



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400

Switchboard 01-213 3000

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

*I hope the short-term
will under score
M*

Prime Minister

Mr Tebbit proposes

a new EmploymentWhite Paper (on the

lines he mentioned to

you).

24 March 1983

ms 24/3

D Geoffrey

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

I have been considering what more might be done to communicate our policies for employment as a positive and practical strategy. I believe that our policies are generally recognised to be sensible and realistic, and our refusal to promise what cannot be delivered is applauded. But I think it would be useful to underpin what we have been saying individually with a formal Government policy statement, perhaps in the form of a White Paper.

This document would not announce any major new initiative - though it might prove a convenient vehicle for one or two similar items. Its main purpose would be to bring together in one place a coherent presentation of existing and interlocking policies affecting employment. The aim would be a short, non-technical, document including a number of simple charts to illustrate the main points.

I have in mind that it might rehearse the Government's basic economic strategy, in the way that the 1944 White Paper on Employment Policy did at that time. It might review the world scene and our position in it, and set out our policies for improving competitiveness and encouraging innovation in industry. It would review trends in employment and unemployment and set out the whole range of our policies for improving the working of the labour market, including our policies on industrial relations and employee participation as well as for vocational education and training and the special employment measures.

I think there should be considerable emphasis throughout on international comparisons and the lessons to be drawn from them.



The conclusion might be that all Western countries are facing particular difficulty at the present time and the likelihood of continuing unemployment at high historic levels, that we in Britain had been singularly ill-prepared for this but are now on course for gradual but sustainable recovery, and that the Government's policies are both realistic and humane.

Such a document would, of course, require collaboration between a number of Departments. If you agree I would suggest that my officials should take the lead, inviting contributions and comments from the Treasury and others concerned. I would hope they could have a draft ready for our collective consideration by early May. In the meantime I very much hope we can avoid any inconsidered public references to the possibility of this document being published.

I am copying this to the Prime Minister, Keith Joseph, Jim Prior, Tom King, George Younger, Nicholas Edwards, Patrick Jenkin, Norman Fowler and Arthur Cockfield, John Sparrow at CPRS, Ferdy Mount at the No 10 Policy Unit, and Sir Robert Armstrong.

J. Norman



From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

27th April 1983

Handwritten: Norman Tebbit's proposal

I set down below some thoughts on Norman Tebbit's proposal for a White Paper on Employment Policy.

I agree that it is bound to be compared with the 1944 White Paper on Full Employment. That White Paper was preaching a New Gospel. It was a vision for the future which dominated public thinking for 20 years or more and the distant echos of which are still with us. We have to ask whether we have such a New Gospel to preach today. We have in many areas - in public finance, in the virtues of thrift and enterprise and hard work. But do we have a clear specific Gospel to preach in the case of employment? True, as Keith Joseph says, there are many things we have done, many policies we have advocated which will help. But without any disparagement, they are essentially in the nature of removing obstacles, in changing those attitudes which lead to unemployment. They do not amount to a policy for employment - if by that we mean measures which will reduce the present level of unemployment to tolerable levels in five or ten years. We do not stand alone in this: it is a problem of the Western world as a whole. It reflects also the greater understanding which comes from maturity. In 1944 we thought we knew the answers: today we have learned that we do not. This is not to abandon hope: on the contrary it is recognition that the task is harder than we thought: that we must strive harder, not less.

CONFIDENTIAL



From the Secretary of State

I believe it would be of great value to publish a White Paper on Employment Policy. We have many individual measures and achievements in which we can take both pride and credit. They are worth setting down in detail, expanding and commending. But we need more than that. We need a corpus of philosophy which will lead us to our goal. If trying to draft a White Paper leads us to develop that philosophy it will be entire gain. I think we should put our hand to the plough.

I am copying this letter to Norman Tebbit and to those to whom he copied his letter of 24 March.

LORD COCKFIELD

CONFIDENTIAL

27 APR 1983

11 12 1 2 3 4 5 6 7 8 9 10

Prime Minister ²

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Ms 13/4

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 London SW1P 3AG

MS

12 April 1983

Dear Geoffrey,

I write to support Norman Tebbit's proposal that a White Paper be drafted on Employment Policy. I have read your letter of 30 March and venture to take a different view to yours.

It seems to me that a draft White Paper gives us the opportunity to bring together a number of factors which tend to be ignored in the generally superficial discussion on the subject. Moreover I have the impression from a not too distant reading of the 1944 White Paper to which you refer that it contained - as indeed did the Beveridge Report - references to almost all the economic and cultural imperatives.

Depending admittedly on the skill and trenchancy of the drafting we would have the chance to lay the basis for a much more informed public debate.

I agree that my approach may make difficult the "short, non-technical document" in question: it might have to be longer than contemplated. Admittedly also, I have a bias from my own attempt to approach the task in a pamphlet I took much trouble in writing called "Conditions for Fuller Employment" which was published while we were in opposition and of which I attach a copy. If I were to rewrite this now - which I do not, I hasten to add, intend, there are other factors I would add.

Already the "why work?" syndrome is widely perceived. The White Paper would give us the chance to explain the "why hire?" syndrome also. It would also enable us to emphasise that competitive pricing depends upon unit labour costs rather than - as you suggest - only the level of real wages. We could also explain why profitability - subject to competition - is the friend and not the enemy of employment. We could also explain the dependence of public services upon a profitable trading base & the crucial importance of entrepreneurship and small firms at a time when the reduction of over-manning in the familiar employments is making available so much labour. We might even be able to explain that investment subsidies - for which unions are always clamouring - are not necessarily sensible

when they upset the balance between capital and labour.

Yet I agree that drafting would take much official time and that there would be a risk of leaks.

Nevertheless on balance I do hope that you will reconsider your point of view.

Norman end

I am sending copies of this letter to those to whom Norman copied his.

Yours ever

Keir



From the
Minister of State

Norman Lamont MP

The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Treasury Chambers
Parliament St
London
SW1P 3AG

2
c/n/c
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

Prime Minister

MUS 12/4

[Handwritten signature]

// April 1983

Dear Goolby

I have seen Norman Tebbit's letter to you of 24 March suggesting a possible White Paper on employment policy. I am commenting in Patrick Jenkin's absence abroad.

While I appreciate the reservations which you expressed in your reply of 30 March I think a White Paper would be a good idea in principle; but it is difficult to make a judgement before we have a draft before us. I therefore think that the right course would be to allow officials to continue their work.

I am copying this letter to Norman Tebbit and to the other recipients of his letter.

NORMAN LAMONT

Yours

Norman

CCNO

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222

2
Prime Minister

FROM THE SECRETARY OF STATE

Mrs 30/3

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
London SW1

1. This has already been distributed & copied.

30 March 1983

For too widely
will 500-lead!

Dear Geoffrey,

I have read with interest Norman Tebbit's letter to you of 24 March suggesting a possible White Paper on Employment Policy. I very much welcome the idea, since it could be the vehicle for emphasising the crucial importance of unit labour costs and profitability as central features in the profitable competitiveness on which employment rests.

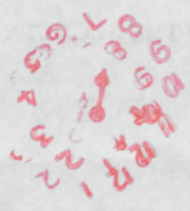
I hope that it might also emphasise the relationship between employment in the public non-trading sector and the health of the trading base on which such employment rests and which pays for most of it.

But I write particularly to emphasise the hope that if you and colleagues agree with the idea, it could be used also to stress the essential role of entrepreneurs in job creation, and the need for a bigger and bigger crop of them.

I am sending copies to all those to whom Norman copied.

Kevin
Kevin

Manpower: Special Emp Measures
A-9



300 MAR 1963



lec NO

2

Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

A very negative letter (but I have

30 March 1983

written round

The Rt. Hon. Norman Tebbit MP
Secretary of State for Employment

indicating your

support for Mr Tebbit's proposal).

Dear Norman

I disagree with the framing

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

MUS 30)3

In your letter of 24th March you suggested that officials be asked to draft, within about a month, a White Paper setting out the Government's policies for employment.

I am very doubtful about this. We published a White Paper last year (Cmnd 8745) in reply to the House of Lords Select Committee Report on Unemployment. We have also recently published a document on the New Training Initiative and a White Paper on Youth Training. As you yourself say, a further White paper would have nothing very new to say. At best, it could bring together our various policies relating to employment and seek to show how they fit coherently into a logical framework.

It would certainly be compared with the 1944 White Paper on Employment Policy, as you say. I very much doubt whether this is the right juncture for us to invite such a comparison, in political or economic terms. Instead of proclaiming "full employment" as a priority objective, the message would have to be that the only way to secure sustainable non-inflationary growth in the economy, at a pace which will eventually feed through into new jobs, is to maintain our medium-term financial strategy. But although this is the right line to take in the context of our overall economic policy, it cannot be presented very positively as a "policy for employment". It will carry more conviction when the trend in unemployment flattens out and begins to turn down, which we all hope to see happening as the recovery proceeds. But paragraph 3.39 of this month's Red Book, and its public reception, show how difficult it is to say anything now about unemployment prospects which avoids criticism.

In a major White Paper we would be vulnerable if we failed to go beyond this and say something about the impact of new technology and high productivity in major industries. Then we could not avoid the standard question: "Where will the new jobs come from?" - and answers in terms of small firms and private-sector services would not be easy to support with plausible statistics. Talk of measures to improve the working of the labour market would also lead straight into the question whether the Government believes that the right way to increase the demand for labour is to lower its price, in terms of real wages. There are also very large questions about how to adapt society and work habits to the "continuing unemployment at high historic levels" which you foresee as the international prospect.



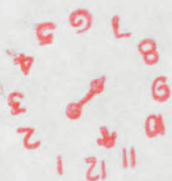
I have no doubt that a serious discussion of these matters would be possible in the right context. But whether it can be done satisfactorily in a "short, non-technical document" on a limited time-scale and in a pre-election atmosphere seems to me highly questionable.

Hence I think it very important that as you say there should be no hint in public about the possibility of publishing a wide-ranging White Paper. We could of course leave the issue undecided, as you suggest, until officials have produced a draft. But the more widely the work is disseminated in Whitehall, the greater the risk of leaks and embarrassment. The outline circulated at official level suggests, I am sure rightly, that a large part would be drafted by the Treasury. I am reluctant to ask my officials to take this on until we are clearer whether or not the work is likely to be wasted. Perhaps we could have a word about this before the main body of the work is undertaken.

I am sending copies of this letter to the other recipients of yours.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "Geoffrey Howe", written over a horizontal line.



30 MAR 1983

manpower: special
emp measure
A 9



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

EC NO

The Rt Hon Norman Tebbit MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

30 March 1983

Dear Norman,

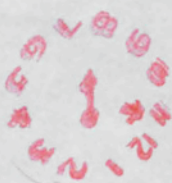
POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

I welcome the proposal contained in your letter of 24 March to Geoffrey Howe that we should provide an early positive statement of the Governments strategies towards employment, possibly in the form of a White Paper, and agree that our officials should begin to draft such a document for Ministerial consideration in May.

Copies go to the recipients of your letter.

