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 Prime Minister (2)

PRIME MINISTER

UNEMPLOYMENT

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 You will wish to be aware that this has come

* from the Policy Unit in - I will resubmit to you with advice* at the weekend

At your meeting on 14 October about our policies for dealing with unemployment I was asked to study certain possible employment measures and to let you have a progress report, after consultation with the Chancellor, by the end of this month. MS 30/11

2 On these particular remits I instructed my officials to work up for our consideration practical schemes, with argumentation at a minimum. The attached note reports the outcome with details of each scheme in separate annexes. More work is needed on the Workfare scheme on which we have only recently obtained information about US practice and experience.

3 The Treasury, DI and DHSS have all been involved in working up the possible schemes and in the calculations of costs. I have ascertained that the Chancellor is content with the progress report.

4 I have not made any recommendations on these schemes, all of which have expenditure implications. I presume it is your intention that we should have another meeting to decide in what way this should be carried forward.

5 I have also, as you asked at your meeting on 14 October, looked at the suggestions made by the CPRS for changes in employee protection legislation, and at other possibilities put forward in that area. This led me to consider the whole question of

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the unfair dismissal jurisdiction. I have just written to Patrick Jenkin about this, and will write to you when I have his views.

6 I am sending a copy of this minute and of the progress report to the Chancellor and to the Secretary of State for Industry and Social Services.

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November 1982

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EMPLOYMENT MEASURES

Note by the Department of Employment

We report below the position reached so far (with the assistance of the Treasury, DI and DESS) on the five remits for study of special employment measures.

2. We have concentrated on working up practical schemes which could be operated if Ministers chose, and have supplied costings on the comparative basis used for special employment measures. However, two of the proposals studied - the Enterprise Allowance and Workfare schemes - have other aims than that of reducing unemployment and are not to be assessed solely by that criterion.

Enterprise Allowance

3. We were asked to consider a proposal to develop the pilot schemes (which close to applications next March) into a cost effective national scheme. Full evaluation of the pilots will not be possible until late 1983, but there is already sufficient information for taking a decision on whether to extend.

4. Annex 1 outlines a national scheme which could be introduced from 1 July 1983 if Ministers wished. It could take 22,000 people off the unemployment register by the end of the first year at a gross cost of £145m (net cost about half that) in a full year. Viewed as a special employment measure the net cost per person off the register is relatively high at nearly £3,000 and is particularly uncertain, but unlike most special employment measures this scheme would generate new small businesses and real jobs.

Full Time Job Release Scheme

5. We were asked to consider encouraging more early retirement in the short term by extending the JRS to 60+ year olds, including a partial retirement option.

6. No decision has yet been taken to extend the full time JRS beyond March 1984, but PES provision exists for its continuation on the basis of reverting then to an eligibility age of 64 from the present 62. Annex 2 sets out a range of options (with costings) if Ministers wish to continue and/or expand full time JRS beyond March 1984. Occupational pensioners above a certain pension level would be excluded.

7. These are short term schemes. It is particularly important to recognise that, if extension beyond age 62 to, say, 60 is viewed as a continuing option as distinct from being available only for an extra year to March 1985, the annual costs build up rapidly. As an illustration, Annex 2 shows that extending the scheme indefinitely to age 60 would push up the gross costs towards £1 billion in 1987-88.

8. Looking beyond the short term, DESS will now be examining the possibility of a permanent flexible retirement scheme in the light of their Select Committee's report of 24 November. The CPRS are also studying the longer term possibilities in the pension study which they expect to complete by the Spring.

