

CONFIDENTIAL



cc Mr. Lankester  
Mr. Hoskyns

10 DOWNING STREET

MR. IBBS

MERSEYSIDE

Although I agree with much of the analysis and many of the proposals of your paper, I do think that there is insufficient emphasis on the main cause of Mersey unemployment, that is to say the wage levels are too high. As Professor Patrick Minford remarked in his evidence to the House of Commons Committee on the Treasury and Civil Service, no manufacturer would choose to locate in Liverpool where he has to pay high wages for poor quality labour. One would have expected that the more recent employment protection measures and practices would exacerbate the unemployment, since the likelihood of "bad practices" being experienced with Liverpool labour is higher than with any other labour force.

But many of the measures, such as encouraging small business, are conducive to reducing wages. But some of your measures are not. In particular the redistribution of more public jobs to the area (para 13 measure number 2) would promote unionised employment at high wages. These would be seen as the target by trade unions, wages councils, and similar bodies which are concerned with distorting the labour markets. Essentially, I do not think there will be any revival in Merseyside until the grip of militant unionism is relaxed.

I think there is a good case for taking another look at port policy generally. It is now more than a decade since the Rochdale Committee reported. Great changes have taken place in the technology of ports and shipping. And the structure and behaviour of dock labour differs dramatically, for example between Felixstowe and Mersey.

11 June 1981

A handwritten signature in black ink, appearing to be 'Alan Walters'.

ALAN WALTERS