

CONFIDENTIAL

PRIME MINISTER

Bilateral with the Chancellor

The Chancellor may raise:-

(i) The implications for financial markets of a default by Liverpool City Council. You will want to get an assessment from the Chancellor of whether the consequences would be confined to Liverpool or whether disturbances could spread more widely.

(ii) HOTGAS: the Chancellor will bring you up to date on this.

(iii) Nurses' Pay Review Body: copies of the report have been sent on a restricted basis to the Chancellor and the Secretary of State for Social Services. No action is in hand until the other Review Body Reports come in next week. A meeting of Ministers is planned for 3 May to discuss all the Reports. You will want to explore with the Chancellor how the Government should react should all the recommendations be for 7% or more.

(iv) Director General of NEDC. The Chancellor may comment on the way Mr. Cassels is carrying out his task. The Chancellor may feel that he is proving less sympathetic to the Government than was hoped. As evidence of this, there are the remarks Mr. Cassels made after the recent discussion on employment - see attached.

You may want to raise with the Chancellor:-

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/ (v)

Wyke Farm:

(v) Whether any progress is being made in identifying an option which is satisfactory to all parties.

(vi) His impressions of the IMF Interim Committee and in particular the international debt problem.

AT

13 April, 1984.

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INDEXATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1960=100); retail prices and food prices (1974=100); FT commodity index (July 1962=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Wholesale mnfg.*	RPI*	Foodst*	FT Comdty. Strig.
1983						
1st qtr.	144.7	124.6	121.8	327.0	302.1	277.29
2nd qtr.	148.0	123.6	124.2	333.7	306.3	272.89
3rd qtr.	150.9	124.7	125.1	338.0	310.4	288.14
4th qtr.	153.2	128.4	126.7	341.8	316.4	298.50
August	150.4	124.6	124.9	338.0	309.4	293.02
September	150.5	126.5	125.7	339.5	313.0	288.14
October	151.7	126.2	126.2	340.7	314.5	283.18
November	152.8	127.4	126.7	341.9	316.1	288.10
December	155.1	131.7	127.3	342.8	318.5	298.50
1984						
January	152.7	133.6	128.1	342.6	319.8	295.75
February		134.1	128.9	344.0	321.4	291.34
March						308.67

* Not seasonally adjusted.

Daily Telegraph

Jobless rate 'high until 1990'

By **ROLAND GRIBBEN 2**
Business Correspondent

UNEMPLOYMENT will continue at high levels for the rest of the decade, said a paper presented by Mr King, Employment Secretary, to a meeting of the National Economic Development Council yesterday.

The meeting was held despite the continued boycott by the Trades Union Congress, and the organisation is intended to carry on at least until September before any decision is made on its future.

The paper showed that the labour force would grow by only 458,000 over the five years to 1989. The growth in service industry jobs is forecast to outnumber the increase in manufacturing.

More jobs are predicted for women than men but the numbers of self-employed will rise and further cuts in the hours of work are expected, largely because of longer holidays.

Rise in workforce

The paper estimates that the labour force will rise from 26,444,000 this year to 26,902,000 by the end of the decade. Over this period the population over 16 is forecast to increase from 43,300,000 to just over 44 million.

Mr John Cassells, director-general of the National Economic Development Office, the body which serves the council, said the outlook for employment looked "particularly poor."

He said that a reduction in overtime could create the equivalent of 500,000 jobs and he expressed concern that most

of the service jobs would emerge in the South East and create further regional imbalances.

But Mr Lawson, Chancellor, who gave an audio visual display of the Budget to the council, maintained that increases in productivity and competitiveness would encourage job creation.

Sir Terence Beckett, director-general of the Confederation of British Industry, questioned whether the working week would continue to shorten.

He said that different patterns of work are emerging and this would mean greater job flexibility.

Mr Lawson gained all-round praise for his Budget package although the CBI urged that the ending of capital allowances for investment should be phased over a longer period.

THE GUARDIAN

Jobless 'will stay at 3 million'

By **Michael Smith**,
Industrial Editor

The Employment Secretary, Mr Tom King, has conceded that unemployment will probably remain at high levels until well into the 1990s. Forecasts prepared by Mr King's Employment Department imply that the level of jobless people will remain close to the 3 million mark into the next decade.