/Partial

Partial Retirement Option

9. The DHSS and CPRS studies will look at the possibilities of offering partial retirement within regular pension schemes. But for the short term Annex 3 shows how we could provide a part time form of JRS to serve the purpose.
10. Some of those who would have taken full time JRS would prefer the part time version if it is on offer and this transfer would bring about some saving in the combined costs of the two schemes. The illustrative scheme in Annex 3 is for a part time option running alongside full time JRS from April 1984 on the assumption that the male age of eligibility for both is the present 62. But the part time scheme could be introduced earlier and could have a different eligibility age eg 60 in relation to the present 62 or, after March 1984, 60 in relation to a full time 64.
11. There is a question of relationship with the new Job Splitting Scheme. Like JRS no decision has been taken to extend JSS beyond March 1984. But if it was available at the same time as a part time JRS, it would be desirable to avoid making payments under each in respect of the same split job.

Temporary Short Time Working Compensation

12. We were asked to consider a proposal for the extension of this scheme, of which Ministers have announced the termination in March 1984. Annex 4 describes a possible form (with costings) in which it could be extended beyond March 1984 (or even expanded before then) if Ministers wished to reverse their announced decision.
13. Annex 4 also considers the possible lines of a permanent scheme. Here the choice lies between putting the present or modified temporary scheme on a permanent basis (which the CBI favour) or introducing a wider scheme designed to cover all short time working whether caused by redundancy or not. If Ministers are interested, we can work up these ideas in more detail, consulting the CBI informally en route.

Workfare

14. We were asked to take forward the proposal for some kind of "Workfare" scheme. Pending information about the American Workfare programme we have not managed to get so far on this as to work up a possible scheme in the same detail as the other remits.
15. Annex 5 sets out the main features of the Workfare approach and questions to be resolved in designing and introducing such a scheme. An important operational question is whether it could, in practice, run alongside the new Community Programme which has been assured continuance for the next two years. Subject to Ministerial guidance, we propose to proceed to work up a scheme in the same detail as the others.

Questions for Ministers

16. It would be helpful to know at this stage:
- (a) which, if any, of the first four of these schemes Ministers wish to be pursued for further consideration. (Annex 6 tabulates their comparative register effect and costs).

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- (b) if the Enterprise Allowance is to be carried further, Ministers' views on the proposed features and timing of the national scheme.
- (c) if extension of the Job Release Scheme is to be pursued, whether Ministers wish to extend JRS on a full time or combined full and part time basis beyond March 1984, which age(s) of eligibility they have in mind and whether they wish to exclude occupational pensioners above a certain pension level;
- (d) whether Ministers wish to alter their decision to close the Temporary Short Time Working Compensation Scheme in March 1984 and, if so, their views on the proposed basis on which it could be extended as a temporary scheme and whether they wish further consideration given to the possibility of a permanent scheme on the same or on a wider basis.
- (e) whether Ministers find the essential elements of the Workfare approach acceptable as a basis on which officials should prepare a detailed scheme and whether they envisage this operating alongside the present Community Programme or in succession to it.

ENTERPRISE ALLOWANCE

The Scheme started in March 1982 in five pilot areas (three in England, one in Scotland and one in Wales) Applications close in March 1983. The object is to encourage benefit recipients to leave the unemployment register and establish small businesses

EVALUATION OF PILOTS

2. Most of the participants are men, with an average benefit level of £37 a week. Half of them had previously worked in manufacturing industry, but the bulk of the new businesses they set up were in construction or services. Even in the first few months of the scheme a significant number of extra jobs (mainly part-time) had been generated for other than the recipients of the scheme. However, a large proportion of participants would probably have set up in business anyway, although some of these would probably have done so in the "black" economy. Further material will be available in December. Full evaluation will not be possible until late in 1983.

3. On present evidence the net cost per person off the register (nearly £3,000) is higher than for most other special employment measures (under £2,000). But there is considerable uncertainty over deadweight and displacement and the net cost figure is sensitive to changes in these assumptions. The scheme compares more favourably with some other types of measure (small firms policy) in employment-creating effectiveness.

4. The scheme has certain special advantages in terms of the thrust of current Government policy. It generates new small businesses, supports entrepreneurial talent and initiative, and unlike most SEMs can be expected to lead to the creation of extra real jobs. Insofar as these jobs continue after the period of subsidy, extra benefits will accrue, thus reducing the overall net cost of the scheme (though we have not been able to cost these longer term effects). The report of the House of Lords Select Committee on Unemployment broadly favoured extension of the scheme.

