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5 September 1985

Dear Rachel

ALLOCATION OF MINISTERIAL RESPONSIBILITIES IN THE
DEPARTMENT OF EMPLOYMENT

--- You may like to have the attached note of the re-allocation
of Ministerial responsibilities in this Department.

I am copying this letter to John Mogg (Department of Trade
and Industry), Rob Smith (Department of Education and Science),
John Graham (Scottish Office), Colin Jones (Welsh Office),
Tony Laurance (Department of Health and Social Security),
Richard Allan (Department of Transport), Mark Addison (No 10)
and Richard Hatfield (Sir Robert Armstrong's office).

Yours ever

Leigh

LEIGH LEWIS
Private Secretary

Secretary of State

Overall responsibility for the work of
the Department

Paymaster General

Jobs strategy
Industrial relations strategy
Manpower Services Commission
Financial Management Initiative
De-regulation
City Action Teams

Mr Clark

Unemployment Benefit Service
Social Security issues affecting
employment
Jobcentres
Long-term unemployed
Community Programme
Voluntary Projects Programme
DE special employment measures
Local/regional employment issues
Statistics
Pay
Work Permits

Mr Bottomley

Industrial relations legislation
ACAS
Wages Councils (incl. Bill)
Docks
Health and Safety Commission
Redundancy scheme
Disabled
Equal opportunities
(race, sex)
Employment agencies
Research
International matters
Careers Service

Mr Trippier

Small Firms

Enterprise

De-regulation

Enterprise Allowance Scheme

Tourism

Training

4

Unemployment and the Department of Employment.

The Department of Employment is seen by many as adopting a passive attitude to unemployment, reacting rather than initiating. This short paper outlines a positive programme for the period up to the next election.

Unemployment may or may not go away (probably not during this decade). People may well come to accept its inevitability. What they will not accept is a government that does not appear to be doing all it can to reduce unemployment. This programme may well succeed in reducing numbers in time. If not, there will be no doubt that we worked hard at it.

But, above all, it will show that we do care.

1. Employment.

Turn the Department of Employment into the sponsoring department for employment (in government). Let it be seen to be taking a positive role in furthering employment opportunities. Show that the Government can act,

- By becoming a Department of Enterprise and thus a positive force for employment. Get over the simple message - that people create jobs, not governments!

- By being seen to be interested in employment. Take a role in small firms and tourism (be the sponsoring Department?) and in all areas that have opportunities for the expansion of employment.

- By removing the obstacles to the growth of employment.

Then

- Expand and really sell schemes like the Enterprise Allowance Scheme which have a positive effect on employment once the scheme is finished.

- Look at ways that we can build on the Enterprise Allowance Scheme to include the employed.

- Combine the Community Programme and other central government schemes with CATS and create a Private Sector Job Regeneration Scheme in the inner cities. Let us be seen to tackling the problem where it really exists, in the run down inner urban areas. Let DE become the lead Department, building on CATS, to combine the activities of DoE and DTI.

- Ensure that the legislation on Wages Councils provide for an industry by industry review and make it easy for industries to abolish them.

From DTI
Small firms
Tourism
? Regional Policy?
English Ind.
Estates
From D. Young
Enterprise Unit
City Action
Team
Regulation

- Examine the employment effects of some of the regulations and practises of the Health and Safety Executive.
- Look very hard at the implications of some financial and fiscal policies for their effect on employment. For example are the Keith Committee savings as important as their effect on employment?
- Be seen to be taking a real interest in the next Budget in the interest of employment.
- Take another look at the difficult problem of rent decontrol. See if we cannot use existing legislation to help the enterprising to move to jobs.
- Above all be radical in our drive for full employment, not in wishing to spend further monies, but to spend our existing spend better (which could involve crossing Departmental boundaries).

2. Unemployment.

- Start to bring home the relationship between benefits and unemployment. Accept the Green Paper as a start but not as a final answer. The proposals will simplify bureaucracy but I doubt that we have really thought through its effect on claimant numbers.
- Get the incentive gap into the language. Make people aware of the continuing level of benefit claimants in the South.
- Expose the black economy time and time again. If we cannot make a substantial reduction in the number of benefit claimants before the election (and I believe that we can) then let us expose the problem for what it really is.
- Consider reintroducing compulsory registration at Jobcentres as a preliminary step towards the introduction of a form of workfair. Bring forward Beveridge message that continual benefit brings dependency.
- Have a real input in DHSS decisions that either,
 - a. Add to unemployment by increasing social security levels.
 - b. Add to the black economy by imposing excessive regulation.

