

NOTE OF A MEETING HELD AT 10 DOWNING STREET AT 1015 ON WEDNESDAY 29 JUNE

Present: Prime Minister
Secretary of State for Education and Science
Secretary of State for Employment
Secretary of State for Trade and Industry
Chancellor of the Duchy of Lancaster
Secretary of State for Energy
Sir Alan Walters
Mr. Ferdinand Mount
Mr. Michael Scholar

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The Prime Minister said that she had called the meeting because she felt that the Government must re-double its efforts to create a more enterprising British economy; that, although we were at the beginning of a new Parliament, there was not much time in which to take the necessary - and many of them difficult - decisions; and that she suspected that there might be a tendency in some Departments to relax now that the Government had been returned to office.

The Prime Minister said that she would be calling a meeting of the present group of Ministers at Chequers on Tuesday 6 September, with a possible spill-over to Wednesday 7 September. She hoped that they would come to that meeting with fresh ideas, so that the Government could make further progress in creating the conditions for a more prosperous Britain, and so the reversal of the growth in unemployment in recent years. The Prime Minister said that she would be looking for proposals under a number of headings. On taxation more should be done to stimulate the creation and expansion of new enterprises, to reduce taxes on labour, and at the same time reduce subsidies on investment. This would require strict control of public expenditure. What more could be done to reduce the burdens on industry and commerce, both in terms of costs, and of environmental regulations and planning controls? Should we not be taking further action to reduce the barriers to employment, for example the Wages Council and some of the requirements of the Employment Protection Act? The Prime Minister further mentioned labour mobility, trade union reform, training, new technology,

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regional policy, de-nationalisation, and the possible re-definition of the working population.

The Secretary of State for Employment said that work on many of these fronts was currently going on in his Department. They were preparing the possible White Paper on employment, and it might be that that White Paper would differ from its present form once the discussions the Prime Minister was initiating were completed. He favoured action on many of the fronts she had enumerated, and was planning to consider further the "work fare" concept. He had his doubts about the validity of this programme, but a first-hand investigation of the American scheme was necessary so that it could be either adapted here or dropped for once and for all. The Prime Minister did not dissent, but said that she thought there should be no postponement of her meeting in September to allow completion of this investigation.

The Secretary of State for Education and Science said that papers should be prepared for the meeting in September. What was needed were proposals about how to unlock the entrepreneurial flair of the British people. It was noteworthy that IBM reported far more of their employees in the United States leaving the company to set up their own companies than was true in this country. A study was necessary to discover why this was so. He had names of a number of people outside the Government who could undertake this work.

The Secretary of State for Energy said that the Government should decide which industries it wished to see expand. A large publicity effort should then be mounted, on a town-by-town basis, with Government spokesmen explaining what help was on offer and what the possibilities were. This was already being done in certain towns, for example Worcester, with public meetings to which sixth formers, local businessmen, bank managers, accountants etc. were being invited. The Prime Minister said it might be worth considering an "enterprise bus", and the use of television in such a publicity effort.

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The Chancellor of the Duchy of Lancaster said that there could be no doubt that there was much work to be done in Britain, and that there were many in the workforce without work to do. It was necessary to bring these two together. Many of the new jobs would be bound to be low paid jobs, involving a minimum of skill. It was necessary to remember this when speeches were given about the growth of high technology, and the new jobs which would come from this source. To create new low paid jobs it would be necessary to reduce the burden of taxation on the low paid, including National Insurance contributions, and thus to control Government spending. He did not himself think that more needed to be done to widen the gap between the standard of living of the employed and of the unemployed.

The Chancellor of the Exchequer said that he agreed with much of the Chancellor of the Duchy of Lancaster's analysis; and also that much needed to be done on the topics outlined by the Prime Minister and the Secretary of State for Employment. But his own view was that there was still too small a gap between the standard of living of the employed and of the unemployed. He agreed, too, that there was little mileage in schemes to reduce the size of the working population: these schemes were very expensive, and militated against a number of the other objectives of the Government.

Sir Alan Walters said that recent academic work had been done on the price elasticity of the supply of labour, especially amongst the young. This showed that a reduction in pay brought about a surprisingly large increase in employment. It was agreed that a note of this work should be circulated to the Group.

The Prime Minister said that she would write to members of the Group, requesting work from them to be produced before the Chequers meeting. She urged members of the Group to maintain strict confidentiality about the existence of the Group, which she wished to become generally known neither inside nor outside the Government.

30 June 1983

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