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CONFIDENTIAL

The Rt Hon John MacGregor MP
Chief Secretary
HM Treasury
Parliament St
LONDON SW1

25 September 1986

B/F Tuesday 14/10
JCF

Dear John,

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

I was remitted by E(A), in conjunction with you and colleagues from Environment, Trade and Industry and Scotland, to find ways to alleviate the impact of major redundancies. A group of our officials has worked together on this and produced a joint paper which I attach.

The approach they propose involves setting up an official group which would advise Ministers, on a case by case basis, whether in particular circumstances a special package of measures to alleviate the effect of redundancies might be justified. Such a package would be built on our existing policies but would concentrate resources on a hard hit area and present a visible effort to cushion the effect of redundancies. Such intervention would only operate in a very limited number of cases and each case would need to be considered by E(A).

I am content with this general approach. The circumstances of every case will vary and, if this approach is accepted, decisions on the precise content of any package will have to be taken very quickly by Ministers at the time of redundancy. But it will mean that we should be better prepared to put together a response to major redundancies.

I ask colleagues to endorse the approach set out in the officials' paper and agree that the official group should be set up.

For my part, whilst I accept that decisions on packages can only be taken at the time of redundancy, I believe that we should take a general view now about issues such as the funding, content and delivery of any package.

Of course we will need to look at the scope for re-allocating existing resources to provide assistance for the worst affected areas. But I believe we must accept that there is a limit to how much money can be reallocated without adverse effects on other areas. If programmes are being managed efficiently and in accordance with our policy they are already being run with a bias towards areas of high unemployment. It would not be sensible to run programmes with an in-built reserve. We need to face the fact that if we merely reallocate resources nothing much will happen and the political impact of special packages will be limited. Alleviating the effects of future redundancies is a largely unforeseen event and, if we are to achieve the necessary effect, we should accept that additional resources may have to be considered case by case.

I also believe, contrary to the Treasury view in the official paper, that we must be prepared to give special assistance to these areas by relaxing some of the rules of our existing schemes and by trying out new initiatives. Unless we do, our reaction to local problems will merely be a restatement of national policies. I support all the proposals in paragraph 14 as part of any "menu" of possible responses. In particular, my experience in inner cities suggests that finding a way to increase the availability of small loans to new businesses is a critical element in encouraging enterprise. One approach, which might involve no cost to the Government, would be to put pressure on the banks to make special arrangements and relax their lending rules in areas of very high unemployment and inner city areas. Inevitably banks take a cautious attitude but their finance is essential to new businesses and their attitudes are discouraging particularly in the areas with which we are most concerned. We should also consider a joint initiative by the banks and the public sector to tackle this problem and perhaps create special funds for small loans in areas of high unemployment.

We must be wary of the dangers of setting up ad hoc agencies. But in a small number of circumstances and given a limited time period, local management and responsibility provides the quickest way of delivering a package of measures. The real need is to give an individual the responsibility to deliver these measures successfully.

I also believe that we need to be realistic about the limited nature of this exercise. If we adopt the general approach outlined in the officials' paper then we will be better prepared to put together a response to major redundancies. And, if we can pursue new initiatives as part of this response then, we will be able to offer a more attractive package of policy measures to help such areas. But even so, the objective is mainly to cushion the effects of redundancies. In my opinion, a number of the other approaches which we are discussing, and in particular the establishment of Urban Development Corporations and moving public sector jobs, are of more direct relevance to the deeper problems of unemployment.

I recognise that you may well adopt a different view on these general issues. At this stage, the most immediate need is to set up the machinery to provide us with advice on future cases which might warrant special attention. Could you and other colleagues let me know, within a week, whether you agree that the official group should be set up as outlined in the officials' paper.

I am copying to the Prime Minister and other members of E(A).



KENNETH CLARKE

CONFIDENTIAL

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

1 E(A) asked Ministers to "bring forward proposals for developing and targetting existing employment and related schemes to cushion the impact of shipbuilding and other redundancies on the worst affected areas." This reflected the concern in the MISC 127 paper on shipbuilding that policy had been characterised by a series of ad hoc responses to redundancies as they occurred and that there was a need for a more consistent response to major redundancies in areas of high unemployment.

The broad approach

2 The Government's overall approach is to support the operation of market forces within the economy, as the best way of allocating resources. It follows that, unless there are market defects, the Government does not normally intervene in the process of industrial restructuring, company or plant closure. Where that process is followed by redundancies, the aftermath of such redundancies is already cushioned by counselling and advice on new employment and enterprise opportunities, and training can be provided. Special provision is also sometimes made by the companies declaring the redundancies: major public sector redundancies have been followed by the creation of enterprise companies (such as steel and coal) and some private sector companies provide counselling and training for those made redundant.

3 In addition, a wide range of measures, relevant to job creation is operated in areas of high unemployment in England and Wales.

- schemes created by the Department of Employment and the Manpower Services Commission concentrate on job finding, training, small businesses, encouraging enterprise and Community Programme schemes.

