those in work, heedless of the fate of those who are seeking work. Many negotiators still seem unaware that higher pay causes redundancies because companies cannot afford to employ as many people at the new rates.

14. This winner-takes-all approach has been particularly harmful in the case of youth wages. With a very few exceptions, young people beginning their first job can contribute much less to the success of any business than those who have acquired the skills and experience that come through a period at work. It is therefore sensible for any firm to hire older people unless the young are willing to accept lower wages commensurate with their lower contribution. In Germany, this is indeed the pattern;

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average youth wages are only 20% of adult wages. But in Britain, the average youth worker receives over 50% of the adult rate. As a result, young people have taken more than their share of the rising unemployment. Between 1962 and 1982, youth unemployment in Britain rose by 1200% - more than twice the rise for adults. This is an extremely painful and self-inflicted wound. [Paragraph to be expanded by DEmp].

15. The blame for this obstacle to youth employment is not easy to apportion. Trade Unions, certainly, must share some of it; but so, too, must those managers who have consistently failed to insist on levels of wages that would make it worthwhile to employ young people. All too often, management has taken the easy way out - agreeing to high youth wages, and then avoiding the consequences by refusing to employ young people. This is an example of the kindness that kills.

16. [Passage on 'Why work?' from D/Emp, DHSS, Treasury. Problem is the relationship between pay, tax and benefits, and the very low starting threshold for income tax: particularly acute for young people].

17. Some argue that Wages Councils are also a cause of the problem. The motives behind the creation of these councils were laudable: they were designed to protect wage-earners against rapacious employers. But they may have unfortunate

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consequences. [Passage from D/Emp on the Councils, examining the evidence about their impact on employment - including comparisons between wages council and non wages council industries, and providing figures for growth of jobs in the US in those industries that are covered by Wages Councils in the UK]

Failures of Management and Enterprise

18. But excessively high wage rises are not by any means the only cause of unemployment in Britain. We are also hampered by failures of management and enterprise.

19. Management in Britain frequently leaves much to be desired. The blame for this cannot, of course, be laid solely at the door of those known as 'managers'. Management depends not only on those who manage but also upon those who are managed. The interests of individual employees and their Trade Unions can be furthered only in a concern where they make a positive contribution. Without their cooperation, no person appointed as a manager can hope to design his products well, to control quality properly, or to market his goods with zeal. For a company to compete, all the individuals who work in it have to be willing to contribute to its success, by welcoming rather than rejecting the new technology, by striving everywhere for greater efficiency and productivity, and by treating the

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customer as a valued source of employment rather than as an unfortunate source of additional bother.

20. Those who are appointed as managers have particularly heavy responsibilities in all of these areas. Failures of design, quality control and marketing do not 'happen' to managers: they are caused. Cooperation by a workforce necessarily involves cooperation with that workforce. The introduction of new technology has to be explained if it is to be achieved smoothly; arrangements have to be made to safeguard the legitimate interests of all those working in the company when changes occur; even if innovations are essential to the long-term prospects for the company's capacity to employ, no set of employees can be expected to welcome them if they can see that their own lives will be adversely affected. Managerial imagination, sensitivity and respect for individuals are absolutely indispensable conditions for competitiveness and expansion. The absence of these qualities, and of reciprocal qualities on the part of employees and trade unions has all too often been an obstacle to employment in Britain.

21. We have much to learn, here, from nations such as Japan. Some large firms in Japan often come close to giving their employees guaranteed jobs for life. But in return, the employees are much more flexible than we often are: they willingly learn new skills and move to new jobs within the

same firm. [Passage on internal labour markets to be drafted by DTI/DEmp].

22. Japanese firms also find it easier to offer permanent jobs for their employees because they distinguish between 'core' tasks for which they employ staff directly and peripheral activities which are frequently contracted to small businesses. This does, of course, occur in Britain - it is, indeed, happening increasingly. But there are still cases in which flexibility and competitiveness are impeded by excessive reluctance to make use of small, adaptable suppliers. [DTI passage on the importance of small business in Japan].

Inadequate Training

23. The level of employment in Britain is also decisively affected by the training that employees have received. In great part, this will depend on their basic education: it is to the schools that employers and the nation must principally look not only for training in literacy, numeracy and higher intellectual skills, but also for the inculcation of those attitudes that make a young person employable. [Expansion of passage by DES].

