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Prime Minister ^②

To note AT 13/6

REDUCING UNEMPLOYMENT: PUBLIC SECTOR

When we met yesterday to discuss employment generating ideas I said that in some areas we were effectively stopped by manpower controls from providing a service to the public which they pay for. This is bringing complaint from the public and in the House. At the same time it is denying employment possibilities. There are no net public expenditure implications, since expenditure is covered by fees.

I give an example. I have a problem (as did my predecessor) of meeting public demand for driving tests, which can rise steeply and unaccountably, while the force of driving examiners is constrained by overall manpower targets.

The political problem is this. How can we justify long waiting times when the public want driving tests and pay the full cost of the service? The manpower controls have got us into a position of inadequate service levels and inefficient resource use.

I have proposed to the Chancellor to put these services into a trading fund type operation, with efficiency targets.

They involve no net public expenditure because we charge fees to cover the costs. That way, we should have a better method of matching supply to public demand. This is under discussion. I hope we can all agree that this is the way we should go for this kind of operation.

I should say that the wider plan to replace the manpower control in 1988/89 over civil service numbers with a cash control over departmental running costs, though desirable, does not



really meet this problem. Since it is intended to apply to gross running costs, we should be just as constrained then as we are now in responding to increases in public demand. In any case, the driver test type of problem is here now. A solution could contribute - in a modest way - to more employment.

About a third of my own Department is employed on activities which are paid for in full by the public and businesses in fees. There may well be similar cases in other Departments. For example, the Customs are unable because of manpower constraints to provide facilities at small airports for which business users are prepared to pay.

I am copying this to the Chancellor of the Exchequer.

NICHOLAS RIDLEY

13 June 1985