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RECORD OF THE EMPLOYMENT STRATEGY MEETING AT CHEQUERS ON 6-7 SEPTEMBER

Present:

- Prime Minister
- Chancellor of the Exchequer
- Secretary of State for Education and Science
- Secretary of State for Energy
- Secretary of State for the Environment
- Secretary of State for Employment
- Secretary of State for Trade and Industry
- Chancellor of the Duchy of Lancaster
- Chairman of the Manpower Services Commission (Mr. David Young)
- Sir Robert Armstrong
- Sir Alan Walters
- Mr. Michael Alison
- Mr. Ferdinand Mount

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TUESDAY MORNING

The Prime Minister noted that David Young, who had not yet arrived, had put in a paper arguing for the appointment of a Minister for Policy, on the grounds that there was too much overlap between Departments, so that essential policy aims became unclear. The Prime Minister said that David Young's ideas pointed towards the US system, and that the Minister for Policy in British terms was inevitably the Prime Minister, who could not, without extensive delegation, deal with the wide range of responsibilities satisfactorily. The Chancellor of the Duchy of Lancaster and the Secretary of State for Energy commented that overlords had been tried before, for example by Sir Winston Churchill in 1951, and this system had not worked in Britain.

/1. INDUSTRIAL POLICY

1. INDUSTRIAL POLICY

Introducing the main discussion, the Prime Minister said that the discussion should be of a general strategic nature, and would concentrate on industrial policy this morning.

The Chancellor of the Duchy of Lancaster and the Secretary of State for Trade and Industry in their papers had usefully painted a broad strategic picture, emphasising that the vital framework within which the discussion would take place was the continued reduction of inflation, lower interest rates, lower taxation, and the control of public expenditure. This last point was of particular importance. We should also aim to deal with these matters in a positive way, switching the emphasis from a discussion of unemployment to one about the creation of new businesses and new jobs; and extending enterprise wherever this could be done.

The Prime Minister invited the Chancellor of the Duchy of Lancaster to introduce his paper (Paper No. 15: Strategy for Unemployment). The Chancellor of the Duchy said that it was a paradox that there was no shortage of demand, an unlimited amount of work waiting to be done, yet at the same time very large unemployed resources of capital and labour. The economy was not working as efficiently as it should. He recalled that we had enjoyed full employment for twenty years after the War, and said that it was no coincidence that at that time public expenditure occupied a substantially lower share of GNP: in 1959 it was only 25% of GNP. Since then the public sector had grown enormously, at the expense of the private sector. The large burden of taxation which was an inevitable result of this change depressed activity in the private sector, and led inevitably to further encroachment by the public sector. It was necessary to break this vicious circle, and the key problem was the level of taxation. His conclusion was that the Government's first priority should be the reduction of public expenditure which was necessary to bring down the burden of

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taxation. Against this, all the other devices designed to reduce unemployment set out in the other papers before the meeting were of secondary importance. The Prime Minister agreed with this analysis, and said that the basic framework which the Chancellor of the Duchy had sketched should be the background against which the whole discussion was held.

The Secretary of State for Employment said that he hoped that, in considering how to reduce public expenditure, the food production industry would not be omitted as a candidate for expenditure reductions. The Chancellor of the Exchequer agreed, and commented that the Common Agricultural Policy was a huge burden on the British economy. The high price levels created enormous surpluses which had to be disposed of at great cost. The Secretary of State for Energy said he did not agree with this assessment. Agriculture had done better than almost any other sector of the British economy in the last four years. It had made a large contribution to the improvement in the balance of payments; British farm production was 7½% of European production, yet we received 11% of CAP subsidies. If we were to reduce European subsidies for agriculture it would be necessary at the same time to persuade the United States to reduce their publicly-financed support for agriculture, which ran at a very high level. The Prime Minister said that agriculture could not be excluded from the areas in which public expenditure savings should be sought. It was just not possible to go on indefinitely giving subsidies to produce food for which there was no buyers.

(a) Taxation Policy:

The Chancellor of the Exchequer said that our main aim should be a general reduction in the burden of taxation. The problem was to find the head-room for such a reduction, by the necessary reductions in expenditure. He agreed with the approach of the Secretary of State for Trade and Industry that there should be no search for novelty, and that the Government's

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strength lay in its consistency since 1979. There were a number of public expenditure programmes which could simply not be afforded in the longer run - <sup>such as</sup> the State Earnings-Related Pension Scheme. There could be no doubt that there should be great scope for growth in the economy, particularly in the service sector. That was the sector in the United States where most growth had been in recent years. It was absurd that UK regional policy and the tax system positively discriminated against the service sector. Capital allowances discriminated both against the service sector and against labour as opposed to capital. Our aim should be to remove these distortions and not to introduce any countervailing distortions. The Business Expansion Scheme was now taking off in a big way. He felt that there were too many schemes under this heading, and that the system needed simplification. We ought to focus on the best schemes and allow the others to die.

