

**ON THE BIG SPAIN on the FIDDLE—TO THE TUNE OF A BILLION**

By JOHN KAY

BRITAIN is a nation of fiddlers, stealing an amazing billion pounds every year.

A university research team said yesterday that the "fiddle" is about £1,200m.

FORWARD WITH THE PEOPLE

**DOLE THE DOLE THE CHEAT**

SCRONGERS AND LAYABOUTS QUEUE HERE

...ors are spearheading a war infiltrating dole queues, giving reports on work-shy managers.

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# Media's false dole claims

THE LATEST rises in welfare benefits caused uproar in the Press and in Parliament. Even that 5-star claimant Prince Philip joined in.

The Daily Telegraph shrieked: "Tory fury at £100 on the dole — pay code breached by welfare rises."

And the Mail: "How the £75-a-week man is better off on the dole."

The Tories, fresh from their by-election successes, had decided that "scrounger"-bashing wins votes. And the Government, not to be out-done, went one better with their "tax the dole" plan — a plan which had earlier been rejected as unworkable.

If this was a campaign to stop the increases it had badly missed the boat. The increases were decided ages ago. And Check Rights Centre in Liverpool pointed out that when they were decided, "The Tories let the basic rates go through on the nod — now it's just a game."

In the past, they said, neither party had been noticeably meaner than the other. "Increases have been very much the same under both parties."

So why has "scrounger"-bashing become such a popular game? A look at some of the arguments involved will give a clue...

## CLAIM NUMBER ONE: Better off on the dole...

"I WILL show you how a man earning the average wage in this country — and there are more people below the average than above it — can be as well off on his allotment as in the factory."

That was David Lewis, Executive Editor of the Daily Mail's "Money Mail" section.

Readers shouldn't follow his advice too closely. On present form he'll have them broke in no time.

Mr Lewis produced tables comparing the income of two unemployed families with that of two working families.

His argument relied heavily on people getting tax rebates (which could stop after a few weeks) and Earnings Related Benefit (which lasts only six months and not everyone gets). He also gave one family Family Income Supplement, which would stop within a year.

The Mail — in common with most other papers — did not make it clear they were talking about the first few months of unemployment only.

If the Press were really concerned about "incentives to shirkers" (as they love to call them), they should have looked at Supplementary Benefit, because presumably "shirkers" would try to avoid work for more than a few months. The trouble is, Supplementary Benefit figures are much less impressive.

Those who would be better off on Supplementary Benefit are relatively few. They would have to be large families, and badly paid. The Sunday Times, taking a sober line, noted: "Only 7½ per cent of the unemployed have four children or more — and obviously not all of these are unemployed because they want to be."

Ironically, some people who might benefit from getting the sack are Social Security clerks. The Low

WITH all the talk about scroungers, you may be surprised that about £600 million in benefit is unclaimed each year — probably because people don't know they're entitled to it or how to get it.

### UNCLAIMED BENEFIT

Supplementary benefit:	
Pensioners.....	£160m
Families.....	£271m
Rent rebates/allowances..	£110m
Rate rebates.....	£ 40m
Free school meals.....	£ 13m
Family Income Supp.....	£ 5m
<b>TOTAL.....</b>	<b>£599m</b>

Pay Unit revealed earlier this year that more than half the counter clerks were on a pay scale between £23 and £50 a week, which probably explains why some of them are so hostile towards claimants.

If a small number do deliberately go on the dole, what difference does it make? It shouldn't affect the total number of unemployed because in any case there aren't even enough jobs for those who definitely do want work.

But there can be an effect on some employers. The very worst-paid jobs may become difficult to fill, which might mean them having to increase the wages. Alternatively they could get the government to force the unemployed to take these jobs at the present wages. And the latest Press campaign might just achieve that.

## CLAIM NUMBER TWO: Breaking the pay code

SOCIAL Security is not a wage — it's the official poverty line, the amount the government reckon you need to survive. As prices rise, the poverty line — and Social Security — has to be raised.

Wages are different. They depend mainly on the bargaining strength of workers and the supply of people to do a particular job. Generally they're above the poverty line, though some wages are below.

