

MR WOLFSON

cc: Mr Hoskyns
Mr Vereker
Mr Scholar ✓

p1 *Munford*

*without
attachments*

UNEMPLOYMENT

1. Sir Hector Laing recently asked Clive Whitmore to listen to James Cooke, the Chief Executive of the CBI Special Programmes Unit. Instead, I saw Mr Cooke yesterday. I also invited the two members of CPRS who are working on special employment measures.
2. Mr Cooke's first message is that he has actually talked to most of the big employers in the last few months. With very few exceptions, none of them believe that there will be an upturn during the next 18 months. More important, nearly all of them are quite clear that if there is an upturn, they will still not need to recruit on a significant scale. If there is not an upturn, they are likely to carry on shedding labour. Cooke says this overall impression is backed up by the more detailed studies he has done in several selected towns. His conclusion is that in another year's time or so, one in two school-leavers will be unemployed; in some towns and regions the proportion will be still higher.
3. Cooke argues that whatever the correct theoretical response to this, the Government will be obliged to come up with a palliative on a massive scale.
4. However, he also thinks that the present YOP approach, run by MSC, will be simply unable to deal with the numbers involved. He claims that companies and other employers could themselves take on the burden of organising the kind of programme that is needed. The key, he thinks, is organisation on a local basis.
5. Cooke says the willingness of employers to take on this organisation does exist, provided it is very heavily backed and promoted by Government. (This means people like him, with the wholehearted support of Ministers, going round talking to firms, helping them to set up locally-based schemes etc.) It also means Government funding for the young people themselves - perhaps the existing YOP allowance available for a longer period.

6. Somehow, Cooke sees this massive, locally-based palliative turning into a greatly improved training programme. I think there is a contradiction here. Indeed I think Cooke's ideas on the response of local firms, the reaction of both unions and employers to the substitution problem, are all heavily tinged with optimism.

7. The main value of this encounter with Cooke was that he was very convincing about the scale of the problem over the next few years. He was quite convincing that there was more scope for local initiative than has so far been allowed. But of course this conflicts with the problem of public accountability for Government funds and would throw up many conflicts of interest. For example, he enthused about how a local training workshop had designed and built a vehicle for the disabled - a classically commercially marginal product. But somewhere there may be a commercial company trying to break into this same market, who cannot compete with a subsidized operation.

8. CPRS found Cooke's input useful. We told him that his first priority should be convincing Mr Tebbit about the scale of the problem and his views on its solution. He and Sir Hector Laing will be seeing Mr Tebbit on Wednesday next week. He would clearly like an opportunity to explain his impressions to the Prime Minister, but I explained that she was in any case unavailable for some weeks to come, and that the future of YOP was a matter receiving Mr Tebbit's urgent attention. I expect he will get in touch again towards the end of next week.

ANDREW DUGUID

2 October 1981