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Qa 05787

To: MR SCHOLAR

25 January 1982

From: J R IBBS

Fair Wages Resolution: E(82)5

1. In his memorandum, the Secretary of State for Employment argues for abolition of the Fair Wages Resolution (FWR) and proposes to put in hand the consultations necessary to revoke ILO Convention 94.

2. I support this proposal. The main effect of the FWR must be to keep earnings in regions of high unemployment up to the national average. This removes any market incentive for employers to choose those regions for new job creating activities. Hence regional subsidies have to provide the incentive, at the taxpayers' expense.

Retention of the FWR would thus be incompatible with the aim of reducing rigidities in the labour market and so promoting non-inflationary growth.

3. I am sending a copy of this minute to Sir Robert Armstrong.

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