- policies operated by the Department of the Environment concentrate on encouraging a coherent local approach to the improvement of areas of urban decline, stimulating private sector investment, bringing derelict and disused land and buildings back into use, and filling market gaps in the provision of premises.

- schemes operated by the Department of Trade and Industry concentrate on providing financial support to firms usually through grants for capital expenditure or to create or safeguard jobs either to meet specific regional problems or to develop particular capabilities such as innovation.

The same range of measures, or measures of a similar nature, is available in Scotland as in England and Wales, with some minor variations.

4 There have however been occasions in the past when the Government has felt it necessary to consider exceptional measures to alleviate the impact of particularly large or locally concentrated redundancies. The case for intervention has often been strongest in small population centres heavily dependent on the industry declaring redundancies where it was felt that existing measures were inadequate or not well focussed. Remedial packages have on occasion been put together with undue haste and there has not been a consistent policy framework within which such decisions have been taken. There is a strong case for developing a procedure by which a more consistent and ordered policy response can be made to such redundancies, by providing a special mix of measures in such areas.

5 It is important to distinguish between those cases where Ministers judge it necessary to take special measures to alleviate the impact of redundancy, and measures which may be taken for industrial policy reasons to influence the future of the plant, firm or industry concerned. This paper is not concerned with the principles involved in the latter intervention, though it is

recognised that in individual cases both issues may arise and need to be resolved, together.

6 It is suggested that, given the Government's overall approach, the range of existing policy instruments, and the varying local and industrial circumstances in which an exceptional redundancy package might need to be considered, the key elements of a new approach might be:

- a case by case approach since both the redundancies and the areas involved will differ considerably as will the appropriate policies. Any decision to intervene would not be automatic and would require Ministerial decision.
- a highly selective approach since if special arrangements are being made in response to such redundancies, intervention will have to be used very sparingly, otherwise the impact of a special package would be diluted and the credibility of existing policies could be undermined. It would also be right for the special package to be introduced for a finite and limited time period. It must be acknowledged, however, that such a selective approach is bound to attract criticism in cases where it is decided that a package of measures is not appropriate.
- an approach which applies to the whole labour market of the area affected, not just the redundant workers, since the need for special intervention rests on the local impact of a particular redundancy as much as on the fate of those made redundant
- It also needs to be recognised that the impact of such a new approach is likely to be limited. There will be cases where the most that can be achieved is to cushion the effects of redundancy and package Government policies in a more visible way.

7 Any intervention will also need to be firmly based on existing schemes from which a package could be developed to cushion the effect of redundancies. The elements of a package will depend on the characteristics of the redundancies and the areas. The main elements are likely to include developing the skills of those made redundant so that they can more easily find a job, and encouraging the development of new businesses through the provision of premises, finance, training and advice. Although the package could be built largely on existing schemes, changes may be desirable to meet local circumstances. And in other cases some new initiatives may be helpful, particularly to encourage private sector involvement. The organisation declaring the redundancies would need to be encouraged to contribute to the package.

8 This broad approach does not lead to a specific set of recommendations at this stage on the precise circumstances in which intervention is justified or on the precise form of any package which might be implemented. The main recommendation is that a standing official group will need to be set up to consider selected cases and to advise Ministers on whether such cases met the criteria for Ministerial consideration of an employment package, what the components and objectives of the package should be, how it should be monitored and evaluated, how it might be funded and what agency could be chosen to deliver the package. A broad indication of Ministerial guidance on these issues is necessary for the official group to operate but decisions on any package will have to be taken by Ministers at the time.

Criteria

9 The main reason for intervention would be that the redundancy would have a very significant and long term effect on employment in the local area and that the degree of adjustment needed requires special assistance. A set of criteria, which would need to be further developed, might include:

- (a) The size of the redundancies relative to the local labour market (eg compared with the number of unemployed and

level of vacancies) and the prospect of re-absorbing the numbers concerned without further measures

(b) The geographical position of the area including the distance from main markets and ease of travel

(c) The skills and ages of those made redundant compared with the local industrial and occupational structure and the incidence of long-term unemployment.

Funding

10 Since packages would be likely to be built largely on programmes with existing budgets, they could up to a point be funded by diverting existing resources. The Treasury's view is that it should be possible to construct packages wholly within existing resources by refocussing expenditure. But the extent to which expenditure on some programmes can be reallocated quickly is limited. For example, expenditure on some Department of the Environment programmes is allocated to specified local authorities at an early stage in the financial year, and if programmes are fully allocated, extra expenditure on the package would mean withdrawing funds from other areas which might be considered equally deserving on other grounds. In the case of Regional Selective Assistance there is no possibility of reallocating resources except by changing Assisted Area boundaries; otherwise any extra assistance, outside the normal guidelines, would have to be funded with new money. Holding a reserve within programmes to fund redundancy packages could well penalise the efficiency of programmes both because of the risk of underspend and in some cases because resources would be better used if committed through an overall strategy.

