



FILE

cc JR

15

15

10 DOWNING STREET

From the Private Secretary

17 September, 1984

Dec Davis,

SEMINAR ON INDUSTRY AND EMPLOYMENT

I attach a checklist of conclusions and matters to be followed up arising from the meeting at Downing Street last Thursday.

The Prime Minister would be grateful if the Ministers indicated could take the action attributed to them in the note, consulting with other colleagues as required (though in such cases no reference to the origin of the remit should be made). As proposals are developed they should be brought to the Cabinet or its Committees as appropriate. Alternatively, papers can be circulated to ad hoc groups of Ministers. This office will be happy to advise on the appropriate channels.

The Prime Minister expects to hold a further meeting, probably in November, when work on the possible discussion document and the measures which could give substance to it is more advanced.

This letter and the checklist are for the sight and use of Ministers only and their Principal Private Secretaries. The Prime Minister has asked for no circulation of this letter or the list; that no copies should be made of them and that action should be initiated by means of separate instructions and not by means of the list itself. In putting action in hand, no indication should be given as to the origin of the remit.

I am sending a copy of this letter and enclosure to Elizabeth Hodkinson (Department of Education and Science),

Michael Reidy (Department of Energy), John Ballard (Department of the Environment), David Normington (Department of Employment), Callum McCarthy (Department of Trade and Industry), Steve Godber (Department of Health and Social Security), Lee Lewis (Office of the Minister without Portfolio); and to Richard Hatfield and Peter Gregson (Cabinet Office).

*Your sincerely
Andrew*

(Andrew Turnbull)

D. Peretz, Esq.,
HM Treasury.

SEMINAR ON INDUSTRY AND EMPLOYMENT: CHECK LIST AND CONCLUSIONS

Developments in the Labour Market

(i) The Secretary of State for Employment to produce an analysis of the impact of YTS, covering the take-up, the impact it had had on youth unemployment, the extent to which "graduates" of YTS were finding employment or were moving on to YWS, and the extent to which young workers might be displacing older workers.

Expenditure programmes relevant to employment

(ii) The Group took note of the report of the working group and broadly endorsed its conclusions. It was agreed that no major re-allocation between expenditure programmes was needed.

(iii) It was agreed that the inter-departmental Manpower Group, under Department of Employment chairmanship, should evaluate on a regular basis both the special employment measures and other programmes with similar aims.

(iv) It was agreed that when putting forward proposals for expenditure, primarily directed towards cutting unemployment or increasing employment, including support for industries in financial difficulties, Departments should support the proposal with figures for the net exchequer cost per person taken off the unemployment count or per net job. At the same time, adequate weight should be given to longer term supply side benefits.

Link between wages and unemployment

(v) The group endorsed the Chancellor's paper discussing the link between wages and unemployment. It found particularly helpful the counter arguments to the claims which had been made to deny the existence of this link. The Chancellor of the Exchequer agreed to circulate an addendum countering the TUC arguments that the link was disproved by the existence of sectors with high wages and increasing employment such as electronics and sectors with low wages and declining employment such as textiles.

(vi) The Secretary of State for Education and Science in conjunction with the Chancellor of the Exchequer and the Secretary of State for Employment and Trade and Industry to meet Sir Christopher Lawson to carry forward work on a privately financed programme of public education on the economic facts of life. This should make use of the

material included in the Chancellor's paper.

(vii) The Treasury to continue work to establish econometrically the relationship between wages and unemployment.

Passport for a job

(viii) The Group considered the Secretary of State for Employment's report on the Passport for a Job proposal. His preferred option was to provide a certificate to young people falling between eligibility for YTS and age 20 removing them from the scope of PAYE, employment protection and wages councils and granting a credit for National Insurance contributions.

(ix) The Group felt it was necessary to consider whether in practice the scheme would reduce bureaucracy when allowance was made for the machinery that was needed to issue and monitor the use of certificates of exemption; whether it was equitable to exempt one group of workers from tax when others on lower incomes might still be paying tax (this could only be solved by pitching the net wage near the tax threshold though which could make the scheme unattractive); whether workers should be given a credit for NI contributions which would entail the keeping of records or whether like students they should be deemed not to have paid.

(x) The Secretary of State for Employment to continue work on various options for the scheme, ie. different age groups, the size of firm to be eligible and the net wage to be offered taking account of the points made in the discussion. The costings should be agreed with the Treasury. The Secretary of State for Employment in consultation with the Secretary of State for Social Services should consider the inter-relationship between the net wage under the scheme and the social security benefits available to young people.

(xi) The Secretary of State for Employment to continue work on the remits which emerged from the meeting of 24 July on the reduction of administrative and legislative burdens, in particular the case for reducing the scope of employment protection legislation. How far it was possible to make progress generally in this area would be relevant to whether a scheme targetted on young people should be introduced.

Getting across the Government's approach on employment

(xii) The Group discussed the case for a discussion document setting out the Government's approach on employment questions. It was agreed that it would be easier to secure

public acceptance of individual measures where protections were being removed if the measures could be seen as part of a wider picture.

(xiii) The Group agreed to keep open the question of whether to publish a discussion document. It was noted that for this to be successful, the Government would need to have developed a number of measures, eg. on wages councils, employment protection, shop hours, etc., which would form an adequate Government response to the problem of unemployment. Such a document should also contain a section on how jobs had been created. Care should be taken not to jeopardise the Government's success in securing public acceptance that the problem of unemployment could not be laid entirely at the Government's door.

(xiv) The Secretary of State for Employment, the Secretary of State for Trade and Industry and the Minister without Portfolio should work together on ways in which the Government's case could be better presented. They should assemble material for speeches; should carry forward work on a possible discussion document which might be issued early in 1985; and should consider what might be the elements of a package of measures which could give substance to such a document. The Chancellor should be kept closely in touch with this work. The Prime Minister would convene a further meeting, probably in November, to review progress.

Planning

(xv) The Secretary of State for the Environment to bring forward a paper on the improvements which could be made to the planning system to remove obstacles to enterprise and the creation of jobs.

Surplus land and developments in the public sector

(xvi) The Secretary of State for the Environment to bring the papers circulated to the group to E(DL) for discussion and action.

AT

1719