Yours ever,

Cunneen



30 MAR 1983



10 DOWNING STREET

From the Private Secretary

28 March 1983

Dear Barnaby,

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

The Prime Minister has seen a copy of your Secretary of State's letter of 24 March to the Chancellor of the Exchequer proposing a new White Paper on employment policy.

The Prime Minister thinks this would be a good idea, and has expressed the hope that a draft can be produced as soon as possible.

I am sending copies of this letter to Imogen Wilde (Department of Education and Science), John Lyon (Northern Ireland Office), David Edmonds (Department of the Environment), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Jonathan Spencer (Department of Industry), David Clark (Department of Health and Social Security), John Rhodes (Department of Trade), Gerry Spence (CPRS), and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Schelen

Barnaby Shaw, Esq.,
Department of Employment.

CONFIDENTIAL

New jobs from new technology

Kenneth Baker MP

Conservative
Political
Centre
80p





New jobs from new technology

Kenneth Baker MP

Minister of State for Industry and Information Technology

Conservative Political Centre
LONDON

This pamphlet is based on the lecture delivered by Mr Kenneth Baker, MP to the Conservative Political Centre meeting held in The Dome at Brighton on 6 October 1982.

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NEW JOBS FROM NEW TECHNOLOGY

IT IS A GREAT HONOUR to be asked to deliver the CPC lecture at the Party Conference. The CPC has a special place in our Party. Its role is to think, and to think about the future.

Politicians and particularly Ministers are necessarily involved in the day-to-day problems that arise in the government of the country. That is why we need a group within our Party one of whose reasons for existence is to lift our eyes from the path beneath our feet to the more distant horizon.

This is the thirty-second CPC Lecture, but it is the first which has addressed itself to technology. Indeed debates about technology at our party conferences can be classified as 'absent friends'.

So congratulations to the CPC for bringing Technology in from the cold. Technology is important for one simple reason – it can transfer a non-resource into a resource. It is only technology which can transform the oil under the North Sea into a great export earner. It is only technology which can transform a few grains of sand into a silicon chip which can then do sums faster than the human mind.

The technological changes today are happening so rapidly that they are creating a momentum of their own. Politicians must first be aware of these technology-driven developments and they must understand the changes that are implicit as a result of such developments. That is another way of saying that we must be technologically literate. We must be able to decipher the letters of the new alphabet; only then can we put together the words and realise that we can fashion the sentences in our own way. Politicians are not the mere playthings of these changes. We can if we have the will and the understanding use them to fashion the sort of society that we want.

Technology is having a profound effect upon all aspects of our society because it is pervasive, it creeps in everywhere. In the office, the factory, the home, the hospital and into warfare. The Falklands Campaign brought home to all of us very vividly the importance of technological superiority. It is still vitally important in such a campaign to have courage, a determination of purpose and real leadership but all these have to be backed up by superior technology. We all learnt that modern warfare is very much a matter of rival missile systems.

It is the recognition of the importance of technology that led the Prime Minister to create the post of Minister for Information Technology and led to the reorganisation of Government responsibilities putting together microelectronics and telecommunications. I found a recent poll on Information Technology fascinating. It showed that 83 per cent of those asked knew nothing about Information Technology. Yet 53 per cent of the same sample said that Information Technology was essential for our future industrial growth; the most important thing in the country.

This poll revealed many things but in particular it revealed an obscure instinct to be found in all of us. We probably know little of the details of technology and yet deep down we are aware that the microchip has revolutionary implications for our economy and for our society. It is creating another industrial revolution.

The accepted definition of information technology is the use of computers, microelectronics and telecommunications to help us produce, store, obtain and send information in the form of pictures, words or numbers, more reliably, economically and quickly. That is a mouthful but let me explain it in this way. Information Technology was born out of the convergence of previously separate industries and disciplines. The computer industry, the telecommunications industry, the office equipment industry, parts of the entertainment industry and the space industry. So we are talking of the office of the future, the factory of the future, the home of the future and the hospital of the future.

At various points in our history, technological advances have occurred of such magnitude that they have driven

forward the growth of our economy. In the first half of the nineteenth century, it was the invention of steam power by James Watt that created the first great industrial cycle which lasted from 1800 to about 1840. This was followed by the second cycle of which the motive force was the development of the railways. The third, starting about 1890, derived from the impact of electricity and the car engine. The fourth is the microchip revolution starting in the 1960s and now providing the main motive force for economic development for the rest of this century. I am convinced that the world is going to come out of recession not as a result of demand pull but as a result of technology push.

The economic activity generated by this revolution is immense. The world trade in IT products was around £54bn. in 1980 and is expected to rise to £105bn. by 1985. This represents an average annual growth rate of 14 per cent. Compare this with the more mature world car industry whose output actually fell in 1981.

Britain's position

What is Britain's position in this great industry? Well, first we have a small trade imbalance of about £40m. a year and if one just takes it simply on electronic equipment the imbalance is even greater, about £300m. a year, made up principally of imports of computers from the United States and radio and video recording equipment from Japan. However, we continue to sell a great amount of electronic equipment overseas and what was a trade deficit in our sales to Europe in 1970 has now been turned into a trade surplus.

I think the first thing to recognise is that Britain cannot hope to compete right across the board in every piece of equipment. We have to be selective.

First let us look at the raw material of this revolution, namely the chips. Ferranti has a world lead in a specialised chip called the ULA and they are selling this in increasing numbers right across the world. Also our major companies like Plessey and GEC are expanding and developing their silicon capacity to design and make specialised chips. We have also attracted in the last year £100m. of investment from

Japanese and American companies in building silicon chip factories in Scotland. The INMOS factory in Wales is also coming onto stream.

In other areas let us also be proud of British achievement. It was a British mathematician who invented fibreoptics in 1966 in Middlesex. These are the very fine glass fibres along which messages and television pictures are sent by lasers. In this area we still have a world lead. British Telecom has laid a length of over 100 kilometres without any booster or repeater stations and by 1990 it will have laid tens of thousands of miles linking our cities. By that time we are likely to have the most extensive network of fibreoptic cable laid in Europe.

One of the most encouraging developments of the last three years has been the number of small companies making microcomputers. You can now buy, through an advertisement in a Sunday magazine, a microcomputer to plug into the back of your television set for some £50, which is rather less than the first class return fare between London and Leeds. Mr Sinclair now boasts that he is the largest manufacturer of computers in the world, making them in a factory in Scotland at the rate of 200,000 a month rising to 400,000 a month.

Regularly, I get asked to open a factory or to launch a product designed by a company which literally did not exist two or three years ago. This is a fast, exciting developing industry.

At the more fundamental level of research we have received a report from a committee composed of industrialists and boffins under the title the Fifth Generation Project. This recommends a programme of fundamental research on a co-operative basis between industry, the universities and government to produce the next generation of computers which will be able to receive instructions by voice and provide instantaneous translation. It's a computer which is much closer to the human mind. This is a major programme costed at over £350m., with industry providing its share.

I hope that what I have said will persuade you that this is not an industry that is dominated just by the Japanese and the Americans. There is great talent and ability in Britain. Too often in the past we have been brilliantly inventive but the

commercial developments have slipped through our fingers. In the thirties it was the British inventor, Baird, who demonstrated the first working television set, in a room in Soho which is now an Italian restaurant. British mathematicians at the end of the Second World War did much of the conceptual thinking on computing and in fact the first working computer was built in Manchester University. But other countries moved more quickly in the commercial development of television and computers and we were left behind. Part of my job is to ensure that British inventiveness does not run into the sands again.

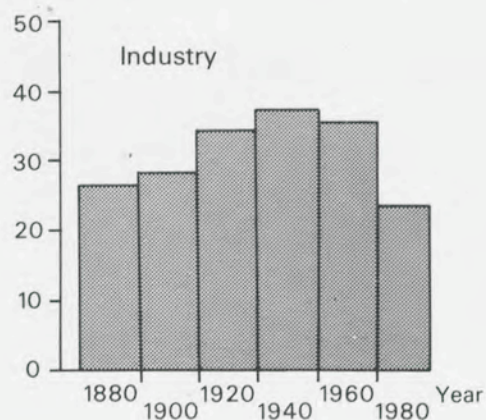
Jobs

It is often said to me, 'This is all very well. Technology must be accepted, but doesn't it mean there are going to be far fewer jobs in the future'. I think that question has to be faced up to and answered. There is no doubt that our economy is undergoing a deep structural change and the older industries which have served us so well in the past are declining. What we have to do is to create the conditions in which the new industries will begin to take their place. If we fail to develop, exploit, adopt and sell the new technology, then the consequences for jobs are likely to be very much more severe than the impact on jobs of accepting the technology. This was exactly the point made recently by the General Secretary of the Swedish Metalworkers Union when he said: 'Investment in new technology must increase. There is a risk that Swedish companies cannot meet the competition from other countries if they cannot keep up with technical developments'.

I am optimistic that information technology will provide more jobs because we are moving towards an information economy. In America over 100 years ago the information-related occupations employed less than 10 per cent of the American workforce. Now they employ almost half. In Britain the trend has been the same. In 1951, 27 per cent of the total workforce were employed in information-related activities. This has risen steadily to 32 per cent in 1961, to 36 per cent in 1971, and now over 40 per cent. You might ask what these information operatives do.

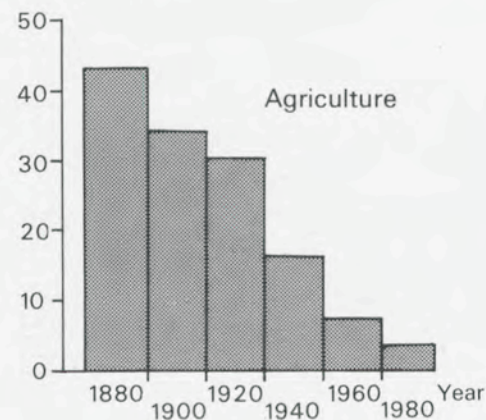
Employment in the USA 1880-1980

% of workforce

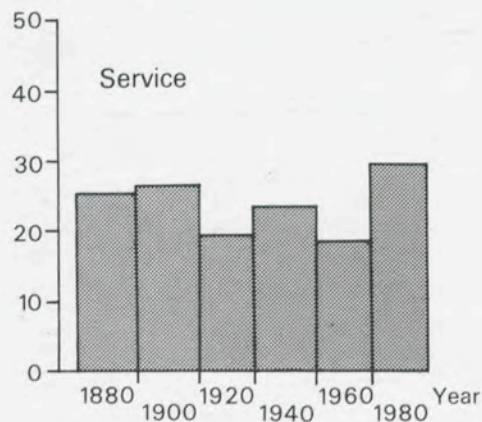


Employment in the USA 1880-1980

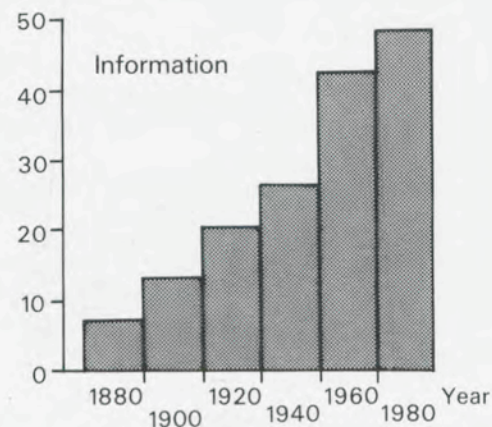
% of workforce



% of work force

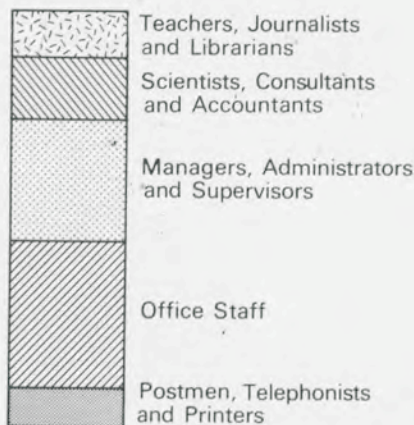


% of workforce



In the UK some 10 million people are classified as information operatives. They have increased by 1 million over the last decade and constitute some 45 per cent of our workforce. These information operatives cover managers, who organise information; secretaries, telephone operators, postal workers, printers, journalists, teachers, broadcasters and technical salesmen who transmit information; filing

clerks, librarians and computer programmers who store and retrieve information; scientists, artists, writers, statisticians, architects, designers and video programmers who create new information; lawyers, doctors, accountants, consultants who apply information to solve specific problems; and engineers and factory workers who make electronic equipment for the information economy, and finally politicians, who are



TOTAL 10m

IT occupations in Britain

addicted to information, and if they are deprived of it for any length of time, soon reveal most distressing withdrawal symptoms.

