

CONFIDENTIAL

Prime Minister (2)

ms 2/9

PRIME MINISTER

CPRS UNEMPLOYMENT STUDY

I carried out a rather hurried survey of the draft. I have given CPRS my views.

It is difficult to quarrel with the main proposals suggested for dealing with unemployment, both in the short and long run. Indeed virtually all their proposals have appeared before and have been extensively discussed. There are no important new innovations or new initiatives. This may be disappointing, but is not unexpected.

My main criticism of the report and the proposals is that they are not at all incisive and lack precision. Most of them are general propositions on which "further work may be done". Furthermore there is no basis for listing priorities. And although the report expresses the view that further reduction in NIS should be high on the agenda, there is no substantive argument to support such a priority.

To some extent this deficiency will be made good when the Number Ten (Minford-Smith) report appears during the middle of this month. In that report you will be able to see an estimate of the consequences of different policies. In particular you will be able to examine the effect of lifting the tax thresholds and changing the structure of the benefit system, including putting a cap on benefits. No doubt there will be lots of other questions which will be asked about the consequences of different policies, but at least it will provide basic markers by which we can assess policy.

Finally, I was concerned at the rather loose and occasionally sloppy analysis of the report. Since such transgressions do not much affect the policy proposals, they are probably of little interest to you. If, however, CPRS are asked to pursue further some of their general proposals and to quantify them and make them specific, I believe the analytical basis will become of quite central importance.

I shall be returning to London on 11 September.

2 September 1982

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ALAN WALTERS

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Prime Minister (2)

MUS 3/9

Qa 06052

To: PRIME MINISTER

2 September 1982

From: JOHN SPARROW

Unemployment (and the Black Economy)

1. You asked the CPRS to prepare a report on unemployment, its causes and possible action by Government.
2. I attach our report. It is summarised in the final chapter. This is a large and intractable subject, and we have aimed to deal with it by pointing up broad directions of policy, rather than taking the analysis all the way through to specific quantified proposals for action. If Ministers agree with our analysis and policy suggestions, they will want to arrange for the Departments responsible to work out detailed proposals, or where they are already considering policy changes, to take our views into account.
3. There is one specific suggestion which we have not included in the report because of its sensitivity. For a number of specific employment measures, the agency to carry out the Government's policy is the Manpower Services Commission. Because of the trade union representation on the Commission, it is not a good instrument for carrying out some Government policies, notably those aimed at providing more low-paid jobs. The radical solution here would be to end the tripartite independent status of the Commission and bring the work back more directly under the control of the Secretary of State.
4. As to handling, I am only sending copies at this stage to the Chancellor and the Secretary of State for Employment, and to the three officials who have been most directly concerned (Mr Burns, Mr Walters and Mr Derx), as well as to Sir Robert Armstrong. If you wish to discuss the report with colleagues, there are several other Ministers interested - notably the Secretaries of State for Education and Science, Social Services and Industry - and you may want to consider bringing them in.

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5. I also attach a copy of our report on the black economy. Again this has been summarised in the final chapter. It has been written partly to complement the unemployment report, as a survey of what is known about the black economy. But it concludes with a number of recommendations which concern mainly the Revenue Departments, Employment and DHSS - though initially I am circulating it only on the limited distribution for the unemployment report (as above).

J.P.

Atts

Gart Maul



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10 DOWNING STREET

Prime Minister

May John Sparrow send  
copies of the unemployment  
report to the Departments most  
concerned - Treasury, Industry,  
Education, Employment, DHSS?

MCS 8/9

Yes  
no

Told Mr Sparrow

MCS 9/9

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Qa 06050

1 September 1982

To: ✓ ROBIN BUTLER

From: JOHN SPARROW

1. Thank you for your minute recording my discussion of a CPRS work programme with the Prime Minister yesterday.
2. I now attach copies of our reports on unemployment and the black economy. The latter is in final form; the unemployment study is a final draft, with manuscript amendments, which we will be discussing with Alan Walters this afternoon and thereafter bringing to completion. I will at that stage submit both studies in a more formal manner to the Prime Minister.
3. I am sending a copy of this minute to Sir Robert Armstrong.

JS.

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