

Cllr. John Holt
8/7

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SKW

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10 DOWNING STREET

From the Principal Private Secretary

1 July 1985

I spoke to you on the telephone about the letter handed to the Prime Minister by Councillor John Holt together with a booklet about the threatened closure of Case Tractors, Meltham.

Notwithstanding the statement in the booklet that there is no immediate suggestion that closure is likely, Councillor Holt said that urgent action was necessary. He also said that the problem appeared to have arisen because the French had offered assistance on a scale which had persuaded them to concentrate their activities in France. You will see that Councillor Holt has been in touch with Mr. Lamont.

The Prime Minister asked me to pass these documents to you immediately and seek an urgent assessment from you. She was wondering whether she should intervene herself with the President of Case.

John Mogg, Esq.,
Department of Trade and Industry.

SKW

From County Councillor John Holt

Conservative Leader Kirklees Metropolitan Council

"BIRCHROYD," 340 BIRKBY ROAD, LINDLEY, HUDDERSFIELD HD2 2DB

Telephone: 0484-32494

1st July, 1985.

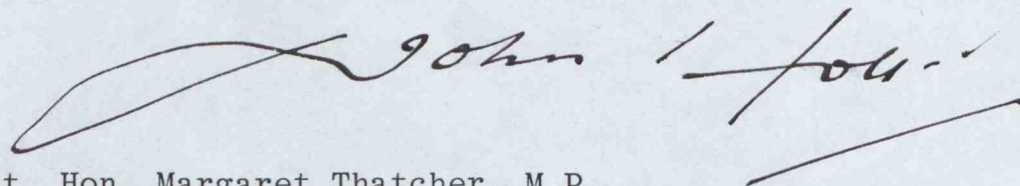
My dear Prime Minister,

As one of your most loyal supporters I would very much appreciate an appointment with you to discuss a number of matters affecting Conservatives and our electors in the North of England. I appreciate how extremely committed you must be but I am aware that a short discussion would be of tremendous help to you and to the Party.

I have taken this opportunity to enclose a document in relation to Case Tractors of Meltham. This explains the serious consequences if this Plant was to close. I have already spoken to Mr. Lamont of the Department of Trade and Industry but it would seem that the French have managed to break all the EEC rules and regulations and offered Case a better deal. This matter is most vital and I cannot express too strongly the urgency if job losses are to be saved. 2,000 people and their families depend on the Government's support and Huddersfield is not an Assisted Area. This is one of several matters I would wish to discuss further with you.

I would like to take this opportunity of expressing my appreciation to you for the wonderful way you lead our Party against the difficulties you encounter and wish to assure you of my continued loyal support at all times.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Holt". The signature is fluid and cursive, with a long horizontal stroke at the end.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON.

CASE TRACTORS, MELTHAM

The consequences of closure



KIRKLEES METROPOLITAN COUNCIL

Employment Development Officer *Chief Executive's Office*

Director of Technical Services *Planning Division*

CASE TRACTORS

Introduction

This paper provides a provisional analysis of the direct impact on unemployment of the run-down and closure of the J I Case Tractor plant at Meltham, West Yorkshire. It also provides an analysis of the likely loss of local income and expenditure.

The current revisions to unemployment and supplementary benefits were awaited at the time of preparing this report. When this data is available a further report will be prepared, estimating the compound induced effect of closure on local employment.

May 1985

CASE AND MELTHAM

An economic study of the impact of closing J I Case, Meltham, West Yorkshire

Introduction

In response to recent news that J.I. Case intends to rationalise its British operations, and the current parent company (Tenneco) has secured interests in other European plants, a brief discussing the consequences of total or partial closure has been prepared. This study assesses the potential consequences of such an event on Meltham and Kirklees including the knock-on effects in terms of local unemployment levels and income/expenditure within the town.

Although there is no immediate suggestion that such an event is likely it is felt that any discussions that are taking place should have the benefit of the fullest information possible.

Meltham

Meltham had a population of 7,404 in 1981 with a relatively young population structure compared to that of the national average (a higher proportion of adults aged 25-44 and children aged 5-15 years).

J. I. Case

Case currently employ 2324* at the Meltham tractor plant dominating the local employment structure. In fact Case is the largest employer in Kirklees other than the local authority, providing 1.8% of total employment in 1981.