The Prime Minister asked whether further reductions in the National Insurance Surcharge should be a priority, commenting that it might be that overheads on British industry were now comparable <sup>to</sup>, or lower than, those of our continental competitors. Might it not be better to make our priority further reductions in personal taxation? The Chancellor of the Duchy noted that the cost of abolishing the NIS was now relatively modest. Our fiscal regime should be designed to bring about more productive and profitable investment. The Secretary of State for Trade and Industry noted that there were unused capital allowances amounting to £40 billion because past investment had not produced the profits which would soak up these allowances. Manufacturing was of very great importance to the British economy, but we were moving more and more towards a service-oriented economy. Service industries were not heavy investors so that the system of capital allowances favoured, like other aspects of the tax system, manufacturing. Notwithstanding the importance of manufacturing, we needed a change of attitude towards service industries. The Secretary of State for Energy said that investment was at a low level in the United Kingdom.

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We would find when the present recession ended that we had invested insufficiently to keep up with our competitors unless we took action to put this right. The Chancellor of the Duchy of Lancaster said that he did not agree that service industries were not heavy investors. The retailers, like Sainsbury's and Marks and Spencer, had had a very heavy capital investment programme for many years. What was needed were higher profits and lower taxation on those profits. The market would then best allocate this investment as between services and manufacturing. The Secretary of State for the Environment argued that it was the output of manufacturing industry which paid for our imports: it had a high export and import-saving content. The NIS and taxes on profits bit more heavily on services than on manufacturing. He strongly favoured the abolition of the NIS, which was a very bad tax indeed, whose abolition would lead to very little leakage abroad. He recognised that service industries benefitted less from capital allowances than manufacturing, but argued that they had been much less subject to international competition than manufacturing, and this in part explained their profitability. He agreed, however, that we should seek to reduce taxes on service industries; he would make abolition of NIS a very high priority.

The Secretary of State for Trade and Industry said that he favoured a lower rate of Corporation Tax, together with many fewer reliefs of all kinds. The Chancellor of the Exchequer noted that reducing the rate of Corporation Tax was very costly - £180 million for every one percentage point reduced. The saving achieved from reducing the number of reliefs was, of course, affected by the £40 billion of overhang of unused capital allowances. The Chancellor of the Duchy said that he thought that a comparison needed to be made between the advantages of (i) abolishing NIS as against reducing Corporation Tax to, say, 40%; and (ii) maintaining the existing system of capital allowances, together with the present rate of Corporation Tax as against abolishing these allowances and having a compensating lower rate of Corporation Tax. The Corporation Tax

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Green Paper in 1982 had set out these options in an entirely neutral way, mainly because the Government had not made its own mind up which of the options it preferred. The Secretary of State for Employment agreed that the NIS was a very undesirable tax, but thought there would be advantage in leaving it at its present rate to cover the Government's cost in training people for industry. One option would be to abolish NIS but to create instead a training levy on roughly the same scale. The Secretary of State for Trade and Industry was doubtful about this, pointing to the unhappy experience with training levies in the past. The Chancellor of the Exchequer said that if we thought that we might need to increase the NIS at some stage we should keep it; if not, given the special importance, out of all proportion to its weight, which it had acquired, it would be best to abolish it soon. The Prime Minister commented that if some increase in taxation in this area were ever to be required it would be better to raise the money through the National Insurance contribution, which was seen as a more respectable tax.

The Secretary of State for Education suggested a third question to be added to the Chancellor of the Duchy's list: if there were to be tax reductions how were they best targeted so as to increase risk-taking and thus employment? Should we aim to change the basis of taxation of share option schemes, or should we look for larger personal threshold increases? The Secretary of State for the Environment said that he favoured action on share options: the one area where we were a long way short of the climate in the United States was in venture capital. The Chancellor of the Exchequer said that the reduction in the high marginal tax rates together with the provision to spread over three years (or five in this year's budget) a tax payment on share options had led to a very great increase in schemes of this sort. But there might be a case for taxing share options as capital gains on disposal. There was general assent to this proposal. The Chancellor of the Exchequer remarked there would be a heavy dead weight cost, and that many schemes would be created to take