11 The political and presentational value of a special package would be limited by the perception that resources were only being switched. The impact would undoubtedly be increased if Ministers could say that additional resources were being made available. On the other hand it would be undesirable to increase total

programme expenditure every time a package is decided upon. Whether any package should be financed by diverting resources or by new money is a key decision which Ministers will need to take at the time any package is considered.

Possible package of measures

12 Officials have looked at all the programmes operated by the Departments of Trade and Industry, Environment and Employment to identify those from which a package could be constructed. A model package cannot be specified in advance since relevant policies will vary so much with the area and type of redundancies. But a number of measures can be identified from which a package could be put together tailored to the particular circumstances and operating for a limited period. Such measures are identified in Annex A to C; Table 1 outlines the instruments which are available and the means by which they can be deployed and Table 2 indicates existing measures and whether resources could be reallocated within existing rules, as well as outlining possible rule changes to existing schemes and new initiatives.

13 The choice of measures for any package will depend on:

- the balance between assisting those made redundant and encouraging the development of the local area. Often the people who suffer most are not those made redundant, but the existing unemployed - especially the long term unemployed - who are displaced in the queue for jobs. Schemes run by the Department of Employment can be targetted at either individuals or particular areas, whereas other Departments' policies are aimed primarily at encouraging the development of the area or local industry.
- the speed with which the measures can be implemented to demonstrate a visible effort.

- the feasibility of "ring-fencing" any special schemes or changes in rules which are directed either to those made redundant or to a limited geographical area.
- the scope for getting the private sector to provide finance or management resources or to take up grants and incentives. This will vary with the area and the schemes which are considered.
- the scope for involving the organisation declaring the redundancies
- the availability of resources. To the extent that departments' resources are not fully pre-empted, this would make it easier to deploy resources to meet exceptional packages for redundancies.
- the relative cost-effectiveness of schemes. This will vary with the needs of the area and there is no standard basis of comparison which can be applied for schemes which are intended to have a local rather than a national effect. It may well be that the choice of schemes will depend not just on their local effect but also on the extent to which some schemes might displace activity elsewhere in the economy. The evaluation of measures relevant to employment at a regional or local level is currently being examined by an interdepartmental group. It will be important for the Official Group advising Ministers on redundancy packages to draw on this work, and to include the cost effectiveness of measures as part of its advice.

14 If Ministers wish to go beyond existing schemes to make special provision for selected areas either by changing the rules of schemes or by introducing new initiatives and establishing new agencies, additional resources may need to be considered. Among the possibilities which might be considered are:

- widening the rules of eligibility for the Enterprise Allowance Scheme

- changing the criteria for regional selective assistance (possible changes are being reviewed within the DTI at present)

- providing small loans to small businesses particularly new firms

- providing redundant workers with training vouchers to spend on skill or enterprise training.

Measures of this kind, if pursued, would need further detailed consideration of cost-effectiveness.

15 In the Treasury's view, any package should be limited to a refocussing of existing measures together with possible private sector initiatives and should not extend to significant relaxations of existing measures or schemes. They consider that it would be illogical to apply different rules eg to regional assistance in order to deal with redundancies following a closure than to the request for assistance prior to closure. There would inevitably be pressure to apply any relaxation to both situations. This would be repercussive and costly. There may also be legal constraints, either national or EC, which limit the extent to which rule changes and new initiatives can be introduced.

Delivery of package

16 Since it is not possible to devise a model package, a clear structure must be created so that any package of measures is tailored to the needs of the area and that package is effectively co-ordinated and delivered on the ground. A coherent approach would have significant presentational advantages and visible delivery could have an effect on encouraging morale and a climate in which enterprise can succeed. Attempts have already been made to provide a more integrated and visible response to regional and local problems. These include the area initiatives and projects of the Scottish and Welsh Development Agencies, the creation of inner city task forces (preceeded by the Merseyside Task Force) and the use of the City Action Teams.

17 The first need is to ensure effective communication and contact at regional level, such as that adopted by City Action Teams, to help in co-ordinating the work of the Departments of Employment, Environment and Trade and Industry. This can be done through the Regional Directors of the three Departments.

18 It will normally be necessary to add a means of delivering the package at a local level. The evidence from the approach of the Scottish Development Agency (SDA) to handling major redundancies (in Annex D) suggests that success depends on the ability to put in a local management team to co-ordinate and manage. The SDA stress the importance of close collaboration with the local authorities.

19 The type of local agency would depend on the nature of the redundancies and the characteristics of the area. It might be the Scottish or Welsh Development Agencies or one of the enterprise companies for steel or coal, or perhaps a local enterprise agency or local authority. The agency chosen could have staff seconded from Government Departments. Alternatively, an interdepartmental team of civil servants, on the lines of the Inner Cities Initiative, could take on the job and involve the private sector and local authorities. (Administration of RSA must, for legal and accountability reasons, continue to be the responsibility of DTI and, as appropriate, Scottish and Welsh Office officials.)