FEATURES OF A NATIONAL SCHEME

5. On the experience of the pilots a national scheme starting in July 1983 would have the same main features:

- (i) applicants must be 18 or over;
- (ii) they must have been unemployed or under notice of redundancy for at least 13 weeks;
- (iii) they must have at least £1,000 available to invest in their business and must work in it full time.

- (iv) the allowance should probably stay at £40 a week payable for 12 months for the introduction of the scheme in 1983-84 (but this will be reviewed in the light of further evidence from evaluation);
- (v) access should continue to be available to the Small Firms Counselling Service, but whether a counselling interview should continue to be a prior condition of approval will be reviewed in the light of evidence on its utility which will be available in December.

Costs

6. The cost of a national scheme to run indefinitely on this basis from 1 July 1983 with the five pilots being continued to that date, would be as follows:-

	1983-84	1984-85	1985-86	£ million 1986-87
Gross costs	45	145	150	155
Net costs	20	65	65	70

In a full year the scheme should take about 22,000 people off the register.

Staff

7. Based on current arrangements an extra 400 staff might be required in Jobcentres to run the scheme and a further 20 in DI. These estimates are being reviewed to see whether any increase over the 200 or so staff who would be saved in the Unemployment Benefit Service and DHSS can be eliminated.

EC Aspects

8. A national scheme might well be notifiable to the Commission, although they have reserved judgment on this point so far. However, it would probably be eligible for and likely actually to secure some assistance from the European Social Fund on the Fund's present criteria, at least for Assisted Areas.

JOB RELEASE SCHEME

Until 31 March 1984 the Job Release Scheme is open to men aged 62, women aged 59 and disabled men aged 60. Ministers have not considered its future beyond that date, but PES provision has been made on the basis that the age limit for able-bodied men will then revert to 64.

2. The House of Lords Committee argued that the age limit for men should be reduced below 62 and the CBI Cave report included in its calculations a reduction in the minimum age for men to 60.

Options

3. The four main options after March 1984 are set out below (assuming no change in the eligibility age for women and disabled men):

- (a) Close the scheme for fresh applications;
- (b) Raise the eligibility age for men from 62 to 64 (the existing PES provision is based on this assumption);
- (c) Hold the eligibility age for men at 62 for a further year to 31 March 1985;
- (d) Lower the eligibility age for men to 60 for one year to 31 March 1985.

4. The gross costs and register effect of these options are:

	<u>Cost (£m)</u>			<u>Register Effect (March 000s)</u>		
	<u>84-5</u>	<u>85-6</u>	<u>86-7</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
(a) Closed for new applications	265	135	50	54	19	6
(b) 64/59/60 disabled men	290	195	130	70	40	30
(c) 62/59/60 disabled men	345	295	185	101	63	39
(d) 60/59	420	430	325	139	101	75

5. Under options (c) and (d) the scheme remains open at the lower eligibility age for one year only. If instead the extension continued throughout the PES period, the annual cost for option (c) would not vary much from the 1984-5 figure but the costs for option (d) would rise to reach nearly £1 billion in 1987-88.

6. Net costs are less than half the gross costs and the net cost per person off the register is just under £1,500 for each of the options.

Staff

7. Staff requirements are fully offset by savings in the Unemployment Benefit Service.

Occupational Pensions

Many people entering JRS have small occupational pensions and the addition of the job release allowance just tips the balance in inducing them to leave the labour force. This is much less likely to be true of those with very large occupational pensions and it is proposed to exclude those with occupational pensions of £75 or more a week. (This figure has been selected because at £75.50 a married man with dependent wife totally loses his entitlement to unemployment benefit under the pound-for-pound tapering arrangements). The effect on take up is likely to be minimal (in a 1979 survey only 1% had occupational pensions above £50 a week), but cost-effectiveness should increase as a result of reducing deadweight.