Actually, claimants are worse off now than a year ago. The latest rises are around 16 per cent, while the price index went up 25 per cent during the year.

THE WIDESPREAD HYSTERIA over the increases seems intended to influence public opinion against the unemployed.

It is trying to create antagonism between those who have a job and those who haven't. The effect of this would be to weaken opposition to high levels of unemployment.

It is trying to make people believe that the unemployed have a choice, that unemployment is their own fault, not that of the government or the International Monetary Fund.



Not living it up on the dole... a scene from Liverpool Everyman Theatre's production, *The Good Soldier Scouse*.

## How being on the dole can increase the cash in your pocket

Weekly earnings or unemp. benefit	Deduct		Add on benefits						Tax rebate	Weekly cash in your pocket
	Tax	National Insurance	Family Income supplement	Rent rebate	Rate rebate	Free school meals	Free welfare milk	Family allowances		
<b>Employed</b> £35	£1-78	£2-01	£3-50	£3-69	£1-42	£0-75	£0-67	£1-50	—	£42-74
<b>Unemployed</b> £27-50	—	—	£3-50	£4-72	£1-90	£0-75	£0-67	£1-50	£10-50	£51-04
<b>Employed</b> £75	£15-78	£4-31	—	—	—	—	—	£1-50	—	£56-41
<b>Unemployed</b> £37-77	—	—	—	£3-88	£1-47	—	—	£1-50	£10-50	£55-12

THIS TABLE — published in the Daily Mail on November 17 — is typical of the sort of thing that has been appearing in the Press. A more accurate heading for it would be "How the Mail can increase the cash in your pocket".

Take the first unemployed family: ● The Mail gives them £3.50 a week Family Income Supplement, which is not normally possible because it's for those with a full-time job. However if you are getting FIS when you become unemployed, it will continue, but not for more than a year.

● The family are said to be paying £1.90 a week rates and getting a rebate for the same amount. This also is impossible. Before rebates are worked out, a proportion for water

and sewage rates (24% on Merseyside) is deducted.

● The main reason the two families seem better off on the dole is because of the £10.50 a week tax rebate (actually, lump sum or monthly payments are more usual). How long this lasts depends entirely on the time of year you lose your job. If you lose it just before or just after the end of the tax year the rebate will stop very quickly.

● The Mail did not explain why the second unemployed family gets more than the first. Close study of the figures shows they must be getting Earnings Related as well as Unemployment Benefit. Earnings Related lasts for six months and is based on earnings during the

previous tax year — so if you have been working for only a short time you probably wouldn't benefit.

● Unemployment benefit lasts for one year. You can't get it if you haven't made enough National Insurance contributions during the relevant period.

● Within a few months, when tax rebates and Earnings Related have run out, the best bet for both families would be to claim Supplementary Benefit. They would then get just over £37 a week, assuming rent and rates were paid in full and they claimed free school meals and milk. Both families would be considerably worse off than when they were working.

# A GUIDE TO SCROUNGERS

# TAKING MILLIONS FOR GRANTED

"DOLE SCROUNGERS" have been under attack once again in the Press for wasting government and taxpayers' money. But the "grant scroungers" of industry — and Courtaulds are a prime example — seem to have escaped the probes of Fleet Street.

An examination of government grants to Courtaulds reveals the remarkable amount of latitude they are allowed and the complete lack of government control.

The Courtauld group have received about £40 million in state aid since 1966. Out of a workforce of 122,000 in 1972, 66% were employed in development areas.

By definition the development areas were set up to create employment. Yet between 1970 and 1973, although the company received £28 million in development grants, they also axed 17,000 jobs.

Since July 1974 a further £2 million has gone in grants to Courtaulds under Section 7 of the Industry Act — which refers specifically to the creation of jobs.

Because of its size and influence Courtaulds has been able to resist government attempts to investigate the company and its dominance of certain markets, shown by the complete absence of any follow-up after the Monopolies Commission investigations in 1968.

When Lord Kearton was Courtaulds' chairman he refused to appear before the House of Commons Expenditure Committee in 1973. He claimed he was "too busy" and it was discovered that a peer of the realm could not be compelled to attend.