Decision-making process

20 The decision making process needs to be agreed in some detail because policies operated by a number of departments are involved and decisions will often have to be taken in a very short timescale since advance warning of redundancies is limited, especially in the private sector. A standing Official Group should be set up to advise Ministers on those cases which might justify a special employment package and on the content and implications of particular packages. If these arrangements are to work effectively, it will be important that Departments alert the

official group at as early a stage as possible. Special handling arrangements may be necessary to deal with the considerable commercial sensitivity of the information.

21 A likely sequence of events would be as follows:

- cases of redundancies which might warrant a special package would be put to the Official Group by Departments. Such cases would probably be identified by sponsor Departments at regional and national level and territorial Departments
- the Group would advise Ministers if they thought that a redundancy situation met the necessary criteria for a package. If so, advice would be needed on the objectives and possible components of a package, the funding implications, the probable choice of agency to deliver the package and arrangements for monitoring and evaluation. This advice would have to be based on the assessment of DE, DTI and DOE Regional Directors
- Ministers would then need to decide on whether an employment package should be introduced and the broad outlines of that package so that an announcement of special assistance could be made at roughly the same time as the redundancies were declared.
- implementing the package would probably be preceded by a rapid, but thorough, study of the particular needs of the area so that the relevance of the package could be confirmed. The constraints of confidentiality preceding the declaration of redundancy would have limited earlier studies and this may mean that some details of the package would have to be altered at this stage

22 It is important to distinguish between decisions on the future of the firm and industry declaring the redundancies and decisions about any employment package. Sponsor Departments would

advise on the industry while the Official Group would advise on the package. The sponsor Department for the industry declaring the redundancies would be represented on the Official Group. The continuity of experience of the Official Group would be helpful and should be supported by building up a body of knowledge about the effectiveness of applying particular policies to redundancies, including experience in past cases of major redundancies. The emphasis of the Group on employment suggests that it should be chaired by the Department of Employment and advice to E(A) would be co-ordinated by the Paymaster General.

23 Once the decision to intervene had been taken Ministerial responsibility for implementation of the package would probably depend on the choice of the agent to deliver the package. Implementation of the package would be monitored by the Official Group.

Conclusion

24 Officials were asked to produce proposals for cushioning the impact of major redundancies in areas of high unemployment. The approach proposed would still require Ministers to decide on a case by case basis whether to provide special assistance to an area following a major redundancy and what special assistance should be provided. Ministers are invited now to decide

- a whether the package approach outlined in the paper should be pursued
- b if so, whether to set up a standing official group, chaired by the Department of Employment, to advise Ministers on individual cases
- c what guidance, if any, they wish to give to officials on the development of the criteria or on the possible content and delivery of packages.

TABLE 1

DEPARTMENT OF TRADE AND INDUSTRY

INSTRUMENTS	ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES
<u>English Industrial Estates Corporation</u> Provides and manages industrial premises in Assisted Areas in England	Treasury approval required to increase EIEC's budget. DTI Secretary of State could direct EIEC to re-focus existing resources without reference to Treasury, but generally left to EIEC's commercial judgement.
<u>Business Improvement Services (BIS)</u> Package of schemes to help small businesses in certain declining industrial areas of England.	Treasury approval required to extend BIS. Any extension would need to be notified to the EC Commission and accepted by them under Articles 92-94 of the Treaty of Rome
<u>Regional Assistance</u> Regional selective assistance grants and Regional Development Grants to firms creating or safeguarding jobs in assisted areas	Statutory Instrument required to designate new assisted areas or up-grade Intermediate Areas to Development Areas. Treasury approval required for changes to (or ad hoc derogation from) the RSA guidelines. EC Commission would need to be notified as above.
<u>British Shipbuilders Enterprise Ltd (BSEL)</u> Set up to advise redundant shipyard workers on retraining opportunities and on help available for business start up; and to attract new jobs to shipbuilding areas.	Collective Ministerial decision required to extend scope of activities.

TABLE 2

DEPARTMENT OF TRADE AND INDUSTRY

POSSIBLE MEASURES

Project type	Leverage of private investment	Role of other agencies	Visibility/impact/lead time	Scope for expansion
<u>Provision of industrial premises by English Industrial Estates Corporation</u> 1. Provision of advance factories in areas of redundancy 2. Favourable terms to tenants/buyers in areas of redundancy	English Estates operates in areas where private sector developers unwilling to take the risk	DE (through Community Programme) DOE (via Urban Programme)	Impact depends on demand for premises. Danger that unfilled premises become expensive white elephants, conspicuous evidence of a failed policy	1. Limited. Unless EIEC's budget increased or funds re-focussed, additional development would have to be funded by extra receipts, which depends on unpredictable market factors. 2. Limited. EIEC has rate of return targets. Also low rent free periods scare off potential private sector developers who cannot compete. Subsidising rents would have to be cleared with EC Commission under Article 92
<u>Advice/assistance to small/firms</u> Extend scope of BIS	Could involve major employers	MAFF: MSC (through EAS/Training for Enterprise); DE (Small Firms Service); ADAS; COSIRA; Local Enterprise Agencies	Good visibility. Medium impact (would encourage longer-term stability/expansion among new/small firms). Short lead time.	Easily expanded if funds available. EC Commission would need to be notified