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advantage of the/options as a device. The Secretary of State for Energy remarked that it was a disincentive to management in the United Kingdom that there were <sup>available</sup> /large rewards for proprietors but not for employee managers. Share option schemes did not help in the situation in which the individual concerned was highly successful, but other divisions in his company were losing money. Was there not a case for firms being permitted to pay a capital sum to an employee whom they wished to reward, a sum which would be taxed as a capital gain and not as income? The Chancellor of the Duchy of Lancaster said that the biggest need was to re-structure the highest rates of income tax. The 60% marginal rate was now reached at  $\frac{1}{4}$  of the level at the time of Stafford Cripps: thus, on the 1945 regime, one could earn an income of £120,000 a year before the top rate of tax was reached.

The Prime Minister said that the conclusion was that rates of personal taxation were too high, and the bands needed to be stretched out more. There would also need to be a different approach to the taxation of stock options: there was much support for a less complicated regime in which they were taxed as capital gains upon disposal. This depended on headroom being available for tax reductions, through public expenditure savings.

(b) Assistance to Industry

David Young suggested that there was a case for abolishing VAT on prepared food, since eating out was potentially a large employment growth area in this country. There was no support for this idea, the feeling being that it was undesirable to narrow further the tax base.

The Prime Minister drew attention to the figure of £3.7 billion given in the Chancellor's paper 2 (paragraph 4(i)) for support to uneconomic activities in the public sector, on coal, steel, shipbuilding, rail and other transport. Could we cut back these subsidies? Surely it would be possible to have an unsubsidised coal and steel industry in time, if not a wholly unsubsidised rail industry? Should the Government adopt a target for reducing these subsidies?

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The Secretary of State for Trade and Industry said that British craftsmanship no longer enjoyed its earlier reputation. Lloyds were not prepared to register some ships built in British yards. There was a need for better technical standards and for training. We needed also to increase our share of the domestic market, and to persuade a whole generation that British goods were not necessarily second-best. Was there a case for a Government information effort to change this attitude? The Chancellor of the Duchy of Lancaster noted that only last year the Government had launched a substantial campaign on quality and standards. The Secretary of State for Employment said that the first effort at Jaguar in improving its standards had been to persuade the workforce that the goods they were producing were indeed sub-standard.

The Chancellor of the Exchequer said that the £3.7 billion figure was of great significance. We were backing losers on a massive scale, and this had blocked the scope for tax reductions. The difficulty had always been the immediate political problem of removing the props to these industries, notwithstanding the clear long-standing benefits of doing so. He believed that, on coal, everything was now right for a large improvement in the industry's financial position. The Secretary of State for Energy said there were bound still to be deficits for a few years, given the existing level of over-production and the high stocks. But Mr. MacGregor was now in place, and the Government must trust his judgement. The closures programme was going very well. We must await Mr. MacGregor's first assessment. There should be no lists of pits for closure, but there was no escaping a programme of increased production from the economic pits, like Selby, and closures with job losses in such areas as South Wales and Scotland. Mr. MacGregor would discuss individual closures with the government. The Prime Minister enquired whether a company like Rio Tinto Zinc would develop Asfordby. The Chancellor of the Exchequer commented that such a move would alienate the miners. Privatisation was, of course, the ultimate objective. The Secretary of State for Trade

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and Industry said that, on steel, there was no long-term future for Ravenscraig in <sup>the</sup> view of the BSC's Board unless - a very unlikely hypothesis - the U.S. deal were to come off. Our decision to keep this plant open was wholly political. The Prime Minister said at the moment this had to be so. It was noted that productivity at Ravenscraig had shot up as the workforce had sensed the axe hanging over them.

The Prime Minister asked how Government policies on inward investment and for promoting exports were working. The Secretary of State for Energy said that Government departments all round the world were involved in exports. We needed to match this effort. The Secretary of State for the Environment commented it was sometimes difficult to help. In pharmaceuticals he had found that the home market was a very poor base for exporting, since the NHS made its purchases in a wholly unique way. The Secretary of State for Trade and Industry said that his department had been moving in the direction described by the Secretary of State for Energy, targeting particular markets. A recent example had been the effort, led by the Department of the Environment, to sell water management, for which Britain has a world reputation. The Prime Minister said that too much of our support for exports via ECGD found its way to a very small number of companies. The Secretary of State for Trade and Industry pointed out that each major contractor had on average 300 or so sub-contractors, so that the support was spread much more widely than at first appeared. The Secretary of State for Education referred to a recent article in the National Westminster Review which had shown that more and more of world trade was subsidised in one way or another. The Secretary of State for Employment asked whether we would not more usefully spend the sums which went to subsidising our exports in assisting our industry to reconquer the home market. After further discussion the Prime Minister said that we should conduct a major drive to sell less to countries who were unable to pay for our exports; and should consider what international action could be taken to reduce the subsidised proportion of world trade.

