

Demi Amis

There is also a further letter from defence on the options for taking votes younger into the army. (Plas F)

12 1575

Ref. A05261

PRIME MINISTER

Measures against Unemployment

(E(81) 74-77)

below _____
Plas D _____
Plas B _____
Plas C _____

I sent you my supplementary brief of 13th July before I had seen the minutes of that date from the Secretary of State for Industry and the Secretary of State for Defence. The Secretary of State for Industry has now circulated a further minute of 14th July.

2. In his minute of 13th July, the Secretary of State for Industry is concerned with the problem of getting across the message that unemployment could be reduced if there were higher productivity and hence higher profits and more investment. He recommends, in his paragraph 7, that there should be a series of very small meetings between Ministers and individual business representatives, journalists and interviewers to persuade them of this analysis. This is a point which you might pick up at the end of the discussion and on which the Chancellor of the Duchy of Lancaster will have views.

3. In his minute of 14th July the Secretary of State for Industry argues that, if additional public expenditure were to be made available, it would be better to direct it not to temporary employment measures but to programmes which would generate a net increase in employment and which would be worth while in their own right. He suggests that it might be made a condition of the provision of launch aid for an industrial project or public procurement support that the beneficiaries should maintain apprenticeship programmes and help in the Youth Opportunities Programme. This approach is likely to chime in with the Secretary of State for the Environment's thinking, and Annex 5 at the back of the second report by officials attached to E(81) 74 lists a number of housing and environmental projects which might be candidates. You will wish to ask the Chancellor of the Exchequer to comment on the public expenditure implications of this; if the Committee are sympathetic to the idea, it could be developed further in the forthcoming public expenditure discussions.

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4. The Secretary of State for Defence is generally sympathetic to Professor Walters's ideas and he proposes, in particular, that young persons should be removed from the scope of Wages Councils for an experimental period of three years. The Secretary of State for Employment can comment on this but you will recall that the future of Wages Councils was discussed in some detail by the Ministerial Committee on 8th April (E(81) 14th Meeting, Item 2). It was then agreed that, while Wages Councils served little or no useful purpose, it would not be practicable in the foreseeable future to introduce legislation providing for abolition of the system or of exclusions from its scope of young people or of part-timers. Instead the Secretary of State for Employment was invited to press ahead as quickly as possible with his proposals for securing reductions in the number of Wages Councils and improvements in the system. He was further asked to take the opportunity of consultations on industrial training to press the case for widening the differential between rates of pay for young people and for adults.

5. As you know, the meeting arrangements had to be changed at short notice in order to secure the best possible attendance for this important discussion. The meeting was first planned for last Thursday but had to be postponed because of Cabinet's extended discussion of the riots. You decided not to hold it on Tuesday morning because the Home Secretary and the Secretary of State for Scotland could not have been there. Of the alternatives before you go to Ottawa, tonight was the least inconvenient and all the Ministers invited will be there apart from the Foreign and Commonwealth Secretary and, if he is detained by the Finance Bill, the Chief Secretary, Treasury. The alternative of Friday morning would have meant a number of Ministers cancelling major official and political engagements and, on balance, the general preference was for cancelling dinner engagements tonight.

REA

ROBERT ARMSTRONG

15th July, 1981

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