The point I want to make is that these new technologies do create a great number of jobs in the generation and dissemination of information which is an essential prerequisite for economic growth and development. These people have jobs because they possess the information needed to get things done.

But I am also asked, 'Surely robots will destroy jobs in factories very quickly'. It is perfectly true that through the introduction of automatic welding by British Leyland and Volvo, labour requirements for welding have been reduced by 80 per cent. In printing and publishing, savings of 50 per cent on labour costs from new technology are not unusual. In the office a change from conventional typewriters to word processors can increase the productivity of the typist by over 100 per cent. I could continue. But if the story of the employment effects of IT stopped here, then you would conclude that the impact of IT on jobs can only be negative. This is precisely where the analysis should not stop because if it stopped there, it would ignore what are called the compensation effects.

Let me try and explain in this way what the compensation effects are. Suppose at the turn of the century Herr Benz had

come to you and said 'I can sell you a new kind of engine which can do the work of a horse and my colleague Herr Daimler and I will make you a horseless carriage'. If you had been a Victorian sociologist and asked to predict the employment consequences of all the carriages in Britain becoming horseless, what would you have said? You would have been able to predict the wholesale disappearance of postillions and blacksmiths, haycarters, grooms, stablemen, ostlers and bridlemakers, distress among farmers who grew oats and hay, bankruptcy among horsebreeders, loss of the fertility of the land through the lack of manure and the breakdown of the rural society. What you would not have been able to predict would have been the appearance of all those jobs that have been created as the horseless carriage of the nineteenth century has evolved into the motor car of today. Design, manufacture and sales apart, look at the countless number of jobs dependent at one stage removed on the internal combustion engine, the road builders, the garage owners, the traffic light manufacturers, the makers of cats eyes, driving instructors and yes, even the traffic wardens.

So increased productivity through technical change in one operation may well create a need for increased employment in other associated operations. Now I say, *may well* create a need for increased employment. The new jobs will not just happen by themselves. Companies have to be alert and quick to respond to changes in the market and let me demonstrate what I mean by what has been happening in Sony over the last few years. In 1975 television sets represented 37 per cent of Sony's output, by 1981 only 24 per cent. But Sony had got their skates on. They introduced large scale production of video tape recorders and look what happened to employment. Even though they were making proportionately fewer television sets, Sony's employment rose from 22,000 to 38,500. This shows what a company can do by keeping pace with developments. They moved from televisions to video recorders and they were of course one of the few companies in the world that realised that you could make electronic products for joggers, namely the Sony Walkman. The other lesson of this of course is that the goods have to be competitive. They have to fight for their place in the market place of

Sony Corporation : World Employment

| Year | Number employed |
|------|-----------------|
| 1975 | 22,000 |
| 1981 | 38,500 |

Sony Corporation: Product Changes

| Product | 1975 | 1981 |
|----------------------|------|------|
| Televisions | 37% | 24% |
| Video Tape Recorders | 21% | 40% |

the world and that is why in our general economic policy over the last three years we have set as a high priority the winning back of the competitiveness of British industry.

Government policy: support for innovation

Well what is the Government doing about all of this? You might well ask, does the Government have to do anything? I think the answer to that is very clear. We have first a job to persuade British industry to adapt to these new technologies. In the surveys that we have undertaken, we find that less than 50 per cent of British companies use microtechnology and perhaps the most modern thing they have got is an electric typewriter which they bought quite recently. So that is why we have been mounting major awareness programmes, persuading industries, the plastics industry, the instrumentation industry, the engineering industry to use the new technologies. It is why we have launched a programme of support for companies to apply for money to assist them in introducing robots and flexible manufacturing systems in their factories. I am glad to say that very many small com-

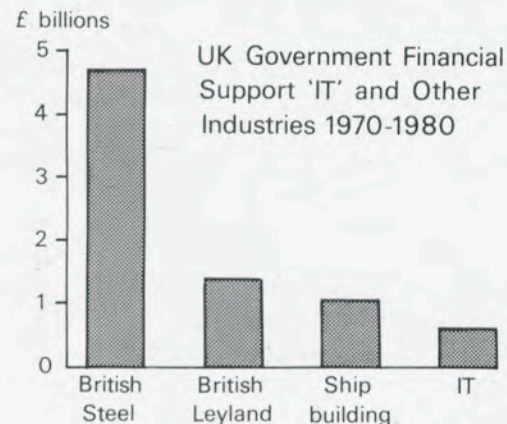
panies apply for this assistance grant of 33½ per cent to help get new projects and new processes off the ground.

We have increased Government support from £50m. in 1979 to £173m. in 1983 and over the next four years we plan to spend £1½bn. on science and technology support.

DOI Support Programme

| | '79/ | '80/ | '81/ | '82/ | '83/ |
|------------------|-------------|-------------|-------------|--------------|--------------|
| | 80 | 81 | 82 | 83 | 84 |
| Microelectronics | 7.2 | 15.2 | 17.2 | 22.6 | 29.7 |
| Fibre Optics | 0 | 0 | 0.2 | 1.5 | 8.2 |
| Engineering IT | 0 | 0 | 0 | 16.4 | 30.5 |
| IT | 5.8 | 11.0 | 14.6 | 40.2 | 43.2 |
| Space | 37.1 | 43.6 | 58.8 | 54.0 | 61.3 |
| TOTAL | 50.1 | 69.8 | 90.6 | 134.7 | 172.9 |

It is the fastest growing area of Government support for British industry. We must move the balance of support from propping up the old to stimulating and encouraging the new. The tragedy of British industrial support is that from 1970-80 we spent 15 times as much on British Steel, British Leyland and British Shipbuilders as on the electronic industries.



Government policy: support for training

We also have a major programme in the educational area. We launched last year the 'Micros in Schools' programme which aimed to get a micro into every secondary school by the end of this year and we are on line to hit that target. It has been an immensely successful programme and I am glad to say the equipment is all British. The Prime Minister extended it to the 27,000 primary schools in July of this year and I am sure that there will be a massive and enthusiastic take-up. Because in my missionary work perhaps my strongest allies are the children! They are much more electronically aware than their parents or grandparents and it is very important that we should train the youngsters of today even in primary schools in the skills of tomorrow for they will still be at work in the year 2020 and they will be doing very different things from the things that they have been learning about at school today. And as the first stage in the great education and re-education process they should have a facility of being able to cope with the electronic gadgets which, after all, are only tools.

We have also launched a campaign to build across the country over 100 Information Technology Centres and these are designed to train 16-19 year olds who are unemployed and largely unqualified. These are the people who have not got much out of their progress through our educational system, maybe not even one O-level – maybe a couple of CSEs – and they feel alienated and left out, and these are exactly the people who are being taken into our ITeCs and after a course of nine months or a year the success that we are having in training them in simple computer skills and electronic assembly skills is striking. It is one of the most successful ventures that we have undertaken in post-school training and I would hope to expand this programme later this year.

Our achievements

Let me tell you what we have achieved. Last year we ended the monopoly of British Telecom. This is the most important industrial measure we have taken so far in the lifetime of this

Parliament. In future, private enterprise will be free to supply *you* with the equipment that *you* want, with services which *you* need. Already this is happening. Buzby is no longer cock of the walk. This great industry is no longer being dominated by monopoly; it is being driven forward by competition.

Secondly, last October we sold our controlling share in Cable & Wireless for some £225m., a substantial measure of de-nationalisation. The major Bill in the next session will allow us to sell up to 51 per cent of British Telecom. This is the largest measure of privatisation ever undertaken.

Thirdly, a licence has been granted to the Mercury consortium, which is a private group consisting of British Petroleum, Barclays and Cable & Wireless, to provide an alternative business telephone network. This is all private money. It is already laying down the network, and the services will be available from Spring 1983. This threat of competition has already led British Telecom to cut the cost of its trunk and international calls by a third. Who says that competition doesn't work!

Fourthly, this year the Home Secretary approved the system of direct broadcasting by satellite. In 1986 this means that there will be two additional TV channels transmitted over this satellite. The satellite is all privately financed at a cost of some £150m. and it will be the first privately financed satellite to be launched in Europe. Don't forget that we have a leading position in the European space industry. At the moment, nine satellites are being made in Britain, and we are working on another five.

Fifth, the biggest opportunity that is now before us is laying down a new cable network over the country for cable television. This is called 'broad band' and it will provide each home and office with thirty extra channels. Now before you recoil in horror at the prospect of thirty more television channels, for that would indeed be wall-to-wall Dallas, let me say that on these channels you will be able to get a wide variety of new services. A burglar alarm for your home; your meters could be read over these wires; there could be mail order shopping and home banking and speciality programmes for cultural events, sport, ethnic minorities or local activities and much more opportunity for education and skill training.

We have been consulting widely during the summer and I hope that the Prime Minister will be able to announce quite soon the details of the framework which will allow cabling to take place. We want to press ahead with this and have it settled before the election because we want the cabling to start.

We have the skills, we have the equipment, we have the technology, we have the money – now we want the jobs which recabling will create.

This cable network – the electronic grid of Britain – will create many jobs in the cabling and equipment and TV industries. But they will also create magnificent opportunities in the making of programmes, in providing new services – and these have great export potential. As the cable network operates over the country it will create jobs just as the railway network did as it spread over Victorian England. There was a small stationer in London, Mr W. H. Smith, who by reading the railway timetable discovered that he could deliver to Edinburgh and Manchester, Cardiff and Plymouth things that had been printed in London overnight and this gave a great boost to the development of the national newspaper industry. Cable can create equivalent electronic opportunities.

These are our policies for the new technologies.