Project type	Leverage of private investment	Role of other agencies	Visibility/impact/lead time	Scope for expansion
<u>Advice/assistance to redundanct workers</u>	Could involve major employers announcing redundancies and Banks	DE/MSc (Adult Training Strategy); MSc (EAS); DE (Small Firms Service); Local Enterprise Agencies; Local Authorities	High visibility. Important impact before redundancy takes effect. Short lead time.	Easy to expand depending on resources
Extending BSEL concept				
<u>Regional Selective Assistance</u>	RSA rules require greater part of cost of assisted projects to be met from private sector sources	Other bodies - ie DOE via Urban Programme, DE Small Firms Service, Local Authorities, might be involved in helping set up managed premises	High visibility for 1 and 2. 3 could not be announced because cost per job limits are confidential but the fact that particular projects were receiving RSA could be published with applicants permission 1 and 3 could be introduce with immediate effect. 2 would require a few weeks preparation weeks preparation Impact and lead times depend on take-up	All 3 could be easily introduced but would require additional resources. EC Commission would probably need to be notified of changes
1. Allow jobs indirectly created by a project to attract grant entitlement in some cases (eg Small Firms Centres, technology parks)				
2. Increase availability of assistance for grants under £20,000 to (mainly) small firms by allowing fixed rate of grant to be offered automatically for projects meeting scheme criteria, and by relaxing onus of proof that project is viable				
3. Offer assistance over present cost per job limits for high profile, substantial project				

TABLE 1

DEPARTMENT OF THE ENVIRONMENT

ANNEX B

INSTRUMENTS	ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES
<p><u>Urban Development Corporations</u></p> <p>2 existing UDCs have extensive powers, many of them transferred from the local authority, for the regeneration of their area.</p>	<p>Designated by Secretary of State for the Environment. Long lead time for statutory procedures; not an instant response measure but a channel for deployment of additional resources/initiatives when in place.</p>
<p><u>Enterprise Zones</u></p> <p>Confer tax exemptions, a simplified planning regime, and speedier administrative procedures. 25 in UK, 17 in England.</p>	<p>Zones are designated by Secretary of State for the Environment. Long lead time for declarations; not an instant response measure.</p>
<p><u>Urban Development Grant</u></p> <p>Grant or loan or infrastructure for capital investment projects which help to regenerate inner city areas, which are carried out and are principally financed by the private sector, and which would not be viable without assistance. The assistance is provided through local authorities. Grant from DOE covers 75% of costs.</p>	<p>The allocation of resources to particular areas depends on the extent to which good projects are submitted by the private sector.</p>
<p><u>Derelict Land Grant</u></p> <p>Grants to local authorities or the private sector towards the costs of reclaiming derelict land. All areas eligible; higher rates of grant in assisted areas and Derelict Land Clearance Areas.</p>	<p>There is scope for allocation of additional resources either through local authorities, or direct to developers, as part of a redundancy package.</p>

INSTRUMENTS	ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES
<p><u>Urban Programme</u></p> <p>Additional resources and 75% grant to selected local authorities for schemes of economic, physical or social regeneration in urban areas of high unemployment. 54 local authorities invited to submit inner area programmes for 1987/88</p>	<p>Subject to availability of resources there is scope for additional funding of new projects identified and agreed with DOE regional offices at short notice.</p>
<p><u>Urban Regeneration Grant</u></p> <p>The general powers to be conferred by Part III of the Housing and Planning Bill will enable the Secretary of State to provide assistance to persons who incur expenditure when pursuing activities which contribute to urban regeneration. The powers will initially be used to pay Urban Regeneration Grant.</p>	<p>The criteria for availability of URG have yet to be decided. Take up of the grant will depend on the willingness of the private sector to bring forward schemes.</p>
<p><u>Simplified Planning Zones</u></p> <p>Local deregulation of the development control process. Powers in Part II of Housing and Planning Bill.</p>	<p>In each SPZ a scheme will be made to specify the types of development which can be carried out without the need for detailed planning permission. Designated by local authorities. Long lead time for declaration and statutory procedures; not an instant response measure.</p>