24. In addition, there is the more specialised - though almost equally important demand - for many young people to

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receive forms of vocational training that will make them immediately useful to the firms that employ them. In this respect, Britain has notably lagged behind her European partners. Roughly 65% of young people aged 14 - 19 currently undertake courses of vocational training in West Germany; in France, the figure is X%; but in Britain, only Y% of 14 - 19 year olds are enrolled in such courses.

Regulations and Restrictions

25. Jobs in Britain have also been destroyed by a large number of restrictions and regulations, which make it difficult for businesses to set up and expand. One form of restriction which has had a marked effect is planning. Many people in Britain are understandably concerned to protect the environment. In response to this wish, successive governments have encouraged local authorities to impose detailed planning constraints on businesses. These have restricted not only the building of new homes, but also the creation and expansion of businesses. They have, for example, frequently prevented new light industry, out-of-town retailing, fast-food shops and leisure centres from settling and expanding in those areas where there is most demand for them. These are industries that have generated [millions] of new jobs in the United States, where planning controls are less rigorous.

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26. Another important constraint is licensing. Nobody can deny that it is necessary to keep a check on the quality of goods and services, particularly where health and safety are at risk. But every attempt to impose such checks through licensing inevitably places additional financial burdens on businesses, which are reflected in lower profits, less expansion, and fewer jobs. These problems have been exacerbated by the widespread use of quantity (as opposed to quality) licensing. An example is quantity licensing of buses and taxis, which has - in many parts of Britain - purposefully reduced the number of vehicles in operation. This in turn has cut the number of jobs available.

27. The growth of new businesses and new jobs is also restricted by monopolies and cartels. Where such a monopoly or cartel operates, producers are able to make greater profits by charging a higher price than would otherwise be possible, thereby decreasing the volume of sales and the number of jobs. Moreover, like quantity licensing, monopolies and cartels restrict the number of new entrants in a large number of industries, trades and professions. Until recently, severe anti-competitive restrictions were imposed on the stock exchange, opticians, building societies and conveyancers; and there is still little scope for free competition in many areas, including notably air travel.

28. The creation of new jobs is further impeded by a large number of well-intentioned pieces of legislation. Most

notable amongst these are employment protection and housing protection. There is, of course, a strong reason for retaining such protections: they safeguard the interests of those who presently possess jobs and those who presently live in rented accommodation. But these must be balanced against the interests of people who do not at present enjoy such advantages - people without homes or jobs. This rule has not always been observed. The obligations imposed on employers by the Protection of Employment Act in its original form were so complex, and the task of getting rid of an inefficient or unhelpful employee so daunting, that many companies now cite the employment legislation as their main reason for not wanting to take on more people. Although the government has made substantial modifications in the provisions of the Employment Protection Act, it probably remains a considerable psychological obstacle to employment.

29. The protections available to tenants also cause difficulties. Those tenants who are already in situ should have their rights respected. But because these same protections are also available to newcomers, there have been very few new tenancies under the terms of the legislation. Householders have been unwilling to rent out spare accommodation, and developers have been reluctant to build new rented housing. This has made it more difficult for people to move from places where work is unavailable for them to places where they would be able to find work. The

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degree of such mobility is one of the principal contrasts between Britain and the United States: the capacity to rent accommodation rapidly makes Americans far more willing to seek out work wherever it is to be found.

30. Admittedly, these restrictions and regulations sometimes transfer jobs from the more regulated to the less regulated sectors of the economy without having any effect on the total number of jobs. But in other cases, they affect all sectors of the economy, and contribute significantly to total unemployment. Too often, attention is focussed solely on the merits of regulation, and this economic and social cost is neglected. The merits are genuine; many of us do benefit from restrictions on planning, protection of employment and housing, and other forms of regulation. But we ought to consider the high price that the least fortunate members of our society are paying to give us these benefits.

Taxation and Subsidy

31. Another obstacle to the creation of new jobs - and one at least as important as restriction and regulation - is the system of taxation and subsidy that has been operated in Britain since the War.

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32. The effects of the various forms of taxation are well known:

- High local authority business-rates drive established firms into bankruptcy and deter new entrepreneurs from setting up. Such rates are now the prime form of business tax: they remove some 20 % of all gross business profits, and have a particularly bad effect on small businesses. They have risen dramatically over the last twenty years. The business rate rose roughly ten-fold between 1963 and 1983, while prices rose only six-fold.

- High national insurance contributions from employers have made it expensive for businesses to take on workers, and have provided an incentive to use machinery instead of labour. Between 1963/64 and 1984/85, the national insurance contributions payed by employers rose from X% to Y%.

- Over-generous tax allowances for capital investment have encouraged the substitution of machinery for labour where this would not otherwise be economically sensible.