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(c) Regional policy

The Prime Minister said that she was worried about the effect of regional policy on areas like the Midlands which were having industry taken away from them to Scotland and Wales. The Secretary of State for the Environment drew a distinction between regional policy and inward investment policy. The latter was required to enable us to compete with other countries, like Ireland; but it was absurd that we still had competing inward investment agencies, bidding one another up in their competitive attempts to attract inward investment. The matter was up for review this autumn and it would be important to get the right decision. The Chancellor of the Exchequer said that he was not impressed by the outcome on Nissan. The firm would go to a special development area, where it would compete with existing car producers in places like the Midlands. The Secretary of State for Trade and Industry acknowledged this but said that it would be useful for Nissan to set standards to the British industry as other Japanese companies had done with television manufacture. The Energy Secretary said that he thought we should move from a regional policy to an industrial policy. Notwithstanding that, the social implications for a particular area of an unemployment rate of, say, 35 per cent had to be faced. But it was ridiculous to have a policy to filch businesses from one area to another. The Prime Minister said it was absurd, too, to subsidise capital at the expense of labour. David Young said that we had achieved, by means of regional policy, a split between North and South, with the North predominantly a manufacturing base, and the services predominantly in the South. We would have been better off without a regional policy. The Chancellor of the Exchequer said it was necessary to have some form of regional policy for political, social and EEC reasons but we should reduce its scope as far as possible, make the grants more job-related, make replacement capital ineligible for grants, and eliminate the Sullom Voe-type project. There must also be no discrimination against service industries, and we should seek to eliminate the regional "beggar my neighbour" effect. There was general agreement to these proposals, and the Prime Minister said that we should also review the urban programme which was now 90 per cent capital investment, and of which there had been a major expansion, alongside regional policy.

(d) Small firms and the self-employed

David Young said that the enterprise allowance was going very well, and he remained a firm advocate of it. It helped, however, only the unemployed, and we should be looking for ways of helping the employed to start up in business. The Prime Minister commented that there were too many schemes for helping small businesses. The complexities of the Government's schemes, together with Pay as you Earn, VAT, employment protection, and the attitude of the Inland Revenue all acted as a deterrent to the starting up of new businesses. The Education Secretary proposed that there should be a new Rayner to look at de-regulation in this area. There was general support for this idea, and it was argued, against the Chancellor of the Duchy's suggestion of an exemption from all requirements relating to income tax, VAT and NIC for three years for someone who had completed a training course, that there would be very severe problems when the three-year period was over, and meanwhile inequity as against the treatment of someone setting up business who was not a training graduate. The Secretary of State for Trade and Industry said that the Inland Revenue's attitude to self-employment was very damaging. Their aim was to get everybody into Pay as you Earn, whatever the consequences. The Prime Minister said she would wish to consider further how to bring about the changes of attitude at the Inland Revenue which the Government wanted. The Secretary of State for Trade and Industry, together with the Chancellor of the Exchequer, should consider how to reduce the number and variety of Government schemes to assist small businesses. Consideration should be given to extending the enterprise allowance beyond the unemployed, and whether <sup>responsibility for</sup> policy on the enterprise trusts should be transferred to the Department of Trade and Industry.

On planning, the Prime Minister said that she placed much weight on the points made to her recently by Sir John Sainsbury. He had said that the planning system was an inhibition upon Sainsbury's investment programme, and therefore on the creation of jobs. The effect of the acceleration of the DOE's consideration of cases had been to speed up the easy cases but hold back the more difficult ones. We had given planning powers to local authorities who had not the weight to carry through these responsibilities. The Trade and Industry Secretary

said that there were not a lot of complaints from Industry along these lines. The Environment Secretary acknowledged that the planning system choked on the Sainsbury/hypermarket-type application. But the planning system as a whole was greatly valued, and was not seen as an obstacle to investment generally. There was a case, however, for calling in more applications to the Department at the very beginning, so as to cut the local authorities out of the process. The Prime Minister said that she would wish to consider with the Secretary of State for the Environment what changes were needed in the system.

Sir Alan Walters commented that investment in transport was, similarly, inhibited by regulation. He instanced the application, still under review, for 300 mini buses in London. The Prime Minister said that this was another area which she, together with the Secretary of State for Transport, should review.