TABLE 2

DEPARTMENT OF THE ENVIRONMENT

POSSIBLE MEASURES

Project type	Leverage of private investment	Role of other agencies	Visibility/impact/lead time	Scope for expansion
<p><u>Provision of premises</u></p> <p>a. small units of a type or on terms not provided by other agencies</p> <p>b. units with business support or common facilities eg workshops</p> <p>c. theme related enterprise, design or innovation centres</p>	<p><u>UP</u> Always some associated private investment (average £7,000 per assisted firm)</p> <p><u>UDG</u> overall leverage 1:4.5</p>	<p>Local authority bears 25% of cost of all UP, UDG schemes</p> <p>Scope for liaison with MSC enterprise and training measures. Scope for private sponsorship or liaison with any training or enterprise agency of the industry causing redundancies.</p>	<p>Highly visible projects. Lead time depends on availability of land, state of preparation of plans. Local agencies need to be involved in preparation of detailed plans.</p>	<p>Needs to be related to take up of existing provision, and level or provision by other agencies.</p> <p>Depends on willingness of private sector to commit investment.</p>
<p><u>Conversion of premises</u></p> <p>a. conversion of redundant premises to enable industrial or commercial redevelopment.</p> <p>b. conversion to training or enterprise centres.</p>	<p>As above</p>	<p>Scope for MSC liaison</p>	<p>Symbolic value of action in the building where closure/redundancies have occurred.</p> <p>Conversion is only cost effective if the building is suitable.</p>	

Project type	Leverage of private investment	Role of other agencies	Visibility/impact/lead time	Scope for expansion
<u>Grants and loans to firms for conversion and improvement of premises</u>	Always some associated private investment		Most visible in context of area regeneration (Industrial Improvement Areas, Commercial Improvement Areas)	UP support to business setting up and running costs presently excluded
<u>Business advice and development services</u>	Always associated with private investment	Liaison with BIC, LEAs, small firms service, private sector.	Rapid response to <u>specific</u> local opportunities and needs, proactive approach, longer term advice on the development of individual firms particularly effective	Scope for combination with a new business loan facility.
<u>Preparation of sites for redevelopment</u> land reclamation, clearance of dereliction, access and infrastructure work, leading to redevelopment	Good where there is a hard end use.	DLG/URG direct to the private sector a possibility	Highly visible Lead time depends on ownership, identification of developers etc. Symbolic significance at site of redundancies.	Depends on extent of available cleared land, extent of development demand.
<u>Environment and housing schemes combined with Community Programme labour</u>	See obstacles in 'Scope for expansion' column	MSC UK 2000 CRS schemes Garden Festival works well established	Good	Private sector managing agencies not fully developed; /CP not for profit rule prevents some work on private land/housing/

TABLE 1

DEPARTMENT OF EMPLOYMENT

INSTRUMENTS

ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES

Job Finding Services

National network of 1000 Jobcentres/
Employment Offices offering counselling/
vacancy/placement service and referral
to PER as appropriate.

Executive decision to provide more flexible (eg on-site) services

Adult Training Programmes

Training courses purchased by MSC
Training Division from Skills Training
Agency, local colleges and other
training providers. Programmes in
skills training and Training for
Enterprise.

Scope for refocussing of existing adult training resources, or
reallocating resources from elsewhere in TD provided Ministers were
informed and existing targets for numbers to be helped under programmes
overall were not affected. Reallocation of resources from elsewhere
in MSC would require Treasury agreement.

Enterprise Allowance Scheme

Financial assistance to unemployed
people becoming self-employed.
Training/counselling support.

Not available to newly redundant workers receiving payment in lieu of
notice. Treasury agreement required to relax eligibility rules.

Small Firms Service

Information and advice to small firms
regional centres and over 150 local
counselling offices.

Executive decision to refocus existing resources.

Local Enterprise Agencies

Over 300 with good but not comprehensive regional spread. Private sector - funded agencies with some central and local Government support. Advice and other services to small firms.

Department can encourage private sector to set up Agencies.

Community Programme

National programme of work experience for long term unemployed on projects of benefit to community.

Executive decision to refocus resources and develop new projects.

Development of Tourism Act 1969:
Section 4 Funding

"Pump-priming" funding for capital tourism projects.

Executive decision to ask National Tourist Boards to encourage more job-creating applications.

Tourism Action Development Programmes

Executive decision to set English Tourist Board objective of considering potential for setting up TADPs in conjunction with LAs and generally to develop joint tourism strategy in affected areas.

Co-ordination agencies

City Action Teams
Inner City Initiative Units
Regional Enterprise Units
Employment Measures Units

TABLE 2

DEPARTMENT OF EMPLOYMENT

POSSIBLE MEASURES

Project type	Leverage of private investment	Role of other agencies	Visibility/impact/lead time	Scope for expansion
<u>Intensification of job-finding services</u>				
	N/A			
1. Provision as necessary of job-finding/counseling services.		1. Provision involvement of Employment Agencies who have limited liaison arrangements with Jobcentres, although experience suggests little benefit would accrue.	High visibility. Important impact <u>before</u> redundancy takes effect and help through jobclubs continuing afterwards.	Easy to expand depending on resources. Jobclubs could be opened relatively quickly.
2. Alter eligibility for jobclubs to include newly redundant workers and provide "Restart - type" courses.			Short lead time.	However, danger of saturating jobseeking enquiries will limit overall effect.
<u>Provision of training</u>				
	N/A			
1. Upgrading existing skills or retraining in new skills to meet known local labour market demand.		Local colleges, other training providers.	1. Good visibility/impact. Easing skill shortages/helping local industry meet its training needs.	Depends on local demand for skills and local initiatives in setting up small businesses. Can be expanded easily depending on resources.
2. Increasing emphasis on Training for Enterprise to assist those wishing to become self-employed or to start up small businesses.			2. As above, plus possibility of creating new jobs in new small firms.	

