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Prime Minister (2)

To note.  
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PRIME MINISTER

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CPRS UNEMPLOYMENT STUDY

The Chancellor's letter of 30 April gave his views on the CPRS interim report on unemployment and on the further work which should be done.

I entirely agree that the final report should be concerned with the identification of causes only to the extent that this is relevant to finding the right policy prescriptions. There is clearly no point in over refined analysis. A broad diagnosis is all that we really need. I very much doubt whether further attempts to assign relative weights to the contributory factors could have much influence upon the thrust of policy.

Our main concern in this study must be with the structural rather than the cyclical component of unemployment; and there can really be no question but that we must steadfastly pursue measures to increase competition and the rewards of success in that competition as the basic remedy. So I too would like the report to deal broadly with the causes of our low competitiveness, not just in the labour market, but in our markets for goods and services generally.

The emphasis in the study ought now to move towards remedies and, in terms of priorities, I think it would be helpful if the CPRS were to focus particularly on areas which may not have received sufficient attention up to now. Thus, among the topics suggested by the Chancellor I should like to see attention paid particularly to sharpening the work incentive by changes in taxation, to methods of reducing the impact on labour costs of



taxes and other public imposts, and to the stimulation of competition in our product markets. There is already a lot of work on which they can draw so far as training, mobility and benefits are concerned and I think we have a pretty clear idea of the possibilities for going further on legal regulation of unions.

There is one particular problem to which it is important that the CPRS should direct attention. While we need to identify and stick to remedies for dealing with the structural problem we must, I fear, accept the CPRS contention that, whatever we do, unemployment is going to remain high for some time to come. We shall therefore need to continue to devote resources to lessening its impact upon those who are particularly hard hit. This presents us with the problem of reconciling this necessity with the furthering of our longer term objectives. The transformation of the Youth Opportunities Programme into the new Youth Training Scheme is an example of such a reconciliation, but in other areas the way forward is less clear and CPRS guidance would be valuable.

I also hope that the CPRS will look closely at the case for increasing part time work. It is becoming rather taken for granted that the creation of part time jobs is a good way of providing work for the unemployed, when the truth may be that it will largely attract into the labour market people who are interested only in part time jobs, and so increase the labour supply. This could be a very sensible thing to do in times of labour shortage but not of high unemployment. Furthermore, if there is a case for our influencing the market for part-time jobs, I would like the CPRS to consider not only how this might be done through the social security system but also through the employment policies of major public sector employers of part time labour.

I am copying this minute to the Chancellor and to John Sparrow.

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17 May 1982