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PRIME MINISTER.

1. Towards the formation of a Department of Enterprise.

When we first discussed my taking my present job you suggested that we change the name to a Department of Enterprise. I argued then that our opponents would say that we were running away from unemployment. I believe that that time has now passed and that we have succeeded in changing the terms of the debate.

The paper I then gave you (in August 1985) made the following suggestions:-

Employment

- Become the sponsoring department for employment in Government.
- Get over the simple message "People create jobs, not Governments
- Take a role in Tourism and Small firms - for job opportunities
- Removing the obstacles to the growth of employment - Deregulation
- Expand and sell schemes with a positive output like the EAS
- Put CATS with CP and create a new force for Inner City regeneration
- Take a hard look at the employment effects of fiscal and financial policy

Above all, be radical but spend the existing spend better

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Unemployment (and here I quote verbatim)

- 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 we can) then let us expose the problem for what it really is.

- Consider reintroducing compulsory registration at Jobcentres as a preliminary stop towards the reintroduction of a form of Workfair. Bring forward the Beveridge message that continual benefit brings dependency.

- Have a real input into DHSS decisions that either,
 - a. add to unemployment by increasing social security levels.
 - b. Add to the black economy by imposing excessive regulation.

The paper then went on to deal with a number of matters, including the introduction of 2 year YTS, The National Council of Vocational Qualifications and changes to our Adult Training provision which foreshadowed our new JTS scheme for the under 25's.

All these have been successfully introduced and I believe that we should now move on to the second phase.

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2. The Department of Enterprise.

The Department of Employment is the lineal descendant of the Ministry of Labour. All of my predecessors (for often good reason) spent most of their time concerned with Trade Unions, either building them up or bringing them down.

I suspect that I am the very first holder of my office who has not spent more than an hour or two during his time even considering IR. On the other hand I also suspect that I am the very first holder of my office who visits benefit offices almost on a weekly basis.

If we are to see the progress we have so far made consolidated then we must restore an enterprise economy. We have made good progress towards the reintroduction of self-employment and small firms as a viable option. We still have a long way to go.

We have to

- a. make real progress towards a "Beveridge" social security system.
- b. promote self-employment and entrepreneurial activity as the normal, rather than the abnormal, activity.
- c. restore belief in wealth creation as the way forward towards a more caring society.

All this requires that a new Department of Enterprise has clearly defined objectives. I do not believe that such a Department should have

- Industrial Relations
- ACAS
- Health and Safety Executive.

Both responsibility for IR (i.e. Trade Unions) and ACAS should be with the only Department that deals with large companies - Trade

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and Industry. It would give a role to a Department which after the disposal of the Nationalised Industries is only left with a sponsoring role in industry. This would not only ensure that the voice of the employers would be heard in these areas but it would also give a powerful signal about the future of the tripartite consensus.

HSE, on the other hand might well go either to DTI or to the Department of Environment, although DoE might end up being too regulatory. It is curious that the Development Commission and COSIRA (both concerned with the creation and growth of new small firms in rural areas) should be in DoE and belongs in the new Department.

Regional Aid should be primarily an employment measure and it should be in the Department of Enterprise. This should not be a too difficult a change and may well give rise to some savings in the regions.

Inner Cities.

However if we are to do anything to revive the inner cities we should concentrate all Government action into one department. Whilst Environment continues with an independent programme run through the Local Authorities we will not achieve our objectives. The whole nature of local government has changed over the last few years and will not change back until our Green Paper proposals bite.

Therefore I would suggest that the major part of the Urban Programme be transferred to a new Department of Enterprise.

Payments to the Unemployed.

I remain convinced that we will continue to have unemployment problems for as long as we have the present tax and benefit systems. Nevertheless until such time we have to make do with what we have.

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Unless we monitor all payments to the unemployed we will not be able to stem the rise in the benefit culture. We are working on detailed plans to take back the Jobcentres and the Employment Programmes (Community Programme, Enterprise Allowance Scheme, the new Job Training Scheme, VPP etc.,etc.,) into the Department on the first day of the next term. We will be coming to colleagues (if you agree) with a short bill to take back the MSC and create a Departmental Agency. I would wish to raise with you separately the reporting lines of this new agency since I believe that it could be invaluable for DES as well as ourselves.

Nevertheless I could not see us taking responsibility for payments of all benefits. I believe that we must keep separate Social Security and Unemployment and any attempt to bring them together will be fatal to both. On the other hand the present practice of keeping all policy decisions for payments to the unemployed in DHSS has failed and I would ask that policy responsibility come to the new department.

3. The New Department.

The Enterprise Department would be seen as having been shaped to the priorities of the post-election world. No longer obsessive concern with either Trade Unions or Unemployment but the positive forward aim of wealth generation. The focus of the new Department would be on employment and wealth generation and would be seen to be so. Inner Cities would be a priority and for the first time all Government programs would be at the disposal of one Department who would be able to ignore, if necessary, the left wing local authorities.

The Ministry of Labour would be dead.



DY.