3. Deregulation.

- Retain the Deregulation Task Force (although it could still be situated in the Cabinet Office). Continue with an intensive series of bilaterals with other Departments. Whenever changes are agreed then announce them at the time and again with a White Paper to be published at Easter.
- Offer to act as a type of Ombudsman to the general public in cases of excessive regulation, not to rectify individual grievances but to examine, and hopefully lift, the burden.
- Deal as a matter of priority with the deregulation drive in Europe. Agree with the FCO that DE should lead.
- Bring home the message that every regulation has a cost - and its often someone else's job.

4. Education and Training.

DES latest figures show that only 30% of 17 year olds in full time education compared with 87% for both USA and Japan, 73% for the Netherlands and 59% in France. Germany has a participation rate in vocational education and training of 84%.

At 18 we drop to 19%.

Therefore we should

- Find a way to replicate TVEI.
- Get the 2 year YTS accepted and understood.
- These would be priority objectives within a programme to change the MSC to a National Training Agency (which could well break the tripartite mould). This would be launched as a positive step to help both young people and the future industrial health of the Nation. This would be announced in a White Paper in June/July to be followed by legislation in 1986/7.
- Establish a Research and Development Centre for Vocational Education and Training - partially funded by MSC and the balance by Employers.
- Review of Vocational Qualifications (due to be completed in 1986) could be extended to include all 16 and 18+ examinations
- Work towards a target of

15% Higher education
35% TVEI until 18
50% Two Year YTS or employment

and make this a Manifesto pledge.

- Remove under 18 benefit as of right as a Manifesto pledge.

Adult Training.

- We should really take some real steps towards training loans or even adopt the American plan for an Individual Training Account which is presently before Congress.
 - Otherwise our priorities should be for the under 25 group (perhaps slant the Community Programme to the under 25's with a real retraining element).
 - Look to the future of Open Tech which will otherwise fade away this year. We should accelerate the drive for the retraining of Britain.
-

3

DEPARTMENT OF EMPLOYMENT: POSSIBLE EXPANSION OF FUNCTIONS

I. EXISTING DEPARTMENT

The Department of Employment's existing functions are:

- a. training policy
- b. careers services
- c. employment creation and preservation (eg Voluntary Projects Programme, Enterprise Allowance Scheme, community Industry and Community Programme, early retirement, job release scheme, work-sharing)
- d. employment regulation (employment protection, race relations, equal opportunities etc)
- e. industrial relations (disputes, pay bargaining)
- f. unemployment benefit service (as agent of DHSS)

Also within the Employment group are:

The Manpower Services Commission - funded by grant in aid by Department of Employment, Scottish Office and Welsh Office. MSC runs employment services (job centres, help for disabled and long term unemployed), provides vocational, occupational, and industrial training (eg Youth Training Scheme) and has just taken responsibility for some work-related non-advanced Further Education.

The Health and Safety Commission and Executive - which polices the health, safety and welfare of those at work.

The Advisory, Conciliation and Arbitration Service - which conciliated in industrial disputes.

2. Current manpower is:

*Department of Employment 29,919 (1.4.85) falling to 27,803 (1.4.88)

HSE 3662 (1.4.85) falling to 3644 (1.4.88)

ACAS 639 (1.4.85) falling to 625 (1.4.88)

3. Existing management is:

Secretary of State
Minister of State
Parliamentary Under Secretary of State
Lord in Waiting

Permanent Secretary since 1983 - Sir Michael Quinlan (born August 1930, previous experience in MOD and Cabinet Office)

Three Grade 2 (Dep Sec) and nine Grade 3 (Under Sec)

4. Regional Network

The Department of Employment has regional offices for its unemployment benefit service in London, Birmingham, Newcastle, Manchester, Bristol, Leeds, Edinburgh and Cardiff. It has very

* Note Most are in the unemployment benefit offices (f)
Interface between unemployment benefit offices and DHSS benefit offices is currently under review. Results (summer 1986) could lead to proposals for change in responsibilities in the medium to long term.

small outposts in the first six for its careers services. The MSC has its Headquarters in Sheffield and has regional offices in London, Basingstoke, Leeds, Birmingham, Manchester, Newcastle, Bristol, Edinburgh and Cardiff.

II NEW FUNCTIONS

5. Under the proposals, the Department of Employment would take over from the Department of Trade and Industry and Department of the Environment the main Government instruments (excluding fiscal instruments) of job creation. It would also absorb the Enterprise and new Deregulation Units at present located in the Cabinet Office.

6. The functions are:

from the Department of Trade and Industry

i. Regional Policy and Assistance. This covers European Community money as well as the two main support schemes - Regional Development Grants and regional selective assistance. Both are aimed at job creation/maintenance.

One Grade 3 command in London and regional offices. Regional Development Grants are administered through two dedicated DTI offices at Billingham and Bootle, and selective assistance through DTI's 7 regional offices (London, Newcastle, Manchester, Leeds, Nottingham, Birmingham and Bristol). Nos approx: 70 in London, 90 (Billingham and Bootle) plus regional office staff.

ii. Small Firms. The Loan Guarantee Scheme, general advice and guidance to small firms and promotion of small firms' interests.