It is estimated that 1115 employees (48%) live within Meltham, the remainder living within the Huddersfield Travel to Work Area (T.T.W.A.). The effects of plant closure would therefore be very localised.

Unemployment

In terms of direct effect on unemployment in the Huddersfield T.T.W.A. total closure would result in over a 20% increase in the numbers unemployed - a 2.6% increase in the unemployment rate (Table 1).

However, it is likely that the residential unemployment rate of Meltham will increase by over 500% to exceed 32%, whilst the male unemployment rate is likely to reach 46% (Table 2) - almost one in two men.

* By May 1985 further job losses of around 380 had been announced at the plant bringing employment below 2000. The loss of 80 design and development staff in May was particularly worrying, as this effectively withdraws the plant's ability to alter designs and specifications as required.

TABLE 1

Projected Unemployment Rates (Male and Female)

	Huddersfield No.	T.T.W.A. %	Kirklees No.	%	Meltham* No.	%
1984 average	10558	11.8	20019	13	209	5.9
Half Closure	11720	13.1	21181	14.2	681	19.4
Total Closure	12822	14.4	22343	15.0	1153	32.8

Source: Department of Employment information

*Directorate of Technical Services calculation.

TABLE 2

Projected Meltham male residential unemployment rate

	No	%*
1984 average	123	5.7
Half closure	562	25.9
Total closure	1000	46.1

Source: Department of Employment Information.

*Directorate of Technical Services calculation.

Alternative Employment

Prospects for alternative employment in Meltham are very limited and few opportunities exist elsewhere in Kirklees. During 1984 there was an average of 31 unemployed people for each vacancy notified at Job Centres and Careers Offices in the Huddersfield T.T.W.A. It is estimated that this ratio would increase to 38:1 on the closure of the tractor plant. Not only are there few vacancies, they also occur predominantly in sectors unassociated with the skills of the employees at Case, such as electrical, selling and cleaning. In October 1984 over 38% of the unemployed in Kirklees had been so for at least 12 months. As the ratio of vacancies to unemployed increases the problem of long term unemployment will worsen.

The other major sectors of employment in Kirklees i.e. Textiles and Engineering have shown past trends of vulnerability which has led to many redundancies. Although it is hoped that these trends have now 'bottomed out' current negotiations within these industries, for example, the Multi Fibre Agreement may result in further unemployment. The employment base of Kirklees remains vulnerable.

Available income and expenditure

The projected increase in unemployment will result in a net loss of income to the local economy. In 1984 the total weekly take home income of Case employees was estimated to be £303,452 (Table 3). When compared with the estimated average weekly income of those people claiming unemployment benefit and supplementary benefit a deficit of £117,922 per week can be reached (see Appendix 1). In terms of the Meltham workers alone the deficit is calculated to be in the region of £56,607 per week, almost £2.9 million a year. The total net loss to the local economy will be £6.1 million per annum.

TABLE 3

	£ per week	
	Huddersfield Area	Meltham
Total Case employees take home income	303,452	145,656
Substituted income (redundancy compensation, unemployment and supplementary benefit)	185,520	89,049
Deficit	£117,932	£56,607

Source: Directorate of Technical Services (see Appendix 1)

Effects on the Meltham Economy

Such a reduction in available income will have a concentrated effect on shops and services within Meltham. Expenditure in shops will be proportionally reduced leading to a reduced viability of operation. As a result staff levels will be cut primarily in terms of part time employees thus compounding the economic problems experienced by many families within Meltham. In 1978, 767 people were employed in shops and services in Meltham and Honley. Associated problems of cashflow are likely to ensue leading to eventual liquidation or closure of many local shops and services. As a result unemployment rates will increase even further and the current number of 53 shops and services in Meltham will dwindle along with the range of shops and services available to the community. Severing of linkages with other local businesses may cast a shadow over their future, for example, Shaws Readipak Limited, and the Durker Roods Hotel, both interlinked with Case currently employ 31 and 26 respectively.

Effects on the Kirklees economy

Throughout the Kirklees economy the effects of the possible plant closure will be felt. Huddersfield, being the nearest large shopping centre offering a wide range of goods and services along with the smaller centres of Honley and Netherton will undoubtedly undergo an associated decline. In 1981 service industries accounted for 50% of employment in the Huddersfield Employment Exchange Area.

