CABINET

NATIONAL ECONOMIC DEVELOPMENT COUNCIL: TRAINING AND REDUNDANCY

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

Nothing very concrete has yet emerged from the National Economic Development Council (N.E.D.C.) and nothing is likely to emerge in the near future. On the really fundamental issues such as, in particular, incomes policy, there is still a long way to go before any meeting of minds takes place. I am not disappointed about this. Indeed, it was to be expected. Any progress, however slow, on these fundamental problems is to be welcomed particularly if it involves some advance in trade union thinking.

2. The only points on which agreement has yet emerged are the need for further efforts in the field of industrial training and re-training and of redundancy payments. Partly this has sprung from discussion on the need for adequate skilled labour but more directly it has sprung from discussion about the pressure of demand that can safely be maintained. Some of the employers were very forthright in saying that the economy could not be efficiently run if the overall level of unemployment was too low and that, generally speaking, when the number of vacancies equalled the number of unemployed trouble became inevitable. The corollary of this argument was clearly that if it is necessary in the interests of the nation as a whole to have a rather higher level of unemployment in order to facilitate movement and change, then the individuals involved need to be better treated in the way both of re-training for new skills and of redundancy payments.

3. One danger for us on N.E.D.C. is always that the employers and the union representatives will seek the simple way out of any problem by agreeing that it can all be solved if the Government will only put up a lot more money. This tendency we shall have consistently to oppose. In the case of re-training, the Minister of Labour and I accepted that the Government should take the lead and this must involve expenditure. Indeed the Government is already committed by the White Paper on Industrial Training to a major expansion of effort in this field backed by Government funds. At the same time the Minister of Labour and I made it clear at N.E.D.C. that employers and trade unions equally had responsibilities both in providing facilities and incentives for training and for sweeping away restrictions.

4. It is likely that at the next meeting of the N.E.D.C. on 6th March the Council will wish to issue a statement of agreement among all parties on the need for expanded re-training and probably also on the need for better facilities for initial training. I am convinced that the Government should wholeheartedly accept this proposal and indeed participate in it on the understanding that the other parties to N.E.D.C. will accept their responsibilities. We would like our colleagues' authority to do this. If the announcement is made at this time in general terms I should hope, together with the Minister of Labour, to be able to produce in connexion with the Budget detailed proposals as to how our plans for industrial training can be expanded and accelerated.

5. On the question of redundancy the Council was more divided. Most of the members feel that a distinction should be drawn between people who are "redundant" and people who are "unemployed". The idea was that people who became unemployed either because their particular industry, e.g., coal mining, is...
contracting or because their particular skills, e.g., shipyard riveting, are no longer required, have a special claim for compensation and must be given special treatment. If they are prepared to accept the consequences for themselves of the change and modernisation that the national interest demands, it certainly is desirable that the redundant should be distinguished from the unemployed; because if this is not done any scheme for redundancy becomes merely a scheme for increasing unemployment benefits, with all the consequences we recognise in the whole field of social insurance. But it is one thing to say that distinction should be made, it is another thing to decide how to make it: the views of the Council on this point are confused. Nor have they made up their minds as to the extent to which the cost of a scheme should be borne by the Exchequer or shared with industry and to what extent individual industries or firms should accept responsibility. There are some who say it should be a national responsibility, others that it should be the responsibility of particular industries.

6 Beneath their confusion on the principles involved there lies a general feeling in the Council that the price of growth and rapid change must include better provision for redundancy. I think we should accept this, and that it is just and indeed inevitable that the Government should carry a substantial part of the burden, though not all of it. The problem will take a good deal of working out and the Minister of Labour had already appointed a Committee under his Permanent Secretary to examine the whole question. Last January he also asked the two sides of industry as represented on his National Joint Advisory Council to let him have their ideas for dealing with this problem. He and I would now like to have the authority of our colleagues to commit the Government, at the meeting of N.E.D.C. on 6th March, to the principle of improved redundancy arrangements while carefully safeguarding us against any commitment in detail until a thorough examination of the problems involved can be undertaken.

R. M.

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