Project type	Leverage of private investment	Role of other agencies	Visability/impact/lead time	Scope for expansion
<u>Encouragement of self-employment</u>	N/A	Small Firms Centres, Local Enterprise Agencies, Chambers of Commerce etc.	Immediate effect. Medium impact (newly redundant workers would become eligible under existing rules in time).	A rule change in the Scheme is required.
<u>Advice to small firms</u>	1 N/A	DTI (Business Improvement Services), ADAS, COSIRA	Good visibility. Medium impact (generally would encourage longer-term stability/expansion among new/small firms).	Easily expanded if resources available. SFS resources could be switched from elsewhere in region
1. Support to be given by MSC Regional Director and other officials to encourage firms declaring redundancies to offer opportunities to the Small Firms Service together with, if appropriate, the local enterprise agency, to provide redundancy counselling on the option of self-employment or setting up small business.	2a) N/A 2b) Private sector funding essential for LEAs	DTI (Business Improvement Services), ADAS, COSIRA	Good visibility. Medium impact (generally would encourage longer-term stability/expansion among new/small firms).	Easily expanded if resources available. SFS resources could be switched from elsewhere in region
2) Expand advice facilities through a). extra resources for small firms service b). encourage development of Local Enterprise Agencies.				

Project type	Leverage of private investment	Role of other agencies	Visability/impact/lead time	Scope for expansion
<u>Provision of premises</u>				
Renovation of existing premises through Community Programme.	Private sector investment should be encouraged.	DTI (through English Industrial Estates)	High visibility/short lead time.	Role of CP depends on existence of workshops and work of other Departments.
<u>Development of Tourism</u>				
1. ETB to consider Tourism Action Development Programmes.	1. Private investment is indirect aim of TADPS.	1. ETB; resource commitment from LA essential.	Good visibility in areas with obvious potential. Lead time of 2+ years.	Staff resource constraints; but larger schemes could be supported if extra resources available.
2. Encouragement for section 4 grants.	2. Bulk of finance must be provided by public or private developer.	2. DTI (BIS), COSIRA, ADAS, DOE (DLG), English Heritage.	Mainly indirect employment benefit. Relatively small impact unless combined with other programmes.	
<u>NEW INITIATIVES</u>				
<u>Small firms/self-employment</u>				
Provision of small loans (£1,000-£10,000) to assist business start-up.	Private sector contribution to loans fund essential.	Possible role for private sector bodies (eg Shell UK; Youth Enterprise). Panels of local businessmen to assess funding applications.	Good visibility/impact. Overcomes funding problems for new start-up businesses.	New initiative.

Project type	Leverage of private investment	Role of other agencies	Visability/impact/lead time	Scope for expansion
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Training

Provision of training vouchers which redundant workers could spend on training in a chosen skill or enterprise training.

N/A

Local colleges, other training providers

Good visibility/impact. Easing skill shortages/ helping local industry meet its training needs. Possibility of creating new jobs in new small firms.

New initiative

SCOTLAND

1 The same range of measures, or measures of a similar nature, is available in Scotland as in England and Wales, with some minor variations. The main difference is in the way the work is coordinated and managed. This is facilitated by the fact that the Scottish Office has a wide range of functions, covering policies for the environment, employment and trade and industry, and by the existence of the Scottish Development Agency (SDA), with powers and functions in this area of activity, financed by a grant-in-aid from the Secretary of State for Scotland.

2 Where major redundancies take place the principal value of the SDA lies in its ability to coordinate and manage the design and delivery of special projects for specific areas - generally referred to as area initiatives - and to coordinate its own instruments and measures with those of other agencies through a locally-based management team. An area initiative is a mechanism to focus the delivery of services in a fairly small area over a relatively short time, normally 3 years in the first instance but with the scope for expansion to 4 years, or in exceptional cases a longer period. The selection of an area for a local economic initiative depends on the existence of particular need, coupled with a realistic prospect that the concentration of effort can generate a worthwhile increase in local output or employment. The present generation of area projects was foreshadowed in the Agency's 1981-84 corporate plan, when the proposed priorities were discussed fully with the Scottish Office. Such projects can be a useful quick response to a major closure, as in Clydebank and Glengarnock. The aim is, however, to avoid being forced into a responsive posture: planning for the Inverclyde initiative preceded the recent spate of shipbuilding job losses, for example.