- To create the opportunities for private enterprise to seize.
- To reduce the monopolies and the restrictions.
- To support research and development in industry.
- To equip the youngsters of today with the skills of tomorrow.

These will help to improve Britain's chances in the new industries.

We in Britain don't have to be frightened, apprehensive or apologetic about them. We have many competitive skills. We are not washed-up as an industrial nation, we are not washed-up as an inventive nation, we are not washed-up as an enterprising nation.

We are the only political party that has a policy for these sunrise industries.

While we are doing this, the Labour Party is tearing itself apart in a bloody civil war. They are fighting the battles of yesterday.

The SDP and the Liberals are bemused by the vision of a tomorrow which will not happen.

Once again it falls to the Conservative Party to look after the nation's interests. Our Party is fulfilling its historic role of preparing the country for the future. It is only *our* Conservative Party that is thinking about the future. It is only *our* Conservative Government that is planning for that future and it is only *our* Conservative Prime Minister who shows that she is uniquely suited to lead us into that future.

We spend too much time fretting over the failures of the past and moaning about the lost opportunities. Let's put all that behind us. We have even better opportunities in the new industries – let's make the most of them. The future can be ours.

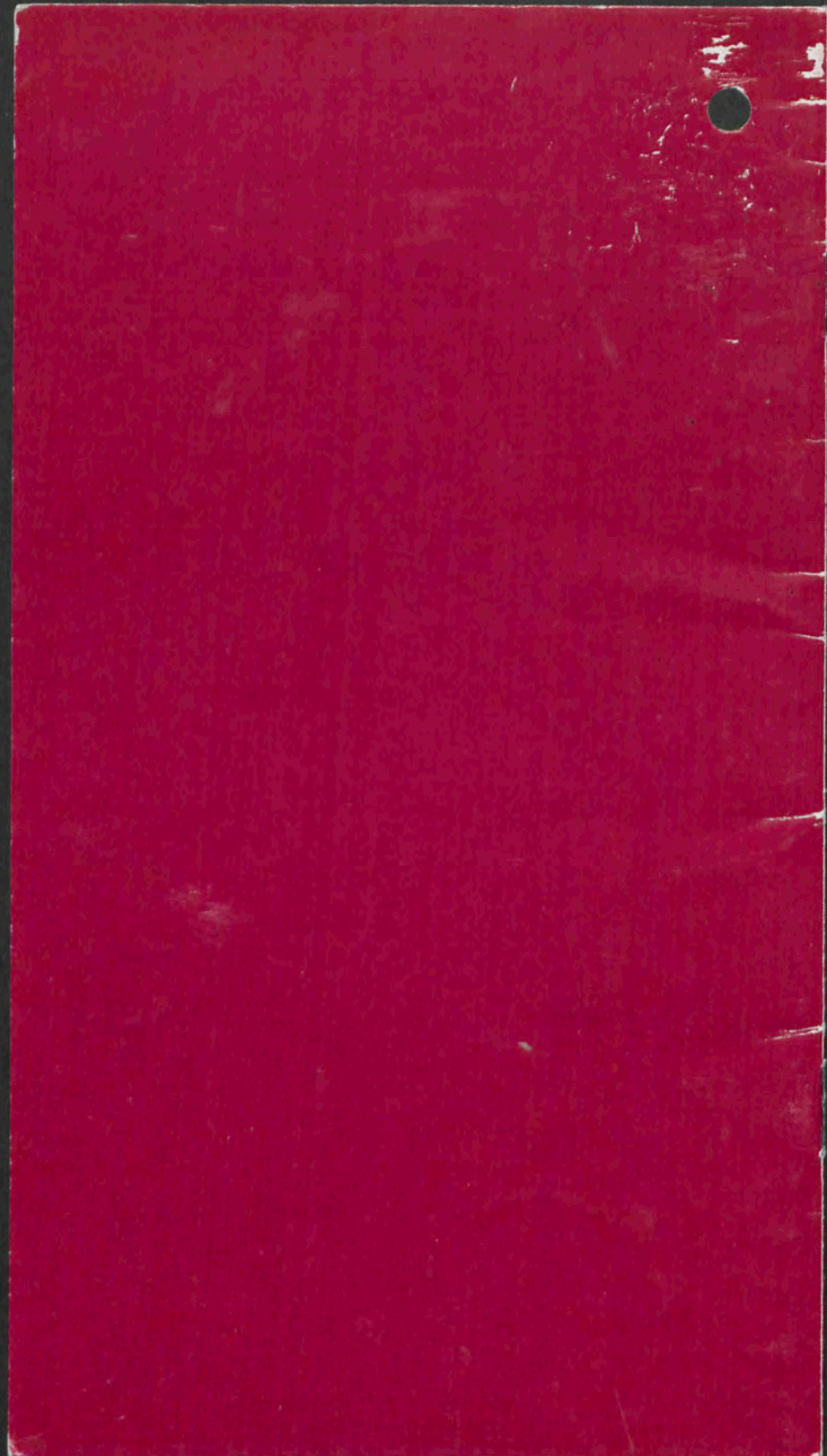
THE AUTHOR

Kenneth Baker MP was appointed Minister of State for Industry and Information Technology in January 1981. He is Member of Parliament for St Marylebone. Born in 1934 he was educated at St Paul's and at Magdalen College, Oxford. During his national service, from 1953-5, he was Lieutenant in the Artillery in North Africa and also an Artillery instructor to the Libyan Army. During his time at Oxford University from 1955-8 he was Secretary of the Oxford Union.

Mr Baker, who served on Twickenham Borough Council from 1960-2, contested a number of elections before entering Parliament in March 1968 as member for Acton. Since 1970 he has represented his present constituency of St Marylebone. He was on the Public Accounts Committee from 1969-70, Parliamentary Private Secretary to the Minister of State at the Department of Employment from 1970-2, a Minister at the Civil Service Department from 1972-4, and Parliamentary Private Secretary to the then Leader of the Opposition, Mr Edward Heath, from 1974-5.

Prior to his appointment as Minister of State for Industry he was a member of the Executive of the 1922 Committee of Conservative Back Benchers. He was Chairman of the Hansard Society from 1978-81 and also Chairman of the Conservative Parliamentary Industry Committee. From 1973-4 he was Chairman of the Computer Advisory Council.

Mr Baker is married and has a son and two daughters. His recreations include collecting books.



THE GOVERNMENT'S REPLY TO THE REPORT FROM THE SELECT COMMITTEE OF THE HOUSE OF LORDS
ON UNEMPLOYMENT

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INTRODUCTION

1. The Government congratulates the Chairman and members of the Committee on their thorough and substantial report (HL Paper 142). The present level of unemployment is a cause for deep concern. It represents a tragic waste of the nation's resources, skills and talents. It also means personal hardship for those who are out of work and for their families. The Committee seek long-term remedies, recognising, as the Government does, that there are no quick nor easy solutions. While the Government does not agree with all of the Committee's conclusions, it welcomes the report as an important contribution which will be valued by all concerned with the problems of unemployment.

2. The Government does not propose to comment on the Committee's detailed historical analysis of unemployment, nor on their description of its incidence and effects. Although there will always be differences of interpretation and emphasis in such matters, the Government finds these sections of the report generally accurate, thorough and useful. The reply will therefore be concerned with the main conclusions, policy options and recommendations, which are brought together in Chapter 14 of the report.

EMPLOYMENT AND ECONOMIC STRATEGY.

Economic Background

3. Unemployment in the UK has risen unevenly but inexorably over the past 20 years. During the 1960s total registered unemployment averaged around $\frac{1}{2}$ million; in the 1970s the average level of unemployment more or less doubled; and since 1980, the figure has more than doubled again. That increase in unemployment was accompanied by rising inflation over most of that period. Inflation averaged around three per cent in the 1960s and over twelve per cent in the 1970s.

4. These problems of rising inflation and rising unemployment have been experienced by many other Western countries. In the major industrial economies unemployment has more than doubled since the first massive rise in oil prices in 1973 and there are now about 30 million people unemployed in the whole OECD area. The rise in OECD unemployment has become particularly acute over the last two years as the recession in the world economy proved much deeper and more protracted than anticipated and economic recovery was delayed.

5. In the UK, these problems came on top of long-standing and widely recognised weakness in industrial performance including low profitability, poor labour productivity and the failure to invest adequately in new products, skills and processes. British industry in general has been slower and less successful in adjusting to changed circumstances.

6. There are many reasons for this including excessive pay increases, entrenched restrictive labour practices, inefficient use of new capital investment and lack of response to new market opportunities. These obstacles have reduced the economy's competitiveness internationally so that market share both home and abroad has been lost. Also, they have inhibited the growth of entirely new economic activities and new employment opportunities.

The Government's Strategy

7. There can be no prospect of lasting growth in output and employment unless our national industrial competitiveness is improved. The central aim of Government economic policy is to create the conditions - above all, reduced inflation - in which the partners in our collective effort can achieve this. That requires firm restraint in public borrowing and the maintenance of sound monetary conditions.

8. The Government welcomes the Committee's view that the restoration of competitiveness must be the primary objective. Despite some recovery in international competitiveness over the last 18 months, the UK is still one third less competitive than in 1975. The United Kingdom is more dependent on international trade than almost any comparable nation. There is no other way for our industry to earn our national living than by producing goods and services that are better value for money than those of our competitors. Keeping our costs down is vital. Pay takes much the largest share of production costs in the tradeable goods and services sector. The Government therefore further agrees with the Committee that realistic pay settlements play a key part in improving our competitiveness, and so in our prospects of faster growth and fuller employment. Suppositions that unemployment can be overcome simply by increasing monetary demand, and that those who have a job accordingly need not moderate their expectations of higher incomes for the sake of those without one, offer no solution; they have indeed done much to create the problem.

9. Pay settlements and the growth in money earnings have come down considerably in the past two years. But further progress in this direction is urgently needed. Greater price stability and less fear of inflation should enable negotiators on both sides of industry to focus more on the central consideration: what can be afforded. In some cases there will be no scope for any increases at all. The country's success in the fight against inflation - from nearly 22 per cent in May 1980 to 7.3 per cent in September 1982, and an expected 5 per cent in 1983 - provides the setting for this.

10. Lasting remedies for unemployment must include improving the working of markets, particularly the labour market. This must be made more flexible and responsive to economic circumstances; and product markets must be encouraged to be keenly competitive. All this can be helped by improving incentives to work and enterprise, including measures to reduce the burden of tax, to make the tax structure more favourable and to reform the complex social security system. The Government's ability to move further in these ways is limited both by institutional obstacles to change and by the crucial need to maintain public expenditure and borrowing under firm control. The Government has however recognised and acted upon the case for using room for manoeuvre within its overall strategy to take action directly helpful to industrial performance. The decisions announced by the Chancellor of the Exchequer on 8 November illustrate this.

11. The Committee suggests that the long-term remedy of improving competitiveness should be partnered by measures of more immediate effect. The Government fully agrees that help is needed for those worst hit by the recession, and that much can usefully be done - by the Government, by firms and by other organisations - for particular groups of people or particular types of employment. The Government for its part is devoting very large and increasing resources to special employment and training measures - nearly £2 billion in 1983/84 - and to other measures which support employment in industry.