At this juncture the meeting broke for lunch.

## 2. THE LABOUR MARKET

### (a) Trade Union Law

The Secretary of State for Employment briefly reviewed the progress which had been made in dealing with trade union power in the last parliament. We would need to move further against the closed shop, but not until the ballots, required before autumn 1984, on existing closed shops. The closed shop had been stopped in its tracks, and a procedure was now available to roll it back. He would be talking to the TUC about the avoidance of strikes in essential public services. He saw no point in making substantive agreements legally enforceable, since employees and employers would agree to circumvent this. In the long run all secondary action should be outside the law; but here, as in relation to lay-off without pay, he did not envisage immediate action. The vital thing was to free up the public sector to competition, to decentralise pay bargaining, and to improve consultations between employers and employees - but not to the point of legislation or codes of practice. The Prime Minister noted that there was strong support in public opinion for the Government's approach, but wondered

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whether we should not move a little faster for example as regards lay-off. The Employment Secretary said he thought it best to wait for a clear public perception of the need to move. As things stood, hourly-paid workers could be laid off; but there had been a great move towards monthly-paid status - in other words management had bargained away its right to lay-off. Why should the Government seek to restore what the employers themselves had bargained away? He noted that much of the new law required someone to bring civil action against a union. It was not easy to get employees to do so. There was perhaps a case for helping them, both with funds from some source and advice. The Education Secretary said that unions had priced their members out of jobs, and had stopped expansion, so that there must be many projects which could be identified by employers as having been shelved because of union opposition. It would be useful to list these. The Chancellor of the Duchy said that it needed to be made worth management's while to fight. The Chancellor of the Exchequer said that he believed this was a crucial area. So far as respect for the rule of law was concerned, it was necessary to have legally binding agreements. He recognised that at present too many employers did not want such agreements. But when they changed their mind the Government would have to put the necessary provisions in place. There was general agreement to this point. He knew that the Employment Secretary was planning a White Paper on Employment. He felt that the present draft was not very exciting, and that a decision about the White Paper should be postponed until a revised draft had been prepared in the light of the paper which he had agreed at NEDC to produce, on where the new jobs will come from. The Secretary of State for Employment said that we might also need a White Paper on training, together with changes in the structure of the MSC which he was contemplating.

The Prime Minister said that there was general agreement to the broad approach in the Secretary of State's paper (paper 9).

(b) Barriers to employment

The Prime Minister said that there might be a case for spreading payment of redundancy money over, say five years, and to avoid the

situation in which these large capital sums were squandered and then the recipient moved directly onto supplementary benefit. The Energy Secretary noted that the size of the capital sum was highly useful in achieving otherwise difficult redundancies. The Prime Minister said that the entitlement to supplementary benefit might properly be qualified in some way for those recently in receipt of redundancy payments: for example they might be deemed to have an income of an appropriate size; and the deeming could be disregarded if the recipient had lost his redundancy money in setting up his own business. It was noted that there would be difficulties in drawing the line between expenditures of redundancy money which might be properly disregarded (because, for example, they reduced the recipient's costs or promised profits in the longer term) and those which should not. The Prime Minister said that she would ask the Secretary of State for Social Services to review the treatment of redundancy payments in connection with payment of supplementary benefit.

The Secretary of State for Employment said that he proposed that the wage councils should be abolished at the earliest opportunity ie the 1985/86 session; and that the agricultural wages boards should be abolished earlier, and the exclusion of particular classes, eg young persons, should be achieved as soon as possible after August 1983. The Energy Secretary said that the agricultural employers would oppose abolition, would argue that the boards had not had an inflationary effect and that they had worked in the farmers' interests, given that agricultural wages were still significantly below manufacturing wages. Scepticism was expressed about these views, and it was agreed that the Secretary of State for Employment should continue to pursue with the Minister of Agriculture's proposals.

There followed a discussion of employment protection legislation, and its impact on small firms. The Prime Minister said it was agreed that we should take action to exclude all employers employing five or fewer employees from the unfair dismissal legislation; that the qualifying period for protection under unfair dismissal legislation should be increased to two years continuous employment; and, similarly that the qualifying period for protection against dismissal on grounds of pregnancy should also be increased to two years. There was

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considerable support for the proposal that this exclusion should apply to employers employing up to ten employees; and that this qualifying period for protection under unfair dismissal legislation should be extended to three rather than two years.