3 Typically the SDA, either alone or in conjunction with the Scottish Office, goes through the following stages in preparing a project:

3.1 An assessment of the needs and potential of the area, either by its own staff, by a joint working party, or by consultants;

3.2 Consultation with the local authorities and other local interests about the measures to be adopted;

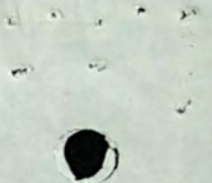
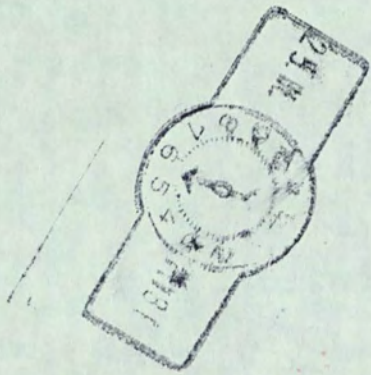
3.3 The design of an agreed programme of work, with specific aims and objectives, and for a specific period, supported by SDA and local authority funds;

3.4 The creation of a project management staff with a local office, usually composed of SDA and local authority officials, with perhaps secondees from the private sector, charged with the oversight of the programme of work;

3.5 SDA staff in particular have links back to the Agency's land renewal, factory building and small business functions;

3.6 After the agreed period, which may be extended, the project is wound up, with arrangements, frequently a local enterprise trust, being made for the continuation of residual functions, especially in the business development field.

4 The preliminary assessment of needs and potential is regarded as particularly important, and as more important than speed of reaction to individual closures and redundancies. In the early stages the main need is for an effective political gesture, and the commissioning of a study can provide that gesture without committing Ministers to action which might be precipitate and immature. Study of needs and potential may lead to a decision not to proceed with an area project, though it must be recognised that this can lead to prolonged friction with local authorities, who are likely to feel that major redundancies must be responded to. Also of major importance is close collaboration with local authorities, so that they actively support the programme of work, instead of adopting a critical and grudging stance.



PRIME MINISTER25 September 1986NEW PROPOSALS FOR UNEMPLOYMENT MEASURES

Lord Young's note contains bold and exciting new initiatives to deal with unemployment that fit well against the initiatives the Policy Unit has been discussing with the Department of Employment over the summer. If successful, they would:

- Achieve a very significant reduction in unemployment whilst staying largely within current PES limits.
- Shift the emphasis from marginal value CP places and substitute real training for work, making the unemployed more employable and tackling skill shortages.
- Provide maximum help to the critical 18-25 age group who have missed the current training schemes.
- Open the door to a longer term shift towards benefit related programmes and the notion of 'work or training for benefits'.

Proposals

Lord Young's major proposal is the introduction of a new work-related adult training programme for the 6-month unemployed which would be offered as a major option following 6 month Restart interviews. Unlike current training programmes, those participating would be paid a training allowance that was identical to their current benefits - but they would move off the unemployment count. This makes it very cost effective compared to both existing adult training and the Community Programme - on both of which most participants receive an increase in benefits. This saving means that it is roughly half the price of a place on the

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- 2 -

Community Programme - yet the value (if it is properly designed and linked to employers) should be far greater. The MSC are therefore prepared to fund it by shifting money out of current adult training programmes and by running down a large portion of the existing Community Programme.

Crudely, it seems that it should be possible to get 330,000 places on this scheme for the price of roughly 150,000 fewer places on Community Programme - ie a net movement off the count of over 150,000. MSC also believe that it should be possible in time to guarantee a place on the programme to any person under 25 who has been unemployed for more than 6 months.

Lord Young would like to ^ytrial the scheme this autumn with a possible national rollout next spring.

The caveats with the scheme are as follows:

- there is a danger that individuals will be reluctant to move onto the programme for no increase in benefit. In that case it would be necessary to introduce some element of compulsion (ie benefit withdrawal), which would make it politically less attractive;
- the run-down in the Community Programme could be painful, although there is a rapid turnover of programmes and many clearly have only marginal benefits;
- there could be some flak from the suggestion that the Government is moving people off the count whilst still paying benefit (although there is clearly also a very positive side to the offer of training).

On the positive side, if this scheme is enacted it will make it easier to move to a number of long term options that would strengthen current measures post the election:

SECRET

- with less dependence on the Community Programme, the Government could then risk breaking the link to union wage rates;
- it would also make it easier for the Government to then start introducing some measure of 'workfare';
- perhaps starting with a requirement for under 18 year olds to work or train for benefit.

Alongside this proposal, Lord Young also plans a rapid expansion in the number of Job Clubs - which from my own personal observation appear to be very effective, low-cost ways of matching the genuine unemployed with vacancies. This also is planned to be funded within PES. The only additional money Lord Young will seek is for moving Restart interviews forward from 12 months to 6 months - which still appears to be very cost effective.

Recommendations

Lord Young's specific request to the Chief Secretary is for approval to move ahead with trials, after which the Programme would be re-evaluated. You will clearly wish to wait for the Chief Secretary's reaction after his officials have combed through the financial details. Assuming the Chief Secretary is in agreement, however, we would suggest that you:

1. enthusiastically support the direction of Lord Young's proposals;
2. agree to his announcing these plans at the Conference;
3. request a fuller presentation after the Conference, covering contingency plans, linkage to longer term policy options, handling of presentation.

Norman Blackwell

NORMAN BLACKWELL