Comments on the Committee's Strategy

12. The Committee put forward a number of proposals for major public expenditure to create employment. These include more spending on public-

sector capital projects to generate investment-led job creation; more current expenditure on low skill jobs in areas like the National Health Service and local authorities; and more selective employment measures, including job-creation grants in the community and voluntary sectors.

13. The Government believes that the case for adopting these or other proposals must be considered within the wider framework of the policies needed to defeat inflation. Higher public spending on employment measures or infrastructure will require some mix of lower spending in other areas, higher taxation, or higher borrowing (with consequent upward pressure on interest rates). Each of these carries a penalty falling ultimately in one way or another upon industry and so upon jobs. The balance of advantage and disadvantage in particular proposals cannot be properly evaluated without taking a view on how they are to be financed and what further effects thereby arise. Implementing all the Committee's proposals would mean a major addition to planned public spending, and this would directly undermine the success over inflation on which the prospects for a lasting improvement in competitiveness - and ultimately employment - must depend.

14. On the Committee's own estimates, the gross costs of their proposals would be high - about £5 billion over present expenditure plans. The Government agrees with the Committee's suggestion that the Treasury should cost measures to promote employment "in the full consciousness of what it and the country lose when those in work become unemployed" (14.76). This is already done; for example, special employment measures are compared on the basis of both gross and net direct cost per person off the unemployment register. The Committee estimate that the net cost of their recommendations would be some £2 billion. Such figures are inevitably approximations. Particular schemes have to be assessed on the basis of assumptions about the precise characteristics of the people concerned and there is always room for doubt about what these will turn out to be. (See the Annex.) The Government believes that the Committee have in some cases - notably schemes for long term job creation-probably underestimated the net cost.

15. The Government recognises the merits of several of the proposals on selective employment schemes. In the continuing effort to devise selective measures which best meet the needs of particularly disadvantaged groups like the young and the long-term unemployed, the Government has already taken

extensive action in line with some of the Committee's proposals. Further ideas, including others put forward by the Committee and those from other bodies like the CBI, are being examined. As the Committee recognises, any new proposals must be judged not only against the macro-economic constraints but against a number of micro-economic criteria, particularly value for money and targetting upon those most in need. The Government believes that wherever possible special employment measures should also be designed so as to have not just a neutral but a positively helpful effect on improving labour-market flexibility, thus yielding longer-term benefit. For example, the new Youth Training Scheme is designed not simply to ease the necessary process of economic adjustment as it ^t affects young people, but more importantly to contribute to that adjustment by improving skills and adaptability.

16. Finally, the Committee recommends "flexible and comprehensive incomes policies of indefinite duration". The Government believes it is better and more efficient to leave employers and employees free to negotiate pay. This means that all relevant market factors must be taken into account - what can be afforded and what rates of pay are needed to recruit, retain and motivate sufficient workers with the requisite skills to achieve the output required. The Government certainly has a role, by maintaining a firm monetary policy, taking a firm line on pay where it is the direct employer, to ensure settlements are kept to realistic levels, and making negotiators aware of the consequences of their actions; and by underlining publicly the link between pay and jobs. But the main solution lies with the pay negotiators themselves, who must realise that self-restraint is the way to improve competitiveness and to preserve and create jobs. Experience has shown that a formal incomes policy is economically damaging and cannot be sustained in practice beyond the very shortest term. But this does not in the least diminish the vital importance of strict moderation in the growth of personal incomes. For the foreseeable future, this will be an important need of the British economy. It is taken for granted by our most formidable competitors. It has enabled them to achieve higher real living standards alongside lower levels of unemployment than in Britain.

BALANCING SUPPLY AND DEMAND OF LABOUR

Education and training for young people

17. The Government very much welcomes the Committee's support for the Youth Training Scheme. The announcement made by the Secretary of State for Employment in the House of Commons on 21 June confirming that the Scheme was to go ahead from September 1983 embraced some of the suggestions made by the Committee, in particular that the Scheme should cover young people in employment as well as the unemployed. The Government also accepts that the level of allowance should be higher than originally proposed and that, for the time being, Supplementary Benefit should not be withdrawn from 16 year olds.

18. The Government cannot accept that a system of graduated allowances along the lines proposed by the Committee should be introduced. It still believes, as stated in the December 1981 White Paper 'A New Training Initiative' (Cmnd 8455), that it would be right for young people, whether in the first year of full-time education after the minimum school leaving age, in the Youth Training Scheme, or unemployed, to be regarded in general as dependent on their parents. It is noteworthy that there has been a marked increase in those staying on in full-time education in recent years, which suggests that more young people are prepared to put the pursuit of additional qualifications ahead of short term monetary considerations.

19. The Government does not accept the contention in paragraph 11.14 of the report that there was a rush of O level candidates leaving school in 1981 in advance of taking their examinations in order to obtain immediate supplementary benefit. At the invitation of the Government the CSE examining bodies carried out a survey of provisional and final entries in summer 1981 examinations and compared these with entries in the two previous years. The figures show no evidence that potential examination candidates are being persuaded, by the recent changes in the regulations governing entitlement to supplementary benefit, not to remain at school to obtain qualifications; and there is no evidence that the situation in respect of O level candidates is any different. In Scotland, the 1981 Scottish Certificate of Education statistics similarly showed no tendency for candidates to leave school after presentation and before examination in order to obtain benefits.

20. The Government agrees with the Committee that the high level of wages paid to young people is a disincentive to employers to recruit school leavers. The Young Workers Scheme aims to encourage employers to take on a greater number of young people at more realistic wages.

21. The Committee suggest that employers should be obliged to offer minimum age school leavers in employment the opportunity of release for further education or off-the-job training for a minimum of 20 per cent of working hours. It is intended that a substantial proportion of these young people in employment will, from next year, be participants in the Youth Training Scheme, a major feature of which is that at least 13 weeks will be spent off the job either in training or relevant further education.

22. The Committee suggest that a second year's training should be a longer term goal, accepting the huge cost of such a step. The Youth Training Scheme, which will cost £1,000 million in 1984/5, is the major element in the Government's response to the objective of moving towards a position where all young people under the age of 18 have the opportunity either of continuing full-time education or of entering a period of planned work experience combined with work-related training and education. This has been complemented by additional resources for full-time education for the same age group. The future development of the Scheme will depend on a number of factors but in the Government's view it is not fruitful to consider in detail the future shape or size of training programmes for young people even before the Scheme has started.

23. The Committee also recommended expansion of the services provided by Community Industry (CI) (14.50). The Government appreciates the contribution which has been made by CI over the last 10 years. After the introduction of the Youth Training Scheme in 1983, CI will be concentrating particularly on disadvantaged 17 and 18 year olds. The case for a further expansion of CI programmes has been carefully considered, but the Government's view is that for the present the available resources should be concentrated on the Youth Training Scheme.

Adult training

24. The Committee recommend the immediate expansion of adult training, for both the employed and the unemployed, with a substantial short-term increase in the taxpayers' contribution towards the cost. (14.26-14.28, 14.86 (xii)).

25. The Government endorsed last year the Manpower Services Commission's proposals for a New Training Initiative, one of whose major objectives was "to open wide-spread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or up-date their skills and knowledge during the course of their working lives". This objective is related to the other major aim of developing agreed standards of skill, which will be accessible to adults as well as young people.

26. Current Manpower Services Commission expenditure on adult training is of the order of £260 million. The bulk of this spending is directed towards unemployed adults under the Training Opportunities Scheme. At present, however, the proportion of trainees who find jobs - particularly jobs using their training skills - within a reasonable period of completing their courses is fairly low and this is a serious constraint on the Commission's ability to expand skill training under the Scheme. Experience shows that trainees who do not have an early opportunity to put their skills into practice tend rapidly to lose them. The Open Tech Programme, whose first projects are likely to start later this year, will provide increased opportunities for adults, whether in employment or not, to acquire training, particularly at supervisory and technician level, by the use of open and distance learning techniques.

27. The Government also gives help to employers providing training for their own employees (e.g. through the Computer Joint Application Programme), and, as stated in the White Paper 'A New Training Initiative: A Programme for Action' (Cmnd 8455) intends that the resources of the Training Opportunities Scheme should increasingly be directed to encourage the necessary provision in industry. The main responsibility for training for skill must rest with employers themselves, since they are in the best position to judge their requirements for trained labour. They can be helped in this by industrial training bodies, whether statutory or preferably, in the Government's view, voluntary.

28. A Manpower Services Commission working group which has been looking at the future of adult training will be reporting shortly. Further consideration will be given to issues about the organisation, extent and funding of adult training when the results of this study are available.

29. The Committee draw attention to the need for training to reflect local labour market needs (14.29, 14.86 (xi)). The Manpower Services Commission's re-organised Training Division, which will have a network of Area Offices with senior managers advised by Area Manpower ^{Boards} Committees, will be well placed to see that training provided or supported at public expense is closely related to the needs of the area in which it is provided. The Government endorses the Committee's belief that the activities of employers, educationists and others concerned with training should be effectively co-ordinated at local level.

OTHER PROBLEMS OF BALANCING LABOUR SUPPLY AND DEMAND

The Public Employment Service

30. The Committee recommended that the public employment service should give special attention to the hard-to-place and that registration of the unemployed at jobcentres should be voluntary for one month and compulsory thereafter. They also stressed the importance of counselling for those in need. (14.30, 14.45, 14.86 (xiii)).

31. The Government considered very carefully comments received during the public consultation period before it decided to accept the Rayner Scrutiny Report recommendation for voluntary registration. This was implemented on 18 October this year and the Government consider that the change will bring advantages both for the employment service and for unemployed people, while at the same time making useful economies through the elimination of unnecessary procedures.

32. Substantial numbers of staff are now engaged on Unemployment Review, a large part of which involves counselling; and the Government has agreed that the Manpower Services Commission should retain 250 more staff than would otherwise have been allocated to assist the long-term unemployed. The Jobcentre service, of course, remains available to all those who want to use it on their own initiative or as a result of advice which is given to them.

The Careers Service and school-industry links

33. The Committee emphasise the need for effective careers guidance and specifically recommended further development of links between school and work (14.86 (viii)) and that careers teaching should be given from the beginning of secondary education (14.86 (xiv)).

34. The Government welcomes the recognition of the important role played by the Careers Service in the process of giving careers guidance, and the Committee's desire to encourage collaboration between careers teachers and Careers Service staff (12.35 and 12.38).

35. The Government is fully committed to the principle that links between school and the world of work should be developed, and has attempted to achieve this in a variety of ways. Considerable progress has been made, although it is recognised that room remains for further improvement.

36. Detailed aspects of the curriculum such as the development of school-industry links are essentially matters for individual schools, local education authorities and local firms. Nevertheless, the Government has drawn wide public attention, through various publications and many Ministerial speeches, to the importance of such links in helping to prepare pupils for adult and working life in practical ways. The Government also directly grant-aids a number of the national voluntary bodies which are active in this field.