EC aspects

9. JRS is not notifiable to the European Commission, nor is it eligible for Social Fund assistance.

PARTIAL RETIREMENT OPTION IN THE JOB RELEASE SCHEME

Some older workers would probably be attracted by part-time Job Release since they could reduce their hours of work in advance of full retirement while their income would fall less than under full-time JRS. At the same time genuine vacancies would be created for those unemployed people willing to leave the register completely to take up part-time jobs where part-time earnings exceed their benefit entitlement.

2. Both the House of Lords Committee and the CBI Cave report advocated forms of part-time JRS.

A part-time JRS

3. The main features of a part-time scheme would be:

- (a) the age limits and other criteria would be the same as full-time JRS except that the applicants would undertake to give up at least half their previous contractual hours, releasing a minimum of 15 hours a week for a replacement;
- (b) the part-time Job Release allowance would be exactly half the full-time rate;
- (c) each part-time job released under the scheme would be filled by a part-time worker from the unemployment register;
- (d) normally neither the replacement part-time worker nor the retiring part-time worker would figure in the unemployment count because the income of most of them would be above benefit levels.

Costs

4. The following table shows the additional cost and register effect of introducing a part-time JRS alongside the full-time scheme for the year April 1984 - March 1985, assuming a male eligibility age of 62 (as in full time JRS option (c) in Annex 2).

	<u>1984/5</u>	<u>1985/6</u>	<u>1986/7</u>
Additional gross cost (£m)	19	28	17
Net Cost (£m)	-1	-1	1
Additional register effect (end-year)	27,000	16,000	7,000

5. The net cost per person off the register in 1984-85 would be about -£90. This is a minus cost for two reasons. First, because only half the Job Release allowance is paid, while the saving in benefit from employing someone off the unemployed register remains much the same. And secondly, because some potential full-time applicants will transfer to the part-time scheme, representing a considerable saving on the allowance paid.

Other Options

6. Any of the age-limits for the full-time JRS options in Annex 2 could be adopted for the part-time scheme also. Alternatively, the age-limits could be different in each

Scheme, eg men might enter full-time JRS at 64 and part-time JRS at 60.

Connection with the Job Splitting Scheme

7. Ministers have not yet taken a decision whether to extend the Job Splitting Scheme (JSS) beyond March 1984. If JSS were to be extended, the question arises whether the employer of an applicant for part-time JRS should be allowed to claim the £750 JSS for each job split. To allow this would raise the net cost per person off the register under part-time JRS from -£90 to +£1,500 because the Government would then be making two payments (one to the JRS participant and one to the employer) for each part-time job released for an unemployed person. The above costings assume that double payment would not be allowed.

Staff

8. The 150 or so extra staff needed to run the scheme would be offset by the reduced requirement of staff otherwise needed to pay benefit.

EC Aspects

9. The scheme would not be notifiable to the European Commission, nor would it be eligible for Social Fund assistance.

TEMPORARY SHORT TIME WORKING COMPENSATION SCHEME (TSTWCS)

This scheme was introduced in April 1979 to give a breathing space to firms threatened by redundancy. By early 1984 most of industry likely to use it will have exhausted their entitlement. The Government have therefore announced its closure in March 1984 and the money previously allocated for new applications after that date has been surrendered.

2. The CBI want the scheme to continue. Their ideas are not fully worked out yet, but they are looking for some mechanism for allowing further support for jobs already supported, with a lower Government contribution for the second period of support or a substantial period of time between the first and second periods. They also want the eligibility threshold lowered from 10 threatened redundancies to 5, in order to benefit small firms.

The case for continuing the scheme

3. The scheme was introduced as a temporary measure. Ministers have been conscious of the dangers of propping up indefinitely jobs which are not viable without a subsidy and have always taken the line that each job should be supported once only and for a limited period. Admitting second applications may tend to slow down essential restructuring.

