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10 DOWNING STREET

From the Principal Private Secretary

7 June 1979

*M*  
*B*  
cc: Master Sit of Records,  
Govt. Machs, <sup>Board</sup> ~~May~~ 79,  
Special Political Advisor

*Dear Ian.*

This is to record the main items discussed, and the conclusions reached, at your Secretary of State's meeting with the Prime Minister on Wednesday evening at 10 Downing Street.

Mr. Prior told the Prime Minister that Sir John Methven had expressed some concern to him about the possibility that the Government might make too substantial an increase in VAT "in one go". Mr. Prior said he had passed this on to the Chancellor and the Prime Minister noted what he said.

Mr. Prior reported his recent conversation with Mr. Murray about the two Orders which he wished to make under the Employment Protection Act which the TUC would not find welcome but which he thought, if handled expeditiously, could be referred to them for consultation without creating a major row. The Prime Minister agreed with your Secretary of State's suggestion that he should circulate forthwith to colleagues on E(EA) Committee, to clear out of Committee urgently, the proposals, which he would want to put to the TUC and other bodies concerned, for consultation, for amending the "60-day" and "26-week" provisions in the existing legislation. This would enable him, if colleagues agreed, to inform the TUC in time for them to have the matter considered by their Employment Policy and Organisation Committee and the General Council during the course of this month. On the substance of the proposals, after considerable discussion, the Prime Minister agreed that Mr. Prior should propose the substitution of 30 days for 60 days and the substitution of 52 weeks for 26 weeks, with an extension to two years for those under the age of 18. Mr. Prior should press this special provision for the under-18s on the merits of the case for improving the employment prospects of young people by so doing, but it was agreed that it might ultimately be necessary to concede this point. The Prime Minister also asked Mr. Prior to look urgently at the question whether the extension to two years could also be applied to employment which was being taken up solely for the purposes of training or work experience. Finally, the Prime Minister emphasised the importance of consulting others, including the Small Businesses Council, simultaneously with the TUC.

/On industrial

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On industrial relations legislation, Mr. Prior said that he would be bringing proposals to E Committee on Tuesday 19 June: both he and the Prime Minister would have preferred this to be sooner if possible. He said that he would be making proposals going further than the Manifesto commitments in order to have a negotiating position in which he could make concessions while leaving his basic position intact. The Prime Minister recognised the force of this but insisted that the Government's ultimate position must be not less than that set out in the Election Manifesto. She recalled that she had made this perfectly clear to Mr. Murray. Mr. Prior suggested, and the Prime Minister agreed, that the Solicitor General ought to come to E Committee for this discussion; the Prime Minister did not, however, wish Departmental Junior Ministers to attend.

Mr. Prior made some suggestions on personnel matters to the Prime Minister and, in particular, he raised the question whether it would be appropriate for him to have the services of a part-time consultant who would be employed in the industrial relations division of Shell. The Prime Minister did not dissent from this proposition, although she referred to the difficulty about access to papers, and we await a substantive proposal on it.

I am copying this letter to Sir John Hunt.

*Yours sincerely,*  
*Kan Stow.*

Ian Fair, Esq.,  
Department of Employment.

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