There will be a net loss of around £200,000 per annum rate income to the local authority from the cessation of manufacturing at the Case plant, with the addition of rate rebates to those unemployed - all leading to an increased dependance on central government funding.

Conclusion

The future for Meltham and Huddersfield if J. I. Case were to close their Meltham tractor plant is very bleak. With a probable unemployment rate in excess of 33% compared with the Yorkshire and Humberside average of 14% Meltham will be very severely affected.

Even partial closure would have very serious consequences for the local economy. The statistics in this paper provide indications as to the scale of the social and economic problems which may be created. In reality, the situation could be far worse, as is demonstrated by such areas as Consett which have suffered major plant closure, and the area would be projected into a spiral of decline that would be virtually impossible to halt.

EDU/AG/RAH/CPS
WP No. 4UJ.REP
May 1985

APPENDIX ONE

The Calculation of total Case Workers weekly income

1. Income

It is estimated that Case employs 1656 men in manual posts and 80 women. 562 men are 'staff' employees, 81 women. The average gross taxable weekly earnings of male manual workers in the vehicle manufacturing industry in 1984 was £148.71, women, £105.10, male staff was £206.60, and female staff was £105.60.

This computes as follows:

Male manual	:	1656 x £148.71 ⁽¹⁾	=	£246,246
Female manual	:	80 x £105.10	=	£ 8,408
Male staff	:	562 x £206.60	=	£116,109
Female staff	:	81 x £105.60	=	<u>£ 8,553</u>
				£379,316

Income tax averaged 20% of median income in 1982-83.⁽²⁾ Total take home weekly income = 379.316 x 20% = £303.452.

2. Redundancy

Redundancy payments are determined on the basis of years employed.

Assume that the plant pays redundancy compensation at the maximum grant assisted by the Government (£152 for each year of work).

The average length of employment at Case is assumed to be three-quarters of the working life of the staff.

Male median age = 42 years.

Female median age = 40 years.

Therefore, assumed redundancy period:

$$\begin{aligned} &= \text{Males } (42 \text{ years} - 16) \times 75\% = 19.5 \text{ years} \\ &= \text{Females } (40 \text{ years} - 16) \times 75\% = 18 \text{ years} \end{aligned}$$

Forecast redundancy payment:

$$\begin{aligned} &= \text{Males } £152 \times 19.5 \times 2218 \text{ male employees} = £6574,152 \\ &= \text{Females } £152 \times 18 \times 161 \text{ female employees} = \underline{£ 440,496} \end{aligned}$$

£7014,648

Assume that redundancy money is spent over 2 years of unemployment.

Weekly expenditure = £7,014,648 ÷ 104 = £67,448 per week.

3. Unemployment benefits

The standard rates of unemployment and supplementary benefits⁽³⁾ are as follows:

	£
Male, single	28.45
Male, married, no dependants	46.00
Male, married, with dependents (assume 2 children aged over 11*)	74.25
Female, single	28.45
Female, married, no dependents	46.00
Female, married, with dependents (as above*)	75.25

(* Reasonable assumption, based on the median age of the workforce)

Based on the 1981 Census composition of Kirklees, the likely breakdown of the Case workforce is as follows:

Male, single	705
Male, married, no dependents	794
Male, married, with dependents	719
Female, single	47
Female, married, no dependents	60
Female, married, dependents	54

Therefore the likely base weekly benefit income is:

MS	705 x 28.45 =	£20,057
MM,NC	794 x 46.00 =	£36,524
MM,C	719 x 74.25 =	£53,385
FS	47 x 28.45 =	£1,537
FM, NC	60 x 46.00 =	£2,760
FM,C	54 x 74.25 =	<u>£4,009</u>

£118,072

Therefore, the total weekly income drop from plant closure would be:

$$\begin{aligned}
 & \text{(Earnings) - (Redundancy) + (Benefits)} \\
 & \text{£379,316 - £67,448 + £110,072 = £193,796 per week}
 \end{aligned}$$

Notes

- (1) New Earnings Survey
- (2) Social Trends
- (3) Base benefit rates not including mortgage interest relief.