

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

The Chancellor wishes to mention to you the results of his consultations about his profit-sharing scheme. He would like to publish a consultation document in the middle of July. A number of people have expressed concern that once a profit-sharing scheme is in operation it may give employees an incentive to keep down numbers employed in the company. Does the Chancellor envisage arrangements under which the rights of new entrants to a company would build up gradually to remove this disincentive to new jobs?

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Uncle
See
part
which
makes
one
available
for Rachel
humans
new
part,
referred
to below.*

The Chancellor will also mention a proposed reorganisation of the Treasury. (Under the reorganisation, Michael Scholar will gain responsibility for tax policy as well as budget management. Andrew Turnbull's responsibilities are unchanged.)

You could if appropriate take the opportunity to have a private word with the Chancellor about South Africa.

I suggest you leave discussion of public expenditure tactics for your next bilateral. The Treasury will by then be better prepared to talk about forms of words for an announcement after the July Cabinet.

The Chancellor has just received the summer forecast but is unlikely to have a chance to absorb it before your meeting tomorrow. That too could be a subject for next week.

(DAVID NORGROVE)

24 June 1986

* Rachel humanc, on
promotion to Uncle Secretary, is
to be in charge of a new Division
dealing with financial institutions,
the City, Big Bang etc.