37. In the autumn of 1980, the Department of Education and Science invited a senior industrialist, Mr Neville Cooper of Standard Telephones and Cables Limited, to examine the nature and extent of schools - industry link activities undertaken by the major organisations involved, and to consider how their total effectiveness might be improved at both local and national level. His report, which was delivered last autumn, contained a number of recommendations which are being followed up. In Scotland the final report of the 5 year Education for the Industrial Society project, to be published shortly, will be considered by the Consultative Committee on the Curriculum (The Secretary of State for Scotland's principal advisory body on the school curriculum).

38. The Government intends to continue to take every opportunity to encourage the development of links between schools and working life.

39. The Government fully accepts that all pupils need better and more systematic careers education and guidance. This point was made particularly strongly in the Department of Education and Science's guidance document 'The School Curriculum' which was published, jointly with the Welsh Office, in March 1981. It stressed the need, in the early secondary years, for a carefully planned programme of careers education for all pupils in good time to prepare them for the subject choices they need to make by the end of their third year. Guidance teachers in Scottish secondary schools, who have special responsibility for advice to pupils on personal, curricular and vocational matters, already work closely with Careers Officers on matters of vocational advice.

PROBLEMS OF PARTICULAR GROUPS IN THE LABOUR MARKET

The long-term unemployed

40. The Committee's report argues that those who have been out of work the longest, whatever their other characteristics, constitute the group most in need of help (14.41). The Government shares the Committee's concern about the problems of the long-term unemployed and has taken important steps to provide assistance for them.

41. The Committee's recommendations about the Community Enterprise Programme (CEP) (14.47 - 14.49) have been overtaken by events. The new Community Programme was introduced on 1 October 1982 and brings together CEP and the initiative announced in the Chancellor's Budget speech to provide 100,000 jobs for the long-term unemployed on schemes of benefit to the community. The Community Programme will provide up to 130,000 places, many of them part-time, for up to a year. Those taking part will be paid the rate for the job subject to a maximum of £89 per week and there is provision for sponsors to arrange appropriate training as part of their schemes. The operating criteria and eligibility conditions will be broadly the same as those for CEP. The Government believe that the new Programme will continue to offer the advantages of CEP while at the same time bringing about a considerable

increase in the number of opportunities available to unemployed people to do useful work and to gain experience, and in some cases training, which may help them to compete for permanent jobs.

42. Community Programme sponsors will include local authorities and voluntary organisations, who will be reimbursed their expenditure on wages and will receive substantial sums to cover the cost of setting up and administering projects. The scheme therefore has common features with the system of job creation grants for the voluntary sector which the Committee proposes (14.65).

43. In addition, of course, other current special employment measures provide assistance to the long-term unemployed, although not exclusively confined to them.

The problems of other groups

44. While singling out the long-term unemployed for particular attention, the committee also notes the problems faced by other groups, which it considers to a greater or lesser extent at a disadvantage in the labor^u market.

a) Women in employment

45. The Government fully supports the Committee's call for continued action against sex discrimination in employment (13.12). Women are taking advantage of Government's employment and training services open to men and women on equal terms: for example, 260,000 participants in the Youth Opportunities Programme in 1981-82 were young women; and over the same period some 19,000 women completed Training Opportunities Scheme courses. The Manpower Services Commission also provides courses for women with special needs where this will help them get jobs. For 1982-83 there will be some 540 places for women on wider opportunities courses, for women returning to the labour market after a period of absence due to family responsibilities. This provision will include some experimental courses, some in new technology and others for women aiming to return to work at a supervisory or managerial level. The Manpower Services Commission also offers a number of experimental courses for women only for

training for work in which women are under represented, such as engineering. It also sponsors a number of schemes which aim to encourage industry to expand women's opportunities to train for occupations which involve relatively high degrees of responsibility and/or skill; and in which currently there are very few women working. Through the Co-ordinating Group for the Development of Training for Women, the Commission works with members of Industrial Training Boards and others to organise meetings and workshops on specialist topics within the field of women's training.

b)Disabled people

46. The Government is glad to note the recognition given by the Committee to the special problems faced by disabled people (13.26). It is not possible to isolate disabled people from the effects of the recession on employment generally, but the Government is committed to trying to mitigate its effects on them, and in particular to maintaining the level of assistance which is provided, through the Manpower Services Commission, to help them into jobs. The Commission operates a range of services and special schemes for this purpose, including the ^eemployment rehabilitation services referred to by the Committee, and in addition is making efforts to ensure that a good supply of suitable places in the new Youth Training Scheme and Community Programme will be available for disabled people. The Committee's report goes on to refer to ~~the refer to~~ the Commission's proposals for replacing the quota system for the promotion of employment of disabled people by a more general statutory obligation on employers, backed up by a comprehensive Code of Practice. When the proposals were put forward eighteen months ago, the Government sought the views of all those most concerned with the employment problems of disabled people. Whilst a considerable body and weight of opinion supported the Commission's proposals, others took the view that statutory protection in this area was unnecessary. At the same time, a considerable number of those who commented called for the Quota Scheme to be retained and strengthened in various ways. Given these widely differing views, the Government announced in July this year that it had decided, against making any change in the basic legislation for the time being, but had asked the Commission to consider ways of making the scheme more effective within the existing legislation, and to press ahead with the development of a Code of Practice, without prejudice to whether it might eventually be applied on a statutory or voluntary basis. The

development of Code of Practice is wholly in line with the approach of the 'Fit for Work' campaign, which, as the Committee says, is part of an educational process to help and encourage employers to adopt positive policies towards the employment of disabled people, and their advancement in employment. The Government welcomes the Committee's support for developments on the lines of this campaign, which has its own full support.

c) Ethnic Minorities

47. The Government welcomes the Committee's recognition of the action which is being taken against racial disadvantage in employment (13.24). The Manpower Services Commission is increasing provision for work-related language training in 1982-83. It is hoped that in 1982-83 some 1200 people from the ethnic minorities will embark on courses combining tuition in literacy and numeracy with language training; this compares with only 700 in 1981-82. Courses in skillcentres and colleges which link training in occupational skills with language tuition will offer 540 places in 1982/83, as against 200 in 1981/82. In addition, the budget of the Industrial Language Training Service will rise to £2 million for 1982/83 with further annual increases planned for the subsequent three years.

REDUCTIONS IN SUPPLY OF LABOUR

Pairing and extension of Job Release Scheme

48. The Government agrees with the Committee's general conclusion that, unless pay is reduced proportionately, reductions in working time will not increase demand for labour or reduce unemployment (10.60). The Committee rightly make it clear that any increase in labour costs puts jobs at risk. As the Committee point out specific measures involving the sharing of work and pay can be used effectively to reduce unemployment only if they are carefully designed and directly targetted on recruitment of unemployed people.

49. The Government shares the Committee's interest in job pairing (14.35), and the Chancellor of the Exchequer announced on 27 July the introduction of a new Job Splitting Scheme in January 1983. The objective is to open up opportunities for productive activity for unemployed people; potentially

redundant people in the same firm will also be eligible. The Scheme will be open to all below state pension age. A subsidy of £750 will be paid to employers in 4 instalments.

50. The Committee suggest adjustments in national insurance contributions as an incentive to introduce a pairing scheme and so take on additional labour or avoid redundancy. There are difficulties in principle as well as practical problems in such selective use of the National Insurance Fund. The Government considers that direct payments to employers are a more efficient way of providing an incentive to split jobs. It is worth noting that in most cases when a job is split National Insurance Contributions are also split, so there is no extra cost.

51. The Government welcomes the Committee's support for the Job Release Scheme (14.34). The Scheme is at present due to close for applications on 31 March 1984 and we estimate that by then some 113,000 people will be receiving job release allowances. The future of the Scheme after that date will be considered next year.

52. The Committee propose that for state and occupational pensions in particular, but also for benefits more generally, loss of benefit rights as a result of early retirement or job splitting might be compensated for by some form of crediting of contributions on the basis of earnings higher than those actually received (14.36). The existing Job Release Scheme provides for maintenance of basic pension rights through payment by the state of Class 3 contributions for those retiring early under this heading. The Government thinks, however, that it would be difficult to go beyond this. Most of those voluntarily retiring from a job before normal state pension age do so with an occupational pension, and we doubt whether it would be right to guarantee occupational pensioners state pension rights other than through the existing arrangements for unemployment credits - or, in the case of those who are incapable of work, incapacity credits. These credits do in fact cover the majority of people affected, and special arrangements were necessary for those in the Job Release Scheme only because people opting for retirement under that scheme are specifically prohibited from seeking employment and thus prevented from getting unemployment credits.

53. It is unlikely that job-splitting will often result in earnings below the contribution threshold, and earnings above that threshold will of course secure basic benefit rights. Any extension of credit arrangements would thus be directed towards earnings-related pensions, and the award of credits in this area to one particular group of people with earnings lower than they might otherwise have had would open up a whole range of questions about fairness to those who through sickness, disability, unemployment, or reduced earnings prospects were earning less than they might otherwise have expected and were thus losing state and/or occupational pension rights. All workers interested in the Job Splitting Scheme will of course have it drawn to their attention that they should consider any effects on their pension.

54. Occupational pensions schemes are voluntary and DHSS is not in a position to secure the sort of changes envisaged by the Committee, particularly as the schemes are already faced with the problem of large numbers of members who leave early. Also, given the wide variety of occupational pension schemes, it would be particularly difficult for the state to make payments to secure earnings-related rights in selected cases.

Effective Retirement for Long-Term Unemployed People Aged 55 and Over

55. The Committee note that those aged 60 and over who have been unemployed and receiving supplementary benefit for over 12 months can receive the long-term supplementary scale rate. The Committee recommend that this scheme be extended to cover those aged 55 or more (14.46).

56. Any extension of eligibility must in the Government's view compete with other claims on the additional resources which would be needed, and in particular with the claims of other groups of the unemployed: the Social Security Advisory Committee for example have pressed the claims of families with children. It is a matter of judgement at which age it is realistic and acceptable to decide that a person is no longer in the employment field. The Government has however carefully noted the Committee's views on this matter.

INCREASING THE DEMAND FOR LABOUR

Small businesses

a) Premises

57. The Committee single out the availability of small, cheap premises as most likely to facilitate the creation of small businesses and they recommended that the English Industrial Estates Corporation (EIEC) should build advance factories and workshops suitable for new enterprises, acting in association with local authorities (14.86 (ii)).

58. The Government agrees that an adequate supply of small premises is essential for the creation and development of small businesses. A greatly expanded programme of public sector investment to provide more small premises at very low rents would be counter productive because it would kill off any private investment, which is looking for higher rents to offset greater management costs on this type of development.

59. To encourage private investment the Chancellor introduced the Small Workshops Scheme in his 1980 Budget under which there is a 100% initial allowance for capital expenditure incurred on the construction of industrial premises of 2,500 sq ft and below for a period of three years until 26 March 1983. This has approximately tripled the annual rate of supply of small premises. To increase the supply of smaller premises the 100% initial allowance for industrial premises of 1,250 sq ft and below has been extended for a further two years until 26 March 1985.

60. EIEC is already heavily involved in building small factories, and for the past year has concentrated almost exclusively on this type of development. In the 12-months to July 1982 EIEC built 523 units of less than 232 sq metres and only 164 larger units. A further 432 small factories are under construction and 500 more are planned. Many of these factories have been built in inner city areas and EIEC will be concentrating more of their efforts in these areas in the future. The Corporation works very closely with local authorities in planning and marketing its estates.