- High marginal rates of income tax have penalised success and have reduced the incentives for managers and entrepreneurs to work hard and generate expansion, with hardly any offsetting gain in public revenue.

33. One of the causes of high taxation has been the high level of subsidy given to businesses. Subsidies of this sort can be another example of the kindness that kills. [Passage by Treasury on high costs per job, effects on borrowing and interest rates, and hence on long-term employment rates].

34. Moreover, some of the subsidies have failed to protect jobs even in the short term. This is not surprising, since all government subsidies pose substantial administrative problems. Governments rarely have the information or the skills to take sensible decisions about industrial support; and such support encourages industrialists to look to Whitehall for funds rather than to their consumers - a recipe for industrial decline.

35. The problem is particularly acute in the case of some of the regional subsidies that have been given since the War. Expenditure on such subsidies rose from £24 million in 1962/3 to £917 million in 1982/3. This money has not, in many cases, been targetted to increase employment as much as possible. It has frequently been directed towards those projects that are capital-intensive rather than those that

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are job-intensive; it has been concentrated on the manufacturing sector (in which employment has been tending to decline since 1966) rather than upon the growing service sector; and very large amounts of it have been given for projects that would have occurred in the same location even without assistance.

REMOVING THE OBSTACLES

36. [Treasury passage on the cumulative effects of the various obstacles.] How many of these numerous obstacles to employment in Britain should we remove? What sacrifices are we prepared to make to do so? These questions need to be asked and answered fairly and squarely.

37. It is idle to pretend that we shall ever remove them all, or indeed that we shall ever wish to do so. The number of people finding employment in Britain might rise sharply if wages were to be dramatically reduced, if all restrictions, regulations and protections were to be abolished forthwith, and if all taxation were to be reduced to a bare minimum. But the consequences of taking such steps, the effects on the quality and character of life, would be unacceptable. We would be left without many of the protective regulations to which we have become accustomed over many years: more old buildings would be demolished; some tenants would lose their rights; employees could be

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subject to intolerable hazards at work; it would become impossible to fund an adequate social security system.

38. The problem for any government is to find ways of reducing the obstacles without bringing about these other undesirable results. And the present government has been tackling that problem.

The Record

39. The Government has taken action to reduce the number of regulations and restrictions that impede the creation of jobs:

- The planning system has been improved. Factories are now allowed to expand by up to 20% of their original size or 8,000 square feet without a planning application. The administration of development control has been placed entirely in the hands of local districts, so that new enterprises do not have to obtain permission from both county and district authorities. Circular 22/80 instructed all local councils to make expansion easier for small firms wherever possible; and a major research project has since shown that the Circular has considerably helped small firms in rural areas.

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- 24 special enterprise zones are being set up in particularly deprived areas. These enable new businesses to establish themselves and expand, unhindered by the normal planning routines and exempt from local authority rates. New firms opening in the first eight zones have already generated some 2,000 new jobs.

- In July 1984, the Department of Transport issued a major White Paper proposing radical deregulation of buses and taxis. Quality and safety standards are to be maintained and tightened. But quantity licensing for buses will be abolished (except, for the time being, in London); and there will also be a gradual relaxation of restrictions on numbers of taxis in those places where such restrictions apply. This is a classic example of the benefits of cautious deregulation: without reducing quality control, and without in any way threatening necessary subsidies for rural transport, the Government's proposals will allow new entrepreneurs to enter the market, providing the opportunity for more competition, cheaper fares, more travel and more jobs.

- Strenuous efforts have been made to decrease regulation and increase competition in the professions. The opticians' monopoly [has been]

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ended. The Government [has introduced] legislation to break the conveyancing monopoly which solicitors have held for 180 years, and to allow competitive advertising amongst solicitors. And the monopoly of patent agents is under review. These moves will make it easier for newcomers to offer such professional services, thereby generating both lower prices and new job opportunities.

- The Government has made it easier for people to move from one place to another in search of work by increasing the opportunities for those on the move to sell their homes, and to buy or rent new accommodation. The sale of some 600,000 council houses and flats has made it possible for the occupants to put their dwellings on the market, and for new purchasers to buy them. And a new drive has been launched to make more land available by [improving and] selling off public sector waste-land. [Passage from DoE on new initiative].

