

SUBJECT

SECRET



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AW
P. Kemp (HMS)

a master

10 DOWNING STREET

From the Private Secretary

2 July 1982

Dear Barnaby,

UNEMPLOYMENT

The Prime Minister held a meeting, at the suggestion of your Secretary of State, with the Chancellor of the Exchequer, the Secretary of State for Industry, the Chief Secretary and your Secretary of State yesterday evening. Mr. Alan Walters and Mr. Michael Dobbs were also present.

There was some discussion of the forecasts for unemployment, output, real personal disposable income, and consumer prices summarised in one of the confidential charts circulated at the meeting by your Secretary of State. Mr Tebbit pointed out how the present unemployment total was affected by existing measures for dealing with the problem of unemployment - youth training, job release, community enterprise, young workers, short-time working, community industry and training industry. He then drew the meeting's attention to the estimates, contained in chart 5 circulated at the meeting, of the register impact and costs of four other possible measures - Enterprise Allowance, Job Splitting Subsidy, JRS Extension and Part-time Layard.

It was agreed that none of these possibilities was worth pursuing, except perhaps the Job Splitting Subsidy. Your Secretary of State would discuss this with the Chief Secretary, to ascertain whether it was worth pursuing, and to assess the validity of the relevant figures given in chart 5. The Prime Minister said that it was not clear whether the political impact of such a scheme would be wholly favourable; on economic grounds, it should probably not be pursued. But it might well have useful social effects, and on this ground alone was worth looking into further. The Prime Minister enquired as to whether it could be launched under the existing financial provision for the Chancellor's Budget £150 million initiative.

The Prime Minister, concluding the discussion, said that it was agreed that, if the necessary resources were available consistently with the Government's economic strategy, the best measures for a reduction in unemployment were either job-creating public expenditure schemes with an output of intrinsic value - say, in the construction industry; or the implementation of cuts in taxation.

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I am sending copies of this letter to John Kerr (HM Treasury), Jonathan Spencer (Department of Industry), Terry Mathews (Chief Secretary's Office) and to David Wright (Cabinet Office).

Yours sincerely,

Michael Scholer



Barnaby Shaw, Esq.,
Department of Employment.