61. However, EIEC confine themselves to developments in those areas where the private sector is not prepared to invest in small factories at present, and seeks to encourage private investment in those areas where they are active, by demonstrating that they can make a commercial rate of return on their investment. The Corporation is also undertaking some speculative building of new incubator units for small high technology companies in conjunction with universities in the Assisted Areas. If these are a commercial success we can expect that more of the same type of development will be financed by the private sector.

62. EIEC will continue its activities in the problem areas and in the more speculative types of development, where the private sector is not meeting the demand, but in the long run only the private sector can provide the majority of the huge number of small premises required to ensure a flourishing small business sector.

b) Co-operatives

63. The Committee also recommend that the development of new co-operatives should be encouraged, for instance by expanding the role of the Co-operative Development Agency (CDA) (14.86 (iv)).

64. The Government is in favour of unsubsidised co-operatives, regarding them as an expression of private enterprise, and is keen to see the producer co-operative sector flourish. Further funding of the CDA was approved in July 1981 by means of the CDA (Grants) Order 1981. The money is expected to last until August 1984 by which time the Agency will have existed for 6 years.

65. It was never intended that the CDA should be supported by public funds indefinitely. It was intended to become financially independent of Government in due course. Following a review of the CDA in 1981, changes were proposed to improve its effectiveness and reduce its expenditure. It has now been slimmed down and is concentrating its efforts more upon job creation. Its new strategy is aimed at doubling the number of industrial co-operatives over the next 3 years from 500 to 1000. The emphasis in pursuing this objective will be placed on business skills in order to make co-operatives more viable. Expert advice by specialists in such matters as marketing and the law is to become available shortly.

66. In addition to help available from the CDA, the Department of Industry's Loan Guarantee Scheme is open to co-operatives (one practical way in which banks can help co-operatives) and so is the Department's Small Firms Service, with its Counsellors. There are also cooperative representative bodies ready to give advice and assistance, including Job Ownership Ltd (JOL), the Industrial Common Ownership Movement Ltd (ICOM) and the Industrial Common Ownership Finance Ltd (ICOF). Specialist co-operative representative bodies give advice and assistance to Agricultural, Housing, Horticultural and Fisheries Co-operatives. The Department of Industry has published a booklet, "Co-operative Information" which incorporates advice on taxation which is of particular interest to co-operatives.

c) Local Enterprise agencies

67. The Government is continuing to support the formation of local enterprise agencies (14.86 (iii)). The 1982 Finance Act made provision for tax relief on contributions to these agencies by a company or an incorporated business. Relief will be given by treating the expenditure incurred in making the contribution as a deduction when assessing the taxable profits of the business. In seeking the formation of new agencies the Regional Offices of the Departments of the Environment and Industry have worked closely with Business in the Community, an organisation formed by industry and commerce specifically to encourage and assist companies to become more closely involved in local economic and social development. By October 1982, the Government was aware of over 70 agencies in existence in England, and talks which could lead to the formation of another 50 agencies were in progress. Similar good progress is being made in Scotland and Wales. Local authorities are closely associated with the work of most of these agencies.

d) Alternative employment in cases of redundancy

68. The Committee suggested that nationalised industries and large employers should be encouraged to create alternative employment for their workers in advance of redundancy, as British Steel and Pilkingtons have done. The Government has encouraged action along these lines. British Shipbuilders provide re-training for their employees threatened with redundancy and also provide financial help for redundancy employees to transfer to other areas

where they may obtain alternative employment or training to equip them to take up such employment. In addition, the Leyland Group (part of BL, which is sponsored by the Department of Industry) in the context of a major rationalisation programme, have set up a high level project team to seek constructive uses for redundant plants and assist in creating new job opportunities. Advice centres have been established enabling employees considering starting their own businesses to benefit from management experience.

Technical change

69. The Government fully supports the view that "as a nation we must embrace new technologies and exploit them to the best of our ability" (14.39). To that end the Department of Industry has a programme of support for industrial research and development at a cost exceeding £200 million per annum. More than half this money is spent directly in industry and there is further assistance to projects involving new technology under the Industry Act. The Department gives particular attention to new technologies such as microelectronics, information technology and computer aided manufacture. It provides a Manufacturing Advisory Service and a Technical Enquiry Service to assist small firms. In the specific field of microelectronics the Department operates the following schemes:

- (i) Microelectronics Applications Project (MAP). MAP was launched in 1978 with an allocation of £55 million. It comprises an awareness and training programme, grants of up to £3,000 for consultancy and grants of up to $33\frac{1}{3}\%$ for projects involving the design, development and launching of significantly improved products and processes involving the application of microelectronics.
- (ii) Microelectronics Industry Support Programme (MISP). MISP was launched in 1978 as a five year selective support programme for the UK microelectronics industry. Its aim is to encourage research into and development of new products and processes, to increase investment in production capacity and to assist product launching for marketing for silicon integrated circuits and microelectronic components in the UK.

Job creation

70. The Committee propose further capital expenditure on public sector projects and more current spending on low skill jobs in areas like the NHS and local authorities, in order to create more jobs.

71. It remains Government policy to give priority to worthwhile public capital projects where these do not conflict with overall public expenditure constraints. The Government believes local authorities and nationalised industries should spend their full allocation for capital programmes and has recently taken steps to encourage them to do so. Special priority is being given within available resources to increased capital investment which will create the conditions for the private sector to invest and expand. The urban programme initiatives being taken by the Government are an example of this.

72. The Committee suggest that small changes in the number of low skill jobs in certain parts of the public sector would not have any adverse consequences for pay and efficiency. The Government believes that any commitment to creating more jobs in the public sector, beyond those necessary to provide a cost-effective service, would risk regenerating inflation. The outcome would be reduced efficiency in the public services and upward pressure on pay, not just in the public sector but in the economy as a whole.

The informal economy

73. The Committee suggest that unemployment could be relieved by giving incentives to those in the hidden economy to come out into the open. The Committee suggest that such incentives might include allowing the unemployed limited earnings without loss of benefit ("earnings disregards"); the introduction of a tax credit scheme; and a possible widening of the present Enterprise Allowance Scheme.

a) Earnings disregards

74. The Government acknowledged the advantages of unemployed people taking part-time work; and have taken steps to encourage and facilitate this. The Community Programme, the Job Splitting Scheme, and regulations made in 1982 to

ease the conditions under which people doing some part-time work can get unemployment benefit are examples.

75. The earnings disregards mean that unemployed people may earn small sums from part time work without losing title to benefit; those on UB may earn £2 a day before losing all title (a sum recently increased from 75p) and those on SB, £4 a week, after which their benefit is reduced £1 for £1 (except for single parents). The level of these disregards is not immutable, but there are risks in increasing them. Substantial increases would probably be needed to provide really effective encouragement for unemployed people to take part-time work. But this raises incentives problems, since it would narrow, or even eliminate, the gap between incomes in and out of work. There would also be substantial additional expenditure both on benefits and their administration.

b) Tax credit scheme

76. In paragraph 12.55 of the report, the Committee record their view that "determined consideration should be given to the introduction of a tax credit scheme along the lines contemplated by Mr Heath's government in 1973". They then referred to the essence of the scheme as being the merger of the income tax and social security systems, including the abolition of the concept of benefits dependent on a contribution record and the replacement of all present income tax allowances and all social security payments by tax credits. It must be emphasised that the 1973 tax credit scheme was in fact more limited in scope, and that a number of its objectives have since been achieved in other ways. What the scheme did not set out to do was to achieve a total merger of the income tax and social security systems (indeed, the 1973 proposals depended in part on the continuation of a contributory national insurance system). A scheme which brought about a total merger would involve enormous cost, or would require, if it had to be cost-neutral, rates of income tax which would create significant disincentives to work.

c) Enterprise Allowance Scheme

77. The future of the Enterprise Allowance Scheme will depend on the results achieved in the 5 areas where it is currently being tried out. Take up of the Scheme so far has been encouraging, but an evaluation of the pilot schemes is still in progress.

THE EXCHEQUER COSTS OF UNEMPLOYMENT

1. The Committee suggest that an appropriate estimate of the fiscal cost of unemployment is £5,000 per person unemployed per year. The Treasury published a figure of this kind in the February 1981 issue of Economic Progress Report. This figure has not subsequently been updated because the effect which higher unemployment has on the public finances depends so much on its causes that any single figure is bound to be misleading. In some cases the PSBR may even be reduced.
2. Average figures are in any case of limited value in calculations of the net cost of special employment measures. Particular schemes should be assessed on the basis of details of the precise characteristics of the people involved. When this is done tax payments and National Insurance Contributions are generally found to be less than is assumed in average figures (eg because incomes are lower). Likewise actual benefit savings will tend to be less than is assumed in average figures. The main reason for this is that it is more likely that any scheme which aims to attract people voluntarily from the unemployment register will have its greatest appeal to those in receipt of the lowest levels of benefit. Certainly the married man with two children (one of the examples given in paragraph 14.77 of the Report) is very unlikely to be representative of the people involved in these schemes.
3. It would be misleading to calculate savings in benefit, etc, on the assumption that all jobs supported by a special measure do in fact constitute a net addition to national employment opportunities. In practice a part of any public money will go to finance either jobs which would have existed in any case, or jobs which displace others elsewhere in the economy. The Committee recognise this possibility in the case

of the employment subsidy suggested by Professor Layard (9.31), but seem to ignore it in the case of their own scheme to create 300,000 jobs in the public sector (including contracting to the private sector). It would be very difficult to ensure complete additionality in the case of a long-term scheme of this size. There is the final possibility that only a proportion of new employment will go to people coming off the unemployment register, and so that again benefit savings will be less than they might appear.

4. For all these reasons, calculations of net direct cost which use an average figure, as it seems do the figures for long-term job creation, in the Committee's Summary Table (on page 162), tend to over-estimate the likely scale of any Exchequer savings. Net costs are, of course, invariably less than gross costs. But, as the Committee say, the State cannot itself "give work to the unemployed, on reasonable rates of pay, at no net cost". The Committee suggest that there are "ways of promoting employment in the private sector for less than the Exchequer cost of unemployment" (14.75). But if this means that the State can get back as much as it spends, or foregoes, on subsidies or other measures, the Government thinks that even the Committee's ^{estimates} show that this is likely to be the case only in very special circumstances.
5. The Committee also use their estimate of the fiscal cost of unemployment to derive a figure for the total annual Exchequer cost of unemployment (6.34). But, as they themselves recognise (6.27); this estimate can only be made on the basis of the very unreal assumption that prices, earnings, tax rates etc would remain unchanged if unemployment were somehow to be eliminated. It is, therefore, a figure without meaning.



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THE EMPLOYMENT ACT 1982

SECTION BY SECTION

EMPLOYEE INVOLVEMENT

Section 1 amends section 16 of the Companies Act 1967 so as to require directors' reports of larger companies to contain a statement describing what action has been taken during the year to introduce, maintain or develop arrangements aimed at furthering employee involvement.