40. The government has also set about reducing the burden of taxation borne by business, so that firms can expand and offer new jobs more quickly. Rates of Corporation Tax are being progressively reduced from 53% to 35% for large companies, and have already been cut to 30% for smaller companies. Capital allowances are being phased out to remove the tax bias against employment. Investment in new

job-creating enterprise has been encouraged by eliminating the separate tax on investment income; this has reduced the top rate on such income from the absurd level of 98% to 60%. The very high business rates levied by the most irresponsible local authorities have been brought under control by the Rates Act (1984). And in six new experimental 'freeports', firms will be allowed to manufacture, process, store and export goods to other countries without paying any British customs dues.

41. Subsidies to loss-making nationalised industries, which do damage to other business through higher Government borrowing and increased interest-rates, have at last been brought under control. Between 1962 and 1979, such public finance rose from £X million to £Y million; since then, the Government has reduced it to £Z million. The plan is to reduce it still further.

42. In its White Paper on Regional Policy, the Government set out new proposals for reducing the job-destroying economic distortions that are caused by our present system of regional subsidies. In future, such subsidies are to be reduced in scale, targetted more closely on job-creation and directed towards service activities as much as towards manufacturing. They will be given only for projects that create new productive capacity, expand existing capacity, or bring about useful changes in a product, process or service. The new legislation will in addition ensure that the grants

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given to large firms can be kept below a set cost-per-job created. These changes will make the subsidies more cost-effective, and will also reduce the total amount spent on them, thereby enabling further control of the taxation and government borrowing that makes it difficult for businesses to expand and create jobs

43. Several steps have also been taken to make it more difficult for Trade Unions to prejudice economic expansion and the creation of new jobs. The restrictive practice of the 'closed shop' has been brought under control; legal remedies have been provided for employers affected either by secondary action or by strikes that take place without a proper vote; and unions have been compelled to elect their leaders by secret ballot. As a result of these measures, individual members now have more power to prevent their Unions from aggressively pursuing the unaffordably high wage rises that cause industrial dislocation and reduce the number of jobs.

44. The Government has, in addition, paid special attention to the wages and jobs of young people. It has launched a series of new schemes to help young people price themselves and train themselves into jobs. The Secretary of State for Education announced, at Sheffield in 1984, a dramatic programme to improve standards in schools. The Youth Training Scheme and the Technical and Vocational Education Initiative are together providing some 290,000 young people

with useful vocational training that will make them far more attractive to employers, and far more able to contribute to the expansion of the firms in which they come to work. Moreover, by setting the training allowance for 16 year-olds under the Youth Training Scheme at [£26] per week, and by offering incentives to employers to take on 17 year-olds at under [£50] per week, the Government has begun to induce a greater sense of realism about youth wages; indeed, between 1977 and 1983 youth wages have declined as a proportion of adult wages fromn 54.7% to 52.4%.

Thinking for the Future

45. These reductions in the amount of restriction, taxation and economic distortion, together with the moves towards more responsible Trade Unionism and the improvement of training will undoubtedly in the long term help to create many more new jobs in Britain. But the Government is aware that these measures may not be sufficient to bring about the lasting increase in employment that Britain sorely needs. We, as a nation, need to consider what further steps can be taken to enable businesses to expand and employ more people.

46. Planning restrictions clearly need further investigation. The Government does not, of course, wish to see such restrictions abandoned: they make so invaluable a

contribution to the quality of life that, despite their adverse effects on jobs, they certainly need to be retained. But it may be possible to introduce liberalisation of various sorts without endangering the beautiful parts of our cities and countryside. One method of achieving such liberalisation might be for councils to draw up schemes easing control in certain 'simplified planning zones'. Within these zones, permission might automatically be given either for development of all kinds or for some specific variety such as small businesses, science parks or housing. The Government issued on 11 May 1984, a consultative paper describing this scheme. [Reactions to the paper have been generally favourable, and the Government is considering the various points that have been raised].

47. Further action might also sensibly be taken to remove needless restrictions and regulations other than those concerned with planning. In some cases, the government is not the appropriate body to take such action: certain professional groups, for example, have imposed restrictions on their own capacity to advertise, thereby impeding competition, lower prices, expansion and employment. It is for the governing bodies of these professions, rather than for the Government, to remove those restrictions; and the Government is therefore glad to see that groups such as the Royal College of Veterinary Surgeons and the bodies governing the accountancy profession have taken the matter in hand. In other cases, however, the Government does have

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a direct role, because the restrictions are statutory. In dealing with these cases, the advantages to business and employment arising from decreased regulation must be balanced against the social benefits of retaining certain limitations. The Government is aware of the legitimately strong feelings that are aroused by, for instance, alterations in shop hours. Wide consultation and prolonged reflection are needed before any such changes can be made. But the Government is acutely conscious of the extent to which these regulations impede expansion and job-creation in the retail trades - a sector of the economy that has provided huge numbers of new jobs in other countries such as the United States. [The Government therefore set up a public enquiry in 1983, which has recently reported, recommending far-reaching relaxation of the restrictions; the Government is now considering what changes, if any, can appropriately be made in the light of the report.]