4. On the other hand, it can be argued that, so long as the prospects for strong economic growth are not good, a breathing-space in which firms can keep their labour force together while adjusting to economic pressures is still needed. This scheme is a particularly cheap way of keeping unemployment down and industry seeks its continuation. Also, other EC countries such as Germany and France have continuing schemes.

A possible scheme

5. If Ministers wanted to continue the scheme after March 1984, its main features might then be:

- (i) the existing criteria for eligibility;
- (ii) a second six months' tranche of support for the same jobs 3 years after the date of the previous application for support;
- (iii) as now, workers covered by the scheme would be paid 75% of normal earnings while on short-time. The employer would be reimbursed 50% of normal earnings for the first 6 months of support, as now, and 40% for the second 6 months three years later;
- (iv) the eligibility threshold could be reduced from 10 to 5 threatened redundancies.

6. The gross costs and register effects of such a scheme continued indefinitely after March 1984 might be:

	<u>Gross Cost (£m)</u>	<u>Register Effect at end-year</u>
1984-85	130	35,000
1985-86	55	16,000
1986/87	45	11,000

But expenditure under the scheme can vary greatly according to economic conditions. In 1980-81 for example, it rose to over £360 million.

7. The net cost per person off the register (about £140 in 1984-85) is very low because, with support at 40%, the Government payment to the employer is broadly what would otherwise be paid to the employee in benefit. (This assumes 10% of deadweight, which occurs particularly where employers could avoid redundancies by simply laying off employees and leaving them to claim UB. Even with deadweight of 40%, the figure would rise only to about £900, so that the scheme would still be relatively cheap.)

Staff

8. Staff required for processing second applications would be fully offset by savings in staff otherwise required to pay benefit. This is probably also true if the eligibility threshold is lowered to 5, which would bring in many small applications.

A permanent scheme

9. The scheme described in paragraph 5 could be extended indefinitely under the powers of the Employment Subsidies Act (a temporary Act which can, however, be renewed for 18 months at a time while unemployment is high). But if Ministers wanted a permanent scheme of short-time working compensation new main legislation would be required. This could be used either

(a) to put the present scheme on a permanent basis, incorporating the changes in paragraph 5. This would be consistent with CBI ideas; or

(b) to provide for a broader-based scheme covering short-time working for any reason. This would replace not only the present special employment measure but also the present use of the unemployment benefit system for short-time working (except for lay-offs) and the guarantee payments under the employment protection legislation. The Labour Government published in 1979 a Bill to establish a permanent scheme of this kind with collective funding by employers and the proposals were fiercely opposed at the time by the CBI.

European Aspects

10. Schemes for short-time working compensation are not notifiable to the European Commission and are not eligible for support from the European Social Fund.

WORKFARE PROGRAMME

US Federal legislation gives States the option to require recipients of Federal Welfare Benefit to work in return for those benefits. The tasks offered must involve work experience, but not displace existing jobs. Apparently about 15 States have taken up this option but this has been done either on a geographically limited basis and/or has been restricted to certain groups amongst the unemployed, chosen from amongst those eligible for Federal benefits.

Features of US programmes

2. The States' programmes are not standard and many of the details are unclear to us at present (e.g. who disqualifies from benefit and how long does the penalty stand), but most seem to have the following features:-

- (a) work is done in return for the benefit otherwise payable;
- (b) the amount of work in most cases is based on the going rate for the job, which means that most of the jobs are part time;
- (c) almost all of the jobs are in the public service sector. They are not supposed to displace existing employees and must not be capable of being filled by advertising;
- (d) they involve some additional net costs in terms of administration, supervision or training, if provided;
- (e) they are selective about who is required to work but for those in 'target' groups there is a risk of disqualification from benefit if offers of such work are not accepted.

