



Prime Minister

This has just come in.

Mr Tebbit agrees to the
Chancellor's NIE proposals.

PRIME MINISTER

Ms 19/11

In his minute of yesterday the Chancellor advocates that most of the increase in next year's National Insurance Contribution should fall on the employee, including the increase of 0.35% in the Employment Protection Allocation which has always hitherto been paid by the employer.

As indicated in paragraph 6 of the minute, I think we must accept that such a step will make it more difficult to secure a satisfactory outcome to the current pay round and employers will be pressed hard in negotiations to settle the higher. To the extent that such pressures cannot be resisted some employers may come to bear the additional costs. We need also to recognise the effects on the forthcoming miners' ballot which has been delayed.

But I recognise the arguments against imposing a greater load on employers, and by his proposal to make a sizeable increase in the upper earnings limit the Chancellor has limited the increase payable by workers on average incomes and has thus gone some way to meet my point. I would not therefore wish to oppose his scheme.

I am copying this minute to the recipients of the Chancellor's minute.

NT