(c) Action on wage levels

The Employment Secretary said there were considerable difficulties about the idea of extending the young workers scheme to adults. Sir Alan Walters said that he would like to see the scheme wound up within, say, five years. He certainly did not support its extension to adults. The Chancellor of the Exchequer said that he supported the proposal for a cap on benefits to the unemployed, which was the common practice in other European countries. He thought this would need to be introduced together with a work fair scheme which would apply to young single people particularly. Sir Alan Walters referred to recent economic work which showed that the young were particularly sensitive to changes in the relationship between unemployment or supplementary benefit and pay levels. The Employment Secretary said that it would be perceived as an unfairness if one man who had had smaller earnings when in employment received, because of the operation of the cap, an amount of supplementary or unemployment benefit which was below the officially defined poverty line, while another who had had a larger income in employment, received capped benefits well in excess of the poverty line.

The Prime Minister said that the cap proposal bore most heavily on heads of families with dependants - the group the Government least wished to effect in this way. Action was required, rather, in relation to young people. The Secretaries of State for Employment and Social Services together with the Chancellor of the Exchequer, should consider the possibility of withdrawing or limiting benefits for the under 18's, in consideration of the proposed availability to them of full-time education or training.

(d) Further measures to encourage youth employment?

The Prime Minister asked for views on the Chancellor of the Duchy's proposal "Passport for a job". The Employment Secretary said that it appeared to discriminate against the over-18's.

The Chancellor of the Exchequer said that the difficulty would come when the period during which the passport could be held came to an end. It would be seen as unfair, and discriminatory against the over-18's. The Prime Minister said that there was more enthusiasm for the young workers scheme than for the "Passport for a job" proposal. We should consider extending the scheme to one year beyond the youth training scheme (or up to the 19th birthday).

(e) Portable Pensions

The Environment Secretary said that he believed there would be enormous support for a portable pensions scheme. It would do much to improve labour mobility. Pension fund managers would, understandably, dislike such a scheme; but line managers would welcome it, and would, he thought, take up the option in large numbers especially in a lower inflationary age when the loss of value of pensions was smaller. He did not think the Government could go for compulsory revaluation, which would compound the problem, discussed earlier in relation to the State Earnings Related Pension Scheme. The Chancellor of the Exchequer commented that the cost of the State Earnings-Related Pension Scheme was horrifying in the 1990's. He was prepared to look at the portable pension scheme, but thought it looked less likely to promote labour mobility than compulsory revaluation. The Chancellor of the Duchy said that pension schemes would be insolvent if there were no early leavers; or, alternatively, the benefits to stayers would have to be reduced. In principle it was right to be able to transfer pensions, but the problems were very substantial. The Secretary of State for Trade and Industry said that to improve the position of early leavers would be costly, and the costs would have to be borne either by the stayers or by companies, or by the Government. The Prime Minister said

there was a disposition in favour of portable pensions but we should await the outcome of the Secretary of State for Social Services' forthcoming meeting with the pensions industry. The Secretary of State for Social Services, in consultation with the Chancellor, should review the State Earnings-Related Pension Scheme.

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(f) Housing

The Environment Secretary said that the area of greatest mobility was the private rented sector. There were very good housing arguments for trying to revive this sector. Less than 10 per cent of all households were in private rented accommodation. Although higher rents would be necessary to revive this sector, their initial effect might be to reduce mobility, but the real issue was the political difficulty, particularly in London. The Government would not be able to go back on security of tenure but landlords would be likely to be interested in higher returns. Universal de-control would be impossible; but he thought creeping de-control a practical possibility, perhaps a de-control in the first instance for new lettings. The Prime Minister commented that home ownership could sometimes trap people, especially when they needed to move away from a declining area but were unable to sell. The Chancellor of the Exchequer said that we should go as far as we could towards de-control. The prospect of Labour reversing this was now perceptibly diminished. The Energy Secretary said that, to increase the size of the rented sector, rents would need to be massively higher than what would be afforded by potential tenants. All Opposition parties would commit themselves to repeal if the Government moved on security of tenure. He did not believe that there was much finance ready to go into the private rented sector given all these difficulties. Sir Alan Walters contrasted the position in the United States where there was much more rented accommodation, partly because building regulations were less onerous so that building costs were lower, because the security of tenure was not all loaded against the landlord, and because landlords enjoyed tax advantages. He noted, however, that this sector was declining even in the United States. Summing up the discussion, the Prime Minister said that there was general agreement that we should de-control on new lets, particularly in areas where there was the largest imbalance in supply and demand of private rented accommodation. The Environment Secretary noted that the Lord Chancellor was shortly to bring forward a paper dealing

