

CONFIDENTIAL

PRIME MINISTER

EMPLOYMENT EXERCISE

I have read with interest the paper attached to the letter of 3 January from Tom King's Private Secretary to yours. As I have not been able to play a direct part in the deliberations of the group which produced this work, it may be useful for me to set out my views in writing before next Monday's meeting.

2 First, the question of whether we should publish a White Paper based on the present approach: I believe we should be very careful indeed before proceeding. I judge the present approach might very easily lead to an intensification of questions aimed at the Government on the basis of "why is the Government not doing more about unemployment?"; and "why does the Government not tell us what it expects unemployment levels to be in the future?". The former will strengthen those of our critics who claim that, if we wished, we could reduce unemployment. And a refusal to predict future levels of unemployment will make it look as if either we are ignorant, or that we are deliberately refusing to state what we know.

3 I therefore think that, if we are to proceed with a public document, we must stress carefully the limitation of what Government can do; and emphasise that, whatever the initiatives taken by Government, the outcome lies in the hands of many agencies whose roles are as important as that of the Government. We must make clear that the

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Government's role is limited, and only if others within the economy take up the opportunities which we help fashion will the economy grow and unemployment fall. There is something of this in the present document, but it is not yet clearly established as one of the central messages. I believe we will only have the public impact we seek if this message is firmly established: at the moment the document contains within it all the notes that we would wish to have played, but is not yet a tune which could be sung.

4 On the particular proposals, I would not wish to oppose the extension of the Community programme, nor action on national insurance charges. But these will have to be seen in the context of the public expenditure decisions which we will be called upon to make in the course of the year. However, we need to see the results of the review of social security payments before judging the impact of any changes on that front together with tax changes which the Chancellor may have in mind. Perhaps, therefore, it is a little early to choose between some of the possible options.

5 I am copying this to Nigel Lawson, Tom King, Keith Joseph, Peter Walker, Patrick Jenkin, Norman Fowler, David Young and to Sir Robert Armstrong.

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9 January 1985