



after Redwood

10 DOWNING STREET

From the Private Secretary

cc MASTER SET

27 March 1984

Dear David,

Employment

The Prime Minister had a discussion today with your Secretary of State. Also present were Mr. Quinlan and Mr. Redwood.

Your Secretary of State said the need for further work on employment had been prompted by the resumption in the upward trend in unemployment in recent months. This had been discussed by Cabinet at its meeting on 1 March. His concern was that unemployment could become a much more contentious issue, having been unexpectedly muted during the election. While the economy was manifestly in recession, the public had tolerated rising unemployment but opinion could change if unemployment stayed high even while the economy was expanding and prosperity increasing. Although manufacturing industry had come through a period of massive labour shedding, there was no evidence that this process was at an end; indeed with new technology, it could continue just as strongly as before. He had noted growing concern about long term unemployment on the Government backbenches.

He therefore proposed a two part study. The first would examine recent labour market trends and offer projections for the next three years. The second would review policies affecting the labour market and employment; what the Government had already achieved; and what possibilities for further action remained. This would be presented in the first instance to the 25 May meeting of the Seminar Group and subsequently to the full Cabinet.

The Prime Minister said she was content with these proposals and asked your Secretary of State to set preparation of the papers in hand, consulting other Departments represented at the Seminar Group as necessary. The papers should be

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SECRET AND PERSONAL

commissioned on the basis of new instructions and not by reference to the existence of this Group.

I am copying this letter to the Private Secretaries to the other Ministers attending the 25 May meeting; David Peretz (HM Treasury), Michael Reidy (Department of Energy), John Ballard (Department of the Environment), Elizabeth Hodgkinson (Department of Education and Science), Callum McCarthy (Department of Trade and Industry), Alex Galloway (Chancellor of the Duchy of Lancaster's office), and to Mr. David Young and Sir Robert Armstrong. I am also attaching a synopsis of this work.

I have recorded the other matters discussed at the meeting separately.

*Yours sincerely  
Andrew Turnbull*

ANDREW TURNBULL

David Normington Esq  
Department of Employment.

SECRET AND PERSONAL

EMPLOYMENT - SYNOPSIS OF PROPOSED FURTHER WORK

The objective is to enable colleagues to have a full discussion of prospects for employment and unemployment on existing policies and projections and what further might be done by Government to improve them.

For this purpose the Secretary of State for Employment could table two papers, consulting the Treasury and others as necessary. The first paper would set out labour market facts and trends. This would indicate in broad terms the prospects for employment and unemployment on the basis of the Medium Term Financial Strategy and set a general context and scale for the discussion. It would give information on:

(a) Recent trends. Growth of output, productivity and labour supply since 1981 and the consequences for employment and unemployment. The effect of special measures, incidence of unemployment by age, duration and location.

(b) Current projections. Forecasts of output, productivity, demographic growth, employment and unemployment for the next 3 years. Expected changes in the incidence of unemployment by age, duration and location and in the effect of special measures. The assumptions underlying the forecasts and the range of forecasting uncertainties and alternative outcomes.

SECRET AND PERSONAL

This would set the scene for a second paper on major aspects of policies affecting the labour market and employment. This would describe Government action already taken and in hand or under consideration (including relevant remits from the Prime Minister's September and December 1983 meetings) as it affects employment and unemployment. Policy aspects covered would include labour costs, industrial relations reform, Government constraints on the labour market, placement of labour (including mobility and self employment), training and use of labour and changing patterns of work (including the spread of part time work and earlier retirement). The paper would attempt to assess the implications for employment and unemployment of possibilities for further action.

These two papers should give the basis for a discussion of the scope for further Government action to improve the prospects. The Secretary of State wishes to discuss with the Prime Minister the best way of preparing for that part of the discussion.

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File 34

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From the Private Secretary

27 March 1984

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Dee David,

Employment

When your Secretary of State came to see the Prime Minister today, they discussed the preparation of papers for the Seminar Group meeting on 25 May. I have recorded this separately and circulated it to Private Secretaries to members of the Group.

During the rest of the discussion, the Prime Minister suggested that it would be helpful to discuss trends in unemployment and possible policy responses with a number of academics. One possibility would be for the Prime Minister and your Secretary of State to meet for lunch at Chequers, to which would be invited Professors Walters, Hague, Minford and Peacock. The discussion would be free ranging and would cover the need to develop an enterprise culture in Britain, the way demographic trends were operating, the likely impact of new technology, what general policy responses should be, and what contribution special employment measures could make. This office is examining whether the relevant people can be gathered together in the near future for such a lunch.

The Prime Minister said she was struck by developments in the US where there had been a large increase in employment, but this had come not from high technology sectors but from comparatively low technology sectors. Our aim should be to ensure that labour intensive industries could prosper as it was likely that the manufacturing sector would continue to shed labour.

The discussion then turned to specific measures to reduce the impact of unemployment. The Prime Minister said she was impressed by the community programme and the enterprise allowance but was reluctant to extend schemes such as job release and early retirement. She was disappointed with the loan guarantee scheme which had not met with a

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positive response from the banks; instead they had sought to shift the risk on to the Government. Your Secretary of State said he hoped to visit the US later in the year and would examine a number of schemes, including another look at Workfair though this might be confined to people under 21. It was agreed that the whole range of SEMs should be reviewed. Some had now run their course and should be cut back to provide resources for new initiatives. When it was pointed out that there were surplus YTS places in the South, the Prime Minister suggested that the churches might be asked to arrange accommodation for trainees coming down from the North. Mr. Quinlan undertook to consider this.

*Your sincerely  
Andrew Turnbull*

ANDREW TURNBULL

David Normington Esq  
Department of Employment.