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with the solicitors' monopoly, which imposed ridiculously high costs on house purchase. <sup>The Prime Minister agreed</sup> /there was a case for reducing stamp duty, which was intolerably high. Here again the necessary room needed to be created by public expenditure reductions. Action should be taken to improve the efficiency

of the Land Registry, perhaps by transferring it to the Department of the Environment, or by deploying staff to it from other over-regulated areas. There was also a case for legislation to allow the Building Societies to own and let houses. The Secretary of State for the Environment should pursue ways of increasing availability of land for housing, particularly in the south, and the Chancellor of the Exchequer should consider the removal of private rented property from capital gains tax. The Chancellor of the Exchequer should consider the level of stamp duty on house purchase; and the Secretary of State for Employment should consider ways to improve the effectiveness of the Employment Transfer Scheme.

3. Opening up the public sector to market forces

The Prime Minister noted that the Chancellor of the Exchequer had circulated a letter to colleagues in July, and that the Energy Secretary's paper stressed the need for care in the timing of bringing sales of assets to the market. The Energy Secretary said that we should privatise wherever was possible. A private monopoly was preferable to a public one - more likely to be efficient, more accountable and so on. The Trade and Industry Secretary said that British Telecom would certainly be more accountable as a private monopoly. The Chancellor of the Exchequer agreed, but stressed the need to work out a suitable regulatory regime, which would have to be different for each industry. Many monopoly industries had parts which were not necessarily monopolies: in the gas industry, for example, the exploration activities were not a natural monopoly, and in the electricity industry it would be possible to have competing power stations selling electricity into the grid. Wherever possible, monopolies should be regionalised and split up in this way.

Summing up the discussion, the Prime Minister said that the Chancellor of the Exchequer should follow up his letter of 25 July; that the aim should be to introduce competition wherever possible; and where competition was not possible still to go for the maximum privatisation, subject to regulation. It would be important not to fall into the trap of postponing privatisation until an enterprise was making a profit.

The meeting adjourned until Wednesday morning.

#### 4. Education and Training

The Secretary of State for Education and Science said that there was an interaction between schools and our national culture. Schools were even more lacking in understanding of the basic facts of economics than appeared elsewhere in our national culture. The Technical and Vocational Initiative (TVI) was of very great importance. Part of the Initiative was starting now, the next stage would be under way within twelve months. There should be a technical stream in every secondary school by the end of the present Parliament. There was also the prospect that there would be separate technical schools.

The main inhibition on the school system delivering a sharper set of school leavers was the attitude of teachers and their lack of economic understanding. He had doubts about how much Education Ministers could do on their own to improve this situation. There would be suspicion of importing ideology into the classroom. We needed to increase public understanding, as well as increasing attention to the facts of economics in the curriculum. Technical education, too, needed to be provided with a degree of esteem which was lacking at present. Parents mistakenly believed academic achievement to be more important so that we had an unsuitable curriculum. Employers had clumsily and misleadingly stated their requirements/<sup>SO AS</sup>to engender this mistaken belief amongst parents and pupils.

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-20-

The Prime Minister said she doubted whether more economics was necessary in the curriculum. What needed to be got across was more simple than that - that success depends on pleasing the customer. We were much dogged by the tradition in this country that those successful in business wished their sons and daughters to enter the professions and administration. The Prime Minister said that she had been disappointed by the outcome of the TVI. She had initially been told that there would be ten technical schools in operation by September 1983 but this had degenerated to ten technical streams in schools.

David Young said that the TVI was in fact coming out more successfully than they had envisaged when they had first put the matter to the Prime Minister. We were getting very poor value for money from our education system. Forty-seven per cent of school leavers either had no qualifications or only low grade CSE. Many were technically illiterate, innumerate and demotivated. There was no habit of punctuality, and the YTS was finding it necessary to instill this in trainees who had acquired the habit of playing truant from school.

David Young said that the comprehensive schools had been modelled on grammar schools in their attention to excessively abstract concepts. We were beginning to correct this, with the YTS and with the TVI, which now consisted of fourteen projects, involving 14,500 students. Next summer there would be technical and vocational courses available for every interested local education authority. As a model for the future, about 15 per cent of school leavers might go to higher education, about a third to four-year courses for 14-18 year olds, including general and technical studies, with the prospect of acquiring qualifications of the City and Guilds and B-Tech variety; and 50 per cent into a YTS evolving to a two-year course, at no extra Exchequer cost. He hoped that the one third in the four-year courses would be an increasing proportion of the total and that the one half going to YTS would be a declining proportion. Thus everyone would go through some form of education or training up to the age of 18.