Part of a Grade 3 command in London and small firms centres in Newcastle, Manchester, Leeds, Nottingham, Birmingham, Bristol, London Cambridge and Reading. Nos approx: 50 in London and 40 to 50 in regions.

iii. Advance factories. (English Industrial Estates Corporation).

Part of an AS command. Nos: (part of i.)

iv. Tourism. Grant aid to British Tourist Authority and English Tourist Board and grants for specific projects.

Part of an AS command. Nos 15-20.

In addition the Department of Employment might take on:

v. Inward investment by overseas manufacturing and service industries. Nos approx: 40 and would need to take in part of the work of

vi. Industrial Development Unit. This advises on selective assistance policy and undertakes appraisal of proposals. But it also advises on functions which would stay with DTI (eg British Leyland). Nos perhaps 10.

from the Department of the Environment

vii. Inner city action and CATS. This covers inner city policy generally and the co-ordination of the new City Action Teams (CATS) as well as the Urban Programme. There is a London Grade 3 command but much of the detailed work is done in DOE's regional offices (London, Birmingham, Leeds, Manchester, Newcastle, Bristol and Nottingham). Nos approx: 40 .

and for consideration is:

viii. Derelict land grants and enterprise zones

Nos approx: 15

ix. Sponsorship of the Development Commission which grant aids development projects in rural areas. Nos 1-2.

7. The DTI functions could be transferred to the Department of Employment without the DOE functions, or vice versa - simply transferring from DOE the "Co-ordination" of the City Action Teams (CATS) and leaving the the spending instruments - the urban grants - behind.

Mechanics

8. The main functions are vested in a "Secretary of State" and can therefore be transferred administratively. But it will almost certainly be necessary to have a tidying up Transfer of Functions Order to take care of odd statutory powers and property. This will be subject to negative resolution. Parliamentary opposition on policy grounds is unlikely. But it is just possible that the Civil Service trade unions might attempt to stir up opposition because of the disruption to their membership.

9. The main problems will lie in transferring people and accommodation and in sorting out a new Department of Employment organisation (and revised DOE and DTI arrangements), particularly in the regions. About 250 jobs would transfer from DTI and DOE in central London and perhaps 300 plus in the regions.

III MAIN POINTS TO NOTE

10. The role of a new Secretary of State for Employment vis a vis Secretaries of State for Scotland and Wales needs to be clear. Employment policy is GB-based, but the employment instruments transferred to the Department of Employment are England only. An initial statement that the new Secretary of State will work closely with the two territorial Secretaries of State in developing policies for job creation will probably do as a first step. But some co-ordinating machinery will be needed later.

11. The transfer of the DTI functions will produce breaks in expertise and in contacts. Some schemes of financial assistance will also remain with DTI (eg those relating to micro-electronics, robotics etc). The expanded Department of Employment and the residual DTI will need to make their respective responsibilities clear to industry immediately, even if it is some months before the backing organisational changes are in place and working.

12. The transfer of DOE's urban work will break the links with DOE's housing work in inner cities and with local authority programmes. Local authorities (who are the main recipients of Central Government's urban aid) may see the transfer of functions to the Department of Employment as a threat of more direct Central Government intervention. They will also therefore need a clear signal from the start.

13. The main reorganisation needed will be in the DOE/DTI regional networks, on which the new Department of Employment network needs to be built. There will also be a fairly considerable task of reorganisation at Headquarters. Although staff will transfer with their functions, the DTI trade union side may oppose the move on the grounds that it comes only two years after the disruptive re-merger of the Departments of Trade

and Industry (and other changes) and at a time when the DTI has only just settled into its new shape. The impact of the announcement of the new Department could be dissipated if it is followed by some confusing months of "who does what". Resources will therefore need to be devoted to plan and deliver the changes to a firm timetable. [It could take six months to get all the new arrangements in place].

PRIME MINISTER

REGIONAL POLICY

The following is based on a discussion with Peter Gregson.

If regional policy was transferred to the Department of Employment, Peter believes that responsibility for attracting inward investment would need to go to that Department as well - the main motive for attracting inward investment is to benefit the regions, and especially to create jobs. He had envisaged that would happen in his earlier advice to you.

The transfer of responsibility for regional policy to the Department of Employment would take with it to that Department responsibility for the administration of both Section 7 and Section 8 of the Industry Act in so far as these powers were exercised for regional policy purposes. This would not prevent e.g. the Secretary of State for Industry exercising Section 8 powers for another purpose (e.g. to make grants to encourage industrial innovation). This division of responsibility for the administration of Section 8 powers between two Secretaries of State is not unprecedented: for example, under the Labour Government (and at the beginning of yours) the Secretary of State for Energy used Section 8 powers for effectively subsidising British built equipment for the North Sea.