And those representatives of Courtaulds who did attend refused to answer certain questions on the grounds of commercial secrecy.

Nevertheless the evidence given by Courtaulds under questioning by the committee reveals their attitude towards government grants:

Where would you have put your investment had there been no grants? — I suppose the first question which arises is whether the scale of investment would have been as great if there had not been grants. It is awfully difficult with hindsight, to say what would have happened if things had been different. My guess is — and everybody here, I suppose might make a different guess — that, as a subjective judgement, looking back, within that period of time we might have found it difficult to finance an investment programme of that magnitude. Therefore, I feel that the first response to your question is that there might not have been all that much investment.

What you are saying is that the incentives were an attraction when it came to investment, and that if the way to get money was to go to the development areas you were prepared to go?

— That would be a fair way of putting it.

This grant then pushes you over into profitability, does it? — The grant is certainly a major factor.

Could you remind the committee of your last published profit figure? — Yes, our last published profit figure, before tax, was £45 million.

And we can see a lot of this growth in the development areas? — You have heard in the last few weeks about a substantial plan for investment, of which a great part is in investment areas. I do not know whether Mr Gadsdon [Courtaulds' Chief Accountant] has the answer to your question now. (Mr Gadsdon: [Mr Knight, Courtaulds' Deputy Chairman:] Yes, I have. Of the £30 million, £22 million is in the assisted areas, and only £8 million is outside.



Left: Sir Arthur Knight, Chairman of Courtaulds

COURTAULDS enjoyed a dramatic increase in profits from 1971 to 1975. Pre-tax profits rose from £42m in 1971 to £125m in 1974/5.

Because of the large amounts of capital Courtaulds have in the UK, allowances against tax have increased. Taxation of the company fell from 37% of pre-tax profit in 1970/71 to 23% in 1974/75. And nearly half of the tax the company are unable to avoid goes abroad — on pre-tax profits of £116m for 1973/74 the group paid total tax of £27m, of which £12m was foreign tax.

Disposal of assets has raised some £65m in the last five years, which has more than paid for the acquisition of new subsidiaries. In 1975 Courtaulds had £150m of net cash resources — more than enough to take over a few more textile companies.

[Mr Atkins:] No, not in the terms that the question was asked.

Do you know whether you are conducting a profitable operation or not? — Yes.

And you know the figures? — I know the figures as an operating plant.

You cannot give us an examples, or send in a paper of examples on the return of capital employed in an industrial assisted area with all the incentives, and examples of one outside it...?

— Yes, I should like to deal with this one, because this can be done fairly easily. If you start by saying that in order to invest at all it is necessary to earn a minimum of, let us say, 10% and you then look at a project in a non-development area or a non-assisted area, in order to make that sort of return over a ten year period, in the kind of project with which we are familiar, and I should explain that that means a project in which fixed assets take about 70% of the whole, working capital about 30%, and between fixed assets you get one on building as against three on plant and machinery — in order to earn 10%, you have got to show a cash return per year on every £100 of roughly 16%. If you are going to, say, Northern Ireland with a 40% grant, in order to show that same 10% return you need only 9%. So the difference between the extreme of the non-assisted area and the 40% grant area is 7 points, in terms of the cash earnings per £100 investment, which you need. That is the measure.

Thank you. What does this £22 million therefore attract by way of grants of one kind or another? — The £22 million attracts grants of about £6 million.

Could I clarify a point? Are the various establishments profit centres of their own? [Mr Knight, Courtaulds' Deputy Chairman:] No, the profit centres are divisions or operating companies each of which will normally embrace a number of establishments, some in and some not in development areas.

Mr Atkins [Works Manager at Spennymoor] would not know the profitability of his own particular enterprise?

— In this particular case... Could I ask him whether he does or not?

**COURTAULDS**  
NORTHERN WEAVING DIVISION  
(GOODS IN VISITORS CAR PARK - RECEPTION)

# The growth of the Courtaulds giant

SAMUEL COURTAULD and Company began business as they have continued to this day — based in a low wage area and with a hostile attitude towards trade unions.

Started as a family partnership operating from East Anglia in 1830, the company had grown tenfold into a major silk producer by 1894 when it became a public company. Samuel Courtauld was then earning £46,000 a year.