/In order to

SECRET

In order to reach this objective, a number of changes would be necessary in the Manpower Services Commission.

Training should not, however, be confined to the young. Re-training was necessary throughout working life in a rapidly changing world. He noted that 18 per cent of British managers had no professional or technical qualifications. We should aim to do more training for employed people, by diverting resources from the present TOPS scheme, which cost £210 million a year and had a low placement rate; and by making changes in the colleges of further education, on which we were spending about £1 billion a year. He also supported a loan scheme for students and trainees, backed by the Government and run by the banks, whose aim would be to improve the motivation of students and trainees.

The Energy Secretary agreed that the quality of school teachers was now very poor. Most applicants for entry to teacher training colleges had failed to secure admission even into the worst universities. He proposed a drive to persuade parents to teach their own children to read and a direct mail shot to every 18-year-old explaining <sup>available</sup> employment, leisure, recreation, etc., opportunities.

The Prime Minister commented that someone like Aims for Industry might finance the latter proposal.

The Employment Secretary said that the Government lacked leverage upon the educational world. We sought devices which would act as a surrogate for the market, so as to put pressure on schools and teachers.

He intended to bring forward proposals to turn the MSC into a national training agency which would handle the financing of colleges of further education, by entering into contractual relationships with these colleges so as to ensure that they laid on the appropriate course, curriculum, and delivered students with the appropriate skills to the right standards. He noted that the teachers' unions had initially been opposed

to the TVI but that the other unions, in particular the engineering unions, had been unwilling to let the teachers block such an important initiative.

It would also be desirable to put the right pressures on universities. If companies were to sponsor undergraduates this would not only motivate the undergraduates but would lead universities to provide courses which would attract sponsored students. He supported David Young's proposal for improving training, especially of those in employment, whose jobs might be about to disappear.

The Environment Secretary said that he had been very disappointed at the slow progress of the Engineering Council, who had produced an initial policy statement which was almost incomprehensible. He believed that the Council might need reinforcement with people of a more practical bent. He agreed that employers were very bad at articulating their requirements of the educational world. One of the reasons for this was that many of them, as had been mentioned, had not been through much of the system. An alternative picture of the relationship between education and industry was possible: there were some who said that the educational world had already started to become alive to industry's needs but that industry itself was not reciprocating properly. There had already been some successes in this area - for example, the information technology centres and the micros in schools programme.

The Chancellor of the Duchy said that school leavers needed to understand the way the world worked. They did not require economic theory, but simply an understanding of the relationship between pay, costs, prices, output and jobs. These simple points should be made part of the curriculum. There was not sufficient emphasis on management as a science in British institutions, and no analogue to the Harvard or MIT Business Schools. More management qualifications were desirable, but should not be introduced in a restrictive way but so as to create fresh opportunities.

/The Secretary of State

The Secretary of State for Trade and Industry noted that in Japan 95 per cent of young people stayed in full-time education until the age of 18, compared with only 25 per cent of young Britons; and that in West Germany about 60 per cent of the workforce had vocational qualifications, i.e. about twice the UK level. Our competitors had a more selective education system which creamed off people with special abilities, academic or technical. But it was not acceptable to conclude that we were stuck with the comprehensive system and inadequate teachers and teacher training, and that the only remedy was to attempt to put a veneer on later via the Youth Training Scheme and so on. He was also doubtful about the assumption that it was the responsibility of the state to train. In the long run, training should be financed by the private sector. The Prime Minister and Employment Secretary commented that we were already spending a great deal on training and that the aim was purely to get better value for money.

The Chancellor of the Exchequer said that there were very disappointing results from our very large expenditures on education. He suspected that other countries would not put up with the poor quality of our system and would insist upon improvement. In the long run, companies must either carry out training or finance it. We also needed to improve the training of our elites, including the Civil Service. The Prime Minister disagreed about the overall assessment of the quality of our education system. We trained elites better than either the French or Germans in most areas.

The Education Secretary said that we lacked in Britain the strong central powers to determine curriculum and so on, which existed in France and Germany. Even if we wanted such powers, and even if we could use them effectively, we would not be able to secure them from Parliament. The quality of teachers necessarily was largely determined by their pay and the framework within which they were recruited. But changes in the right direction were being made. The White Paper on Teacher Training Colleges promised more rigour, fewer colleges, the power of the

/Secretary of State

Secretary of State to disapprove courses, and the de-motion of courses on the philosophy, sociology and history of education. These changes would not alter the teacher training cadre overnight, but they would