The DoE forecasts, drawn up for yesterday's meeting of the National Economic Development Council, show that the Government expects the total UK labour force to grow by 729,000 to 26.8 million from 1982 until 1991.

This means that extra jobs would have to be created for these people before any impact was made on current levels of unemployment and the Government's own predictions do not

suggest that economic growth will help create many jobs.

According to the Government's recent green paper on public expenditure, economic growth is expected to grow at 2 1/4 per cent a year until 1989 and between 1 1/2 and 2 per cent until 1994. Most economists believe that annual economic growth of at least 2 per cent is needed to create new jobs.

The DoE assessment coincided with comments by NEDO's director general, Mr John Cassells, that the outlook for employment remained poor despite last month's budget.

In response, the Chancellor, Mr Nigel Lawson, said the number of jobs was going to depend on what happened to productivity, pay and labour unit costs. "Those are things that the Government does not determine," he said. "If we

can get higher productivity increases and keep wage increases down, there is no reason why we shouldn't have more jobs."

However, the continued union boycott of NEDO meant that the TUC was not able to respond to the Government's new assessment. Yesterday's was the second monthly meeting boycotted by the TUC, but NEDO's Mr Cassells said the tripartite organisation could continue meeting until unions discuss the protest at the annual congress in September.

Two print unions, the NGA and Sogat, are the only two unions to carry the movement's boycotting of NEDO to the full by refusing to participate in the organisation's work on "Little Neddy" committees. All other unions are still participating in "Little Neddies."

C
You'll want to see X1
Paul

As Chancellor
12/2

JOHN CASSELS - INTERVIEW ON NEDC DISCUSSIONS ON BUDGET AND UNEMPLOYMENT

Transcript from: BBC Radio 4, Financial World Tonight, 4 April 1984

INTERVIEWER : (Rodney Smith) NEDDY, the National Economic Development Council, met today to discuss both the Budget and unemployment, two key issues. But for the second time the normally tripartate meeting was was boycotted by the TUC. I asked Neddy director general, John Cassels, how long can they go on like this?

CASSELS: Clearly it's possible to go on for some time. There was a good discussion today. It was regretted that the TUC were not there, but it didn't prevent worthwhile discussion. So that the Council can go on meeting for some time without the TUC but, obviously, not forever.

INTERVIEWER : Now you debated the Budget today. One of the things I believe that came out was concerned with our competitiveness and our unit labour costs?

CASSELS Yes, our unit labour costs have been increasing much less than in the past. They went up by 2.7% last year. But the trouble about that is that some of our major competitors actually reduced their labour costs, both Germany and the United States, and Japan held them level. So although we were doing much better compared with our own past performance, we are doing worse in relation to these competitors. And obviously we can't be content until we're doing better than them.

INTERVIEWER: In the papers with the Budget the Chancellor gave no promise of decreasing unemployment; what's the outlook?

CASSELS Well the outlook in the Red Book is that employment will go on increasing, but I think it's implied, not necessarily fast enough to offset the increase in the size of the labour force because the labour force is getting bigger quite fast. If we were more competitive that would lead to higher output and that would enable more jobs to be generated.

INTERVIEWER: What about the regional split, particularly in concerning the services?

CASSELS. Most of the new jobs seem to be in services, or that's where employment's

increasing. And yet there's plenty of evidence that services employment is bouyant in the south east of England, which is, after all, where unemployment tends to be least bad. Therefore if this tendency of increasing employment in services is tending to exaggerate the difference between areas of the country with low unemployment and those with high unemployment. And that's a serious thing.

INTERVIEWER : In the absence of the TUC any thoughts about the reducing the working week to create jos?

CASSELL : I think there's a feeling that the pattern of the hours of work in future may be rather different from the past. My own view is that there's one thing on this that needs a jolly good look, the use of overtime. We use the equivalent of about half a million full time jobs in overtime done by male manual workers and one's bound to ask the question whether that overtime is really necessary, is it really efficient, is it really *productive*, isn't it worth looking into it and seeing if patterns of work might not be chnged so as to have more jobs but less overtime?

You'll want to see 81
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Ms Chancellor
12/2

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