COMPENSATION FOR CERTAIN CLOSED SHOP DISMISSALS BETWEEN 1974 AND 1980

Section 2 and Schedule 1 enable the Secretary of State to pay compensation to some people who were dismissed for not being a union member in a closed shop between 1974 and 1980. The people concerned are employees whose dismissal would have been "unfair" had the main closed shop provisions of the Employment Act 1980 been in force at the time when they were dismissed.

UNFAIR DISMISSAL IN A CLOSED SHOP

Section 3 enlarges the circumstances in which dismissal for non-membership of a trade union in a closed shop is to be regarded as unfair. The additional circumstances are:-

- where a closed shop agreement has not in the five years preceding the dismissal been supported in a secret ballot by 80% of the employees covered by it or by 85% of those voting;
- where the employee has obtained or is seeking a declaration from an industrial tribunal that he has been unreasonably excluded or expelled from the trade union to which he has to belong under the closed shop agreement; and

where the employee is bound because of his qualifications to observe a written code of conduct and has left or been expelled from his union, or refused to join a union, because of a conflict between that code of conduct and a requirement to take industrial action.

The first of these will not take effect as early as the other provisions of the Act; the Government's intention is to bring it into force on 1 November 1984.

Section 3 also provides that an employee who cannot be fairly dismissed for non-membership of a trade union in a closed shop cannot be fairly dismissed either for refusing to make payments to the trade union or some other body or person in lieu of union membership.

COMPENSATION FOR CLOSED SHOP DISMISSALS AND DISMISSALS FOR TRADE UNION MEMBERSHIP AND ACTIVITIES

Section 4 introduces a minimum basic award of compensation of £2,000 for people who are unfairly dismissed because of their non-membership of a union or because of their trade union membership or activities. This minimum may, however, be reduced on account of matters such as the employee's conduct before dismissal.

Section 5 creates a new 'special award' of compensation which will be payable to some people who are unfairly dismissed because of their non-membership of a trade union or because of their trade union membership or activities. The special award will be made where the unfairly dismissed employee asks the tribunal to order his reinstatement or reengagement but no reinstatement or reengagement occurs. Where the tribunal decides not to make an order for reinstatement or reengagement, the amount of the award will normally be 104 weeks' pay subject to a minimum of £10,000 and a maximum of £20,000. Where the tribunal makes an order, but the employer refuses to reinstate or reengage in accordance with it, the amount of the special award will be 156 weeks' pay subject to a minimum of £15,000. In both cases the special award is additional to any basic or compensatory award. The special award may, however, be reduced on account of matters such as the employee's conduct before dismissal.

Section 6 is concerned with the situation where an employee who is found to have been unfairly dismissed for non-membership of a trade union or because of his union membership or activities broke a requirement in a contract or some other agreement that he must be a member of a union. It also covers the case of a requirement not to be a member or not to take part in union activities. The section provides that in such cases the fact that the employee broke the requirement is not to be a reason for reducing the amount of any compensation for unfair dismissal which is awarded to him.

JOINDER

Section 7 enables an employee who is claiming that he has been unfairly dismissed for not being a member of a trade union to "join" as a party to unfair dismissal proceedings a trade union or other person in certain circumstances. These are where he claims that the union or person concerned put pressure on his employer to dismiss him by calling or threatening industrial action because he was not a union member. Where a trade union is 'joined' in the proceedings and the tribunal finds that it did exert pressure on the employer to dismiss unfairly because the employee was not a union member, the tribunal can award compensation for the unfair dismissal wholly or partly against the union.

INTERIM RELIEF

Section 8 enables people who claim they have been unfairly dismissed for non-membership of a trade union to apply to a tribunal for an order of "interim relief" (which is an order that their contract of employment should continue until their complaint of unfair dismissal is decided). The opportunity to apply for an interim relief order is already available to people who claim to have been dismissed for trade union membership or activities.

DISMISSAL IN CONNECTION WITH A STRIKE OR OTHER INDUSTRIAL ACTION

Section 9 provides that an employee who is dismissed while participating in a strike or other industrial action cannot claim unfair dismissal if his employer (i) has dismissed all who were taking part in the action at the same establishment as the complainant at the date of his dismissal; and (ii) has not offered re-engagement to any of them within three months of their date of dismissal without making him a similar offer.

ACTION SHORT OF DISMISSAL RELATING TO TRADE UNION MEMBERSHIP

Section 10 extends to the circumstances set out in section 3 an employee's right not to have action short of dismissal taken against him by his employer to compel him to be a trade union member in a closed shop.

Section 11 introduces changes in respect of 'joinder' in cases of action short of dismissal taken to compel membership of a trade union which are parallel to the changes introduced by section 7 in relation to joinder in unfair dismissal cases.

UNION LABOUR ONLY REQUIREMENTS

Section 12 makes void any term in a commercial contract which requires a person to use only union labour (or only non-union labour) in fulfilling a contract. It also makes it unlawful to exclude someone from a tender list or to fail to award a contract to him or to terminate a contract with him on the grounds that anyone employed or likely to be employed on work connected with the contract is, or is not, a union member.

Section 13 makes void any term in a commercial contract which requires the contractor to recognise, negotiate or consult with trade unions or trade union officials. It also makes it unlawful to exclude someone from a tender list, or to fail to award him a contract or to terminate a contract with him on the grounds that he does not recognise, negotiate or consult with trade unions or trade union officials.

Section 14 removes immunity from trade unions and other persons who organise industrial action to put pressure on an employer to act contrary to Sections 12 or 13. It also removes immunity from those who organise or threaten industrial action which interferes with the supply of goods or services on the grounds that

- (a) work done in connection with the supply of goods or service has been or is likely to be done by non union (or union) members;
- (b) the supplier of the goods or services in question does not recognise, negotiate or consult with trade unions or trade union officials.

TRADE UNION IMMUNITIES AND DEFINITION OF TRADE DISPUTE

Section 15 repeals section 14 of the Trade Union and Labour Relations Act 1974. It thus abolishes the special and wider immunities for trade unions and brings them into line with those given to other persons, such as individual union officials. As a result, those who suffer loss because of unlawful action (eg action which is not in contemplation or furtherance of a trade dispute; unlawful secondary action; and secondary picketing) which is authorised by a union will be able to sue that union in its own name for injunctions and seek damages from the union's funds. It will also become possible for the first time to sue a trade union if it is responsible for other unlawful acts whether or not connected with industrial action, such as libel, defamation, negligence, nuisance and breach of duty.

Section 15 also sets out when a trade union is to be regarded as liable for unlawful industrial action organised by its officials. The union is to be held automatically and irrevocably liable for unlawful action authorised or endorsed by its Executive Committee, its President, its General Secretary or any of its officials with authority to call industrial action under the union's own rules. It is also to be held liable for unlawful action authorised or endorsed by its employed officials or any committees to which they report, except where the authorisation is overruled by the Executive Committee, President or General Secretary or the union rules prohibit the official concerned from calling industrial action.

Section 16 sets upper limits on the damages which may be awarded against a trade union in any single set of legal proceedings. The limits, which will apply in all cases except the particular ones involving personal injury or the use of property for which unions may already face awards of damages without any upper limit, are set by reference to the numbers of members in the union concerned. They are:-

| | |
|--------------------------|----------|
| fewer than 5,000 members | £ 10,000 |
| 5,000 - 24,999 | £ 50,000 |
| 25,000 - 99,999 | £125,000 |
| 100,000 or more | £250,000 |

Section 17 protects certain trade union property from awards of damages, costs or expenses. These include personal property belonging to any trustee, member or official of the union concerned, and, in certain circumstances, property in a trade union's political fund or provident benefits fund.

Section 18 amends the definition of what constitutes a lawful trade dispute as laid down in Section 29 of the Trade Union and Labour Relations Act 1974. It specifies that there is a lawful trade dispute only when workers are in dispute with their own employer and the dispute is wholly or mainly about matters such as their pay, conditions or jobs. The effect of these changes is to exclude from the definition of a trade dispute disputes between a trade union and an employer where none of that employer's employees are in dispute; disputes between trade unions or groups of workers where no employer is involved in the dispute; and disputes which are simply connected with pay, jobs etc and are not wholly or mainly about them.

The section also excludes from the definition disputes relating to matters overseas unless the persons taking industrial action in Great Britain are likely to be affected by the outcome of the dispute as regards their own employment.

Section 19 repeals section 13(2) of the 1974 Trade Union and Labour Relations Act, and alters the section in that Act which translates the term 'tort' into its Scottish equivalent. Section 13(2) has always been regarded as a declaratory provision providing no substantive immunity. Its repeal became necessary because of a court decision which suggested that it provided immunity for workers involved in 'sit ins' and factory occupations.

OTHER PROVISIONS

Section 20 and Schedule 2 change from weeks to corresponding numbers of calendar months or years the periods of continuous employment needed to qualify for certain statutory employment protection rights and payments. These include redundancy, maternity and guarantee payments and the right to statutory notice and to complain of unfair dismissal.

Section 21 contains provisions as to interpretation and with Schedule 3 makes a number of minor amendments to the Employment Protection (Consolidation) Act 1978 and various other amendments which are consequential to the main Bill. The minor amendments are briefly explained in the attached annex.

Section 22 enables the Secretary of State to bring the Act's provisions into effect by order, except for Section 1 and Schedule 1 which come into effect on Royal Assent.

MINOR AMENDMENTS

Part I of Schedule 3 contains a number of minor amendments to the Employment Protection (Consolidation) Act 1978.

Paragraph 1 - unfair dismissal: effective date of termination

This amendment provides that, in cases where an employee has resigned because his employer has broken (or shown his intention to break) a fundamental term of his employment contract, the period of service used for calculating whether he qualifies to bring an unfair dismissal claim is extended by a period equal to his statutory minimum notice entitlement. This brings the position into line with that of workers dismissed by their employers without notice.

Paragraph 2 - Continuity of employment in certain schools

The amendments will mean that a teacher transferring from one type of maintained school to another in the same area keeps entitlement to statutory employment rights already 'earned'; and that a teacher can be eligible for a statutory redundancy payment if his or her job is filled by someone from another type of maintained school in the same area whose job has come to an end.

Paragraphs 3-5 - Insolvent employers: payments to employees

The amendments concern debts due to employees from insolvent employers which are payable out of the Redundancy Fund. They make it clear that certain debts resulting from an industrial tribunal award are payable irrespective of the date of the award, remove uncertainties about the periods for which pay arrears and holiday pay may be paid, and enable the Department of Employment, in certain circumstances, to meet debts earlier than is possible at present.

Paragraph 6 - Application of the 1978 Act to employed spouses

This amendment extends employment protection rights to employed spouses.

Paragraphs 7 and 9 - Interest on tribunal awards

These amendments enable the Secretary of State to provide by order for interest to accrue on awards of compensation made by industrial tribunals or by the Employment Appeal Tribunal.

Paragraph 8 - Interlocutory proceedings before the Employment Appeal Tribunal

It has been accepted practice in the Employment Appeal Tribunal for interlocutory matters to be determined by the Registrar or by a judge sitting alone. This amendment makes it clear beyond doubt in the legislation that the Employment Appeal Tribunal has power to determine interlocutory matters in this way.