Advantages and Disadvantages

3. Several advantages are claimed for such schemes. They hit at the notion of "something for nothing", and act as a deterrent to the workshy, hence reducing numbers on benefit and benefit expenditure. The work experience they provide, and in some cases training, helps the unemployed to secure real jobs. Many of the unemployed welcome the opportunity of any sort of work

4. On the other hand, the schemes are criticised on the grounds that the jobs are often too menial to provide a useful stepping stone to genuine employment.

It also seems to be the case that extra costs are involved in running such schemes which more than offset any savings as a result of their deterrent effects. Furthermore, there have been difficulties in devising suitable schemes, which have been compounded by the hostility of unions and others.

Comparison with the UK

5. There are two key differences from the UK Community Programme. The first is the element of compulsion (no benefit if suitable jobs are not accepted). The second is the fact that benefit is paid, not wages.

6. The administration of benefit in this country does contain an element of compulsion to accept suitable employment in the normal labour market at normal rates of pay if offered. But willingness to participate in temporary work programmes, such as CP, has not so far been made a condition of entitlement to benefit. Indeed, public discussion in recent years of voluntary work opportunities for the unemployed, YTS, and the Community Programme itself has shown considerable resistance to any concept of compulsion. With a workfare programme parallels might be drawn with the 1930s when such 'test work' was last made a condition of entitlement to benefit, albeit on a limited scale.

7. The payment of benefit rather than wages would also mark a significant departure. In one respect practice under the Community Programme in providing part time opportunities, albeit at the going wage rate, is not so different from the Workfare concept where benefit payments are worked off by reference to hours worked at the appropriate wage rate. For example, for someone on £60 benefit, this could mean in practice 30 hours work under a workfare scheme or a part time Community Programme job of 30 hours at £2 an hour. Nonetheless, the outcome for individuals may be different in that under CP earnings are related to the work done, and not to previous benefit entitlement, whereas under Workfare work is tailored to match the benefit entitlement.

Problems to be overcome

8. We have more work to do yet to design a possible scheme for this country. But there are obvious problems of which Ministers need to be aware at this stage.

- (a) the number and nature of jobs that could be created under a Workfare scheme. In the light of American experience and the numbers of special programmes already being run in this country (particularly CP) there are likely to be limits to the number of extra jobs that could be created.

- (b) target groups. There are problems over choosing the particular groups amongst the unemployed on which to target a workfare scheme. Some obvious groups such as the long-term unemployed are too large to be feasible if, as seems necessary given the element of compulsion, the aim were to be able to offer a job to all within the target group;
- (c) relationship of Workfare scheme to CP. Given the similarity of the type of work likely to be involved, and possibly of the target population, it looks particularly difficult to run a new Workfare scheme in parallel with the Community Programme. It may be more realistic to think of it as a successor (though the Government have assured CP sponsors that it will run for the next two years);
- (d) political acceptability. Unless the elements of compulsion and working only for benefit can be made politically acceptable, it may not prove practicable to get local authorities and voluntary agencies to produce suitable work opportunities in the numbers required.

COSTS OF THE VARIOUS POSSIBLE SCHEMES

<u>Scheme</u>	<u>Register effect at March 1985</u>	<u>Gross Costs (£m)</u>			<u>Net Cost per person off register (£)</u>
		<u>84-5</u>	<u>85-6</u>	<u>86-7</u>	<u>(84-5)</u>
A. <u>Enterprise Allowances</u>	22,000	145	150	155	2,900
B. <u>JRS options (1)</u>					
(a) <u>Stopping JRS</u>	54,000	265	135	50	1,500
(b) <u>JRS (men aged 64)(2)</u>	70,000	290	195	130	1,500
(c) <u>JRS (men from 62)(3)</u>	101,000	345	295	185	1,500
(d) <u>JRS (men from 60)(3)</u>	139,000	420	430	325	1,500
C. <u>Part-time JRS (men from 62)</u>	27,000	19	28	17	-90
D. <u>Short-time Working</u>	35,000	130	55	45	140

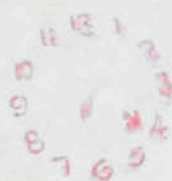
FOOTNOTES:

- (1) Figures are cumulative and not to be added together.
- (2) This is broadly the provision in the current PES
- (3) For one year only from 1 April 1984.