Courtaulds established links in Europe, an arrangement that made them a great deal of money in the First World War, when their share capital increased by 600%.

The boom in artificial fibres continued and they opened plants in France, Canada and Germany.

But after the world decline of the 1930s, Courtaulds were forced to sell their overseas interests. Looking for new areas to expand, they obtained an interest in nylon by an agreement with ICI which provided a lucrative trade in parachute production during the Second World War.

Global activities increased in the 1950s. Their supply of wood pulp was guaranteed by the formation of the South African Cellulose Corporation. Diversification continued in an erratic manner into packaging and containers, and profits rose to a record level as the new fibre products, 'Courtelles' and 'Trice' came on to the market.

But problems arose in the 1960s. Despite their stake in nylon, the demand for their rayon products was declining in the face of competition from the man-made fibres of ICI and Du Pont.

Aware of Courtaulds' vulnerable position, ICI made their famous take-over bid in 1964. Under the leadership of chairman Frank Kearton, the bid was successfully resisted and the revitalised board concentrated their attentions on securing a stake in the end-use production units of their products from spinning to tailoring.

In 1966 Courtaulds had gained control of 30% of the spindles in Lancashire, and by 1972 they had subsidiaries in Australia, Canada, Ireland, France, West Germany, New Zealand, South Africa, Sweden, USA, Italy, Belgium and Denmark — in all, over 500 factories abroad.

By owning their own outlets, Courtaulds cut out competition from ICI and Du Pont in synthetic fibres. Courtaulds had claimed that wholesalers added 25% to the costs of their products, so in 1968 they bought out 700 wholesalers for £13 million.

So in ten years, under the influence and government connections of their chairman, Lord Kearton, Courtaulds have developed from a simple monopoly in a declining fibre industry to a multi-million pound complex with stakes in textiles and marketing. One of the ten biggest companies in the UK.

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# ... and the reward for Skem workers

IN JANUARY this year Courtaulds announced yet another plan of "Further Rationalisation". "If the targets can be achieved," reported the chairman, "it will mean not only continued employment for those already here but will actually involve a modest amount of recruiting."

In October the company announced the closure of the Skemmersdale operation. So what happened to the great plan? Was it those naughty workers not reaching their targets?

No, the unions had agreed to the plan, and — as a shop steward at the Skem plant put it — "Some of the things we agreed to I'm ashamed of as a trade unionist, but there seemed to be no alternative."

The rationalisation plan was a further extension of group working, which had already meant a reduction in manning levels from four men per 48 looms to four men per 60 looms. In return the workers were given a miserable 3% bonus. Had the plan continued the manning levels would have been down to three men per 60 looms — an overall increase in productivity of 25%.

But in June the management announced that the plan had been abandoned. They gave no reasons, but this surprised no-one. Since the beginning, the Skem management had implemented numerous plans and schemes which had been abandoned for no apparent reason.

The plant had seen the passing of five managers in as many years, all with their own ideas — none of them very successful. In his report of October 1975, Courtaulds'

chairman concluded that in order to become more competitive in the future "We have to develop more professional management and improve our planning."

Since it was built in 1968 at a cost of £7 million (45% of the capital cost came from the government) the Skem plant has always been regarded as something of a white elephant by the rest of the textile industry. "It never had a chance," the head of one Lancashire group commented.

One of the best-equipped plants in Europe, it was built to deal with the high productivity of a small number of cloths. But until recently it had been producing over 120 different types of fabric. Since the rationalisation plan, only 20 types have been produced.

As a result, "efficiency" scores have risen to record levels — consistently between 80% and 90%, yet even now only 900 looms out of a total of 1088 are in production, and some machines remain in the boxes they were delivered in.

Further details on the economics of the Skem plant are difficult to come by. The company's auditors are not prepared to supply a breakdown of the accounts. Courtaulds insist that each 'profit centre' embraces a number of plants, and the figures for individual plants cannot be given.

Clearly a full-scale independent inquiry is needed into the whole Courtaulds operation. And in view of its imminent closure and mysterious history, the Skem plant would be a good place to start.

Courtaulds have got away with too much for too long.