48. The Government also wishes to encourage competition, low prices and expansion in those parts of the economy that are still affected by monopolies and cartels. It has for example been investigating the scope for increasing competition in the provision of local authority services, [and it is also considering the report of the Civil Aviation Authority on methods of preserving and increasing competition in domestic airline routes].

49. The Government is further considering whether the balance between the protection of those who possess jobs and the interests of those who are jobless could be improved by further changes in the Employment Protection Acts. There can be little doubt that these Acts, even in their present amended form, constitute a serious disincentive for employers who would otherwise be willing to take on new employees. The Government therefore wishes to canvass popular opinion on the following possible changes:

- i.)
- ii.) [Options for change outlined]
- iii.)

The Government recognises, of course, that any of these changes would to some extent diminish the security of those in work. The question is whether this loss might be outweighed by the gain in new employment that could occur once the changes were made.

50. Such changes in employment legislation and the other steps discussed above, would stand more chance of giving rise to new jobs if they were accompanied by measures to increase geographical mobility, so that unemployed people could more easily move to places where suitable work was available for them. [Passage on mobility in the housing

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market, and particularly on the Private Rented Sector in the light of recent decisions at H Committee].

51. The Government also wishes to overcome another of the major causes of unemployment by providing opportunities for unemployed people to price themselves into jobs. In particular, the Government is concerned to provide such opportunities for young people. For these reasons, the Government believes that it is be advisable to consider changes in the present system of Wages Councils. [Extended passage on the Councils, putting forward various options for reform/abolition, recognising the possible disadvantages for those in work, but outlining the advantages for those out of work, and seeking comments from readers].

52. [Passage from DHSS on the Fowler reviews as a contribution to the elimination of the 'Why Work?' problem.]

Alleviating the Immediate Problem

53. The Government is also keen to play its part in increasing understanding between managers and employers. There are, of course, strict limits upon the extent to which Government can be involved without improperly interfering in the running of businesses. But it is determined to do whatever can be done within those limits. [Passage on (i) D/Emp scheme for improving employer/employee relations, (ii)

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DTI schemes for quality improvement, and (iii) (?) a new 'Year of the Customer': all phrased as possibilities worth investigating].

54. The Government is, however, conscious that the removal of the obstacles to employment described in this paper will inevitably be a gradual and lengthy process. In the meanwhile, it fully recognises the continued need for transitional measures that will enable people who have the misfortune to be unemployed for a long period to overcome the effects of that misfortune and to regain employment.

55. Undoubtedly, one of the most satisfactory methods of achieving this result is to provide unemployed people with help to start their own businesses. [Passage displaying the virtues of the Enterprise Allowance Scheme, and outlining the increases recently made in its scope.]

56. A contribution can also be made by encouraging employers to divide jobs. [D/Emp passage on JSS/JRS]

57. Unfortunately, however, not every unemployed person is able or willing to try his or her hand at starting a new business. The Government has therefore made efforts to ensure that those who remain unemployed for a long period and who do not take advantage of the Enterprise Allowance Scheme, nevertheless have available to them a period of useful work which can help to boost their morale, to provide

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them with new skills, and to improve their prospects of finding lasting employment. [Passage on the Community Programme and Voluntary Projects Programme, describing their advantages; but admitting the financial cost, and ending with a reminder to the reader that this will inevitably be translated into higher taxation or higher interest rates, thereby causing yet another obstacle to general employment].

58. The Government is willing to countenance these disadvantages because it is acutely aware of the degree of demoralisation that can affect those who are unable to find work for a prolonged period. But concern for the plight of those who are at present unemployed must never become an excuse for neglecting the measures that will in the long run do most to alleviate that plight; efforts to make the transition to full employment easier must never become an excuse for failing to make the transition itself. Britain suffers from a disastrous medley of obstacles to employment. Many of these serve the interests of the affluent working majority at the expense of the impoverished and unemployed minority. For the sake of the majority, they cannot all be swept away; but they can and - for the sake of the minority they should - be gradually and consistently reduced. In recognising this imperative, the Government declares itself firmly and unashamedly the champion of the 'have-nots'. It understands itself as their protector, and is determined to pursue their cause, not with false sentimentality, but with energy and perseverance.