



# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233-3415  
Telex 262405

**PLEASE NOTE EMBARGO**

NOT FOR PUBLICATION, BROADCAST  
OR USE ON CLUB TAPES BEFORE  
2100 HOURS TODAY, FRIDAY 24  
OCTOBER 1980

UNEMPLOYMENT AND GOVERNMENT POLICY

24 OCTOBER 1980

Extract from a Speech by Nigel Lawson MP, Financial Secretary to  
the Treasury, to the Leicester and District Branch of the  
Federation of Master Builders in Leicester on Friday 24 October 1980

Let me make one thing absolutely clear.

It is no part of the Government's economic policy to create increased unemployment.

It is no part of the cure of inflation deliberately to throw men and women out of work.

How then are we to explain the high and rising number of jobless - more than at any time since the war - with all the individual hardship and anguish that number implies? And what is the Government doing about it?

Unemployment has, of course, been on a rising trend for some years now. It more than doubled while our predecessors were in office; something they wished to see no more than we do the numbers out of work to-day.

But the present level of unemployment is, I believe, due to three main causes.

The first is the world recession, triggered by last year's oil price explosion and now hitting every industrialised country. No nation can insulate itself from this - but, equally, it will not last forever. Indeed, there seems a good chance that it will come to an end some time next year.

The second cause of our present high level of unemployment is a more peculiarly British one. In a word, we are today reaping the consequences of decades of resistance to economic changes. Over the past ten years in particular, we have seen the rise of the new industrial economies, often competing with established British industries; the spread of wholly new technologies such as micro-electronics; and the dramatic rise in the relative price of energy. All of these changes have meant new challenges, and some have meant new opportunities, too. To meet these challenges and to seize these opportunities, the economies of the West have needed to adjust and adjust quickly. Yet during the past decade the principal tendency of government policies, of trade union power and of management inertia, has been to resist and delay the process of adjustment.

Now, at the eleventh hour, and under the pressure of events, the British economy is making the necessary adjustments. This bodes well for the future. But the pain is the more acute, and the cost in jobs the greater, as a result of the delay we have imposed upon ourselves. Thus those who seek to attribute blame for the present level of unemployment should lay much of it on those past government policies, on union obstacles and management weaknesses, which over many years have, whether deliberately or not, impeded and postponed adjustment.

The third cause of today's unemployment is excessive pay increases pricing people out of jobs. Or, put another way, the attempt to secure higher living standards than we have in fact earned. That path leads either to higher inflation - if the Government allows it to by printing more money to accommodate the higher wages - or higher living standards for some with unemployment for the rest. Or both.

I do not suggest for a moment that excessive pay rises are the sole cause of Britain's unemployment. But this is certainly one reason why unemployment today is higher in Britain than it is in many other countries. And, above all, it is something that lies fairly and squarely within our own power as a people to correct.

No government in a free society, with free trade unions, can guarantee full employment. Indeed, it is perhaps instructive to consult that most revered of sources on this subject, the seminal Employment Policy White Paper of 1944. This explicitly identified three "essential conditions" of a high level of employment. The second of these is particularly worth quoting:

"The level of prices and wages must be kept reasonably stable."

In other words, those who determine the level of wages are also determining, in large measure, the level of employment.

The present Government can, and will, do all in its power to prevent an overgrown public sector from bearing down unfairly on the private sector and intensifying the adjustment problems that private industry must face. We are also, by persisting unswervingly with our anti-inflationary strategy, creating the conditions in which the sustainable

level of output and employment can be maximised.

But at the end of the day the level of unemployment will be determined, above all, by the three factors I have described. The more this is understood and acted upon, the lower the numbers out of work are likely to be.

PRESS OFFICE  
HM TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG  
01-233-3415

166/80