Manpower, Special Employment Agency,

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SIR TERENCE BECKETT (CBI) - We Need More Growth Before We Can Cut Unemployment.

Transcript from BBC Radio 4, The World At 1. 26 October 1982.

INTERVIEWER: ALAN TRISTRAM.

PRESENTER: ROBIN DAY. Well as you've heard in the news, the number of people out of work this month has fallen by nearly 50,000 to just over 3,295,000. But, although the number of unemployed school-leavers is down, the underlying unemployment trend is still upwards with more and more people joining the long-term unemployed. Alan Tristram asked the Director General of the CBI, Sir Terence Beckett, for his reaction to today's figures.

BECKETT: We won't be cutting unemployment substantially, of course, until we can get some growth back into the economy.

TRISTRAM: Well, how are we going to get some growth back into the economy?

BECKETT: Well, we've got a conference next week on this - the CBI Conference - where we're devoting, in fact, a third of the whole of the conference to the subject of unemployment. We're going through the reasons, the ways in which we can get a more dynamic economy and then, secondly, we shall be talking, of course, about some of the specific measures that we can adopt to get unemployment down in the meantime.

TRISTRAM: Now you will be putting forward a plan at this conference, I understand. What are some of the key ideas in this plan?

BECKETT: Oh, I think I've got to ask you to wait for the conference on that. I don't want to anticipate all the debate. Our members have got some very good ideas - and, by the way, there's no magic wand in this; if there was then we'd have come up with a long time ago - but there are some measures that we can adopt and then, secondly, we must get a more dynamic economy going.

TRISTRAM: Will you though, for instance, be calling for more Government spending?

BECKETT: No, basically there's very little of that; it is really a rearrangement of what we're currently doing but, fundamentally, we really do have to get the economy moving - this is the big thing - and we think we can get it moving in this next year, by the way.

TRISTRAM: Well some politicians have claimed that keeping wage costs down would, of itself, solve this problem and increase employment. That's not so, is it?

BECKETT: Oh yes it is, actually. We want, we ought to be pricing people back into jobs, there's no doubt about it. One of the things that we've done in these last few years is, by letting wages go up so much, we've made ourselves uncompetitive in the world and we're 35% uncompetitive, now, against the rest of OECD and we really do have to get this uncompetitiveness out of our system.

TRISTRAM: But, I mean, a lot of our wages are lower than on the Continent, for instance?

BECKETT: Yes, and so is our productivity, of course.

TRISTRAM: But that, of itself, just keeping wages down, won't increase employment enough to counteract the 3 million plus unemployed, will it?

BECKETT: The great secret of getting our unemployment down is to make the British economy more competitive than it is - and let me tell you it's woefully uncompetitive at the present time - that is the single most important solution to the whole problem.

TRISTRAM: Don't you think, though, that the actual problem of unemployment - those millions of people out of work - is, of itself, more important than industry. That, in other words, the Government should now spend to get those people back to work?

BECKETT: Well it isn't a contrast between the two. What we've got to have, in this country, is an understanding of what industry

needs to become more competitive so that it can provide the jobs and the prosperity for all of us in the future.

TRISTRAM: No, the point I'm making is that shouldn't, really, the Government be spending to put people back into jobs

BECKETT: No, it most certainly shouldn't. If we simply add money to this situation, all we shall get is a lot more inflation and this is precisely what Governments have been doing for the last 20 years and the result is the mess we are in today. That isn't the way at all. We've got to get ourselves more efficient; we've got to get ourselves more competitive; this will give us a larger share of the world market and, in this way, we shall provide the jobs and the prosperity everybody wants.

DAY: Sir Terence Beckett of the CBI.