You were concerned that the transfer of regional policy responsibility to the Department of Employment might require a company, like Nissan, to shop around between two Departments for grant - the Department of Employment for "normal" Section 7 regional grants and Section 8 for the special incentives. Under the arrangement described above, this would not happen. The company would have dealt, for purposes of grant, with the Department of Employment. Of course, the Department of Industry, as the sponsor Department for the car industry, would have been much involved in the negotiations.

/So

So my conclusion is that the difficulties of transferring regional policy responsibility to the Department of Employment are not quite as great as Mr. Tebbit might have suggested. But certainly a point worth considering further.

N.h.W.

31 August, 1985

MR WICKS

Copy No: 2 of 2

You asked me in strict confidence for my personal reactions to two possible changes in the machinery of government:

- (i) The transfer to the Department of Employment:-
- from the Department of Trade and Industry its responsibilities for regional industrial policy and assistance, small firms, tourism and de-regulation;
 - from the Department of the Environment its responsibilities for action in the inner cities;
 - from the Cabinet Office the Enterprise Unit.
- (ii) The transfer from the Department of Trade and Industry to the Department of Energy of responsibility for steel and shipbuilding.

2. On (i), I think that this would have some major presentational advantages. It is difficult for the Secretary of State for Employment to have to defend the unemployment figures month by month when his own ability to influence them is limited largely to special employment measures which many people regard as not concerned with real and lasting jobs. The changes would give him direct responsibility for more of the tools which may help to create real jobs. It would still not give him total responsibility for those Government policies which have a bearing on job creation (eg the Treasury's fiscal measures and the DTI's support for innovation), but it would probably not be sensible to go further. It is likely that a change of this kind could be made without serious damage to the public's perception of the DTI whose range of responsibilities would remain very wide.

3. The change at (i) would involve some organisational upheaval and there would be some particular problems, although these

would probably not be insuperable (the most obvious are the fact that the DTI's responsibilities for regional industrial policy and assistance, small firms and tourism extend only to England, and the question of whether the DTI's regional organisation, which deals also with exports and some other DTI matters, would have to be transferred to the Department of Employment). You are receiving separate advice on the detailed organisational issues.

4. As to (ii), the Department of Energy, which is one of the smaller Departments, would have no difficulty in accommodating responsibility for steel and shipbuilding. There would be a marginal advantage managerially in making the Department of Energy a somewhat larger unit. There would however be two serious disadvantages. The first is the effect on the public's perceptions of the DTI. If combined with the change at (i), the additional change at (ii) would look like a vote of No Confidence in the DTI. The only way of counter-acting this would be to argue that the DTI would be freed to carry out some important new tasks. It may however be difficult to say convincingly what these might be.

5. The other serious disadvantage is the difficulty of explaining the logic of the Department of Energy's enlarged responsibilities. It is true that the old Ministry of Fuel and Power had responsibility for a time for steel as well as the energy industries, but this was at a time when coal and steel were thought to be very closely linked as the commanding heights of the economy (the same thinking which created the European Coal and Steel Community). Steel has very little connection with the energy industries now, other than the fact that it is one of the larger consumers of coal. Shipbuilding has very little in common with any of the Department of Energy's responsibilities, except perhaps that it is an industry like coal which needs to contract. There have been suggestions over the years for turning the Department of Energy into a Department of Nationalised Industries. It is however an

SECRET AND PERSONAL

old-fashioned notion now. A major part of the Department of Energy's work is concerned with the private sector oil industry, and British Gas will be privatised next year in the next session. There are many other nationalised industries besides steel and shipbuilding which would need to be added to form a convincing Department of Nationalised Industries, eg British Rail, National Bus, the Post Office* and the Water Authorities. It would therefore be difficult to devise a convincing rationale for having a Department dealing with the energy industries, steel and shipbuilding.

PL

P L GREGSON

29 August 1985

* which would presumably remain with DTI?

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PRIME MINISTER

COPY 2 of 2

POSSIBLE MACHINERY OF GOVERNMENT CHANGES

Following our talk yesterday, I held a meeting in the most strict confidence with Peter Gregson, Ms Genie Turton, (Head of Machinery of Government Division, MPO) and Richard Hatfield (Sir Robert Armstrong's Private Secretary).

As a result, I now enclose a minute from Gregson which concludes that the transfers of functions to the Department of Employment make presentational and policy sense, although there are inevitable organisational frictions. However, he sees less justification for the transfers to the Department of Energy. I agree with his advice throughout.

Also attached is a note from Ms Turton which sets out some of the (soluble) mechanical points involved.

Hatfield will alert Sir Robert when he comes into the office tomorrow. I suggest that, as the next step, you should discuss these matters with him after your meeting on Northern Ireland tomorrow. We can then decide how best to carry matters forward.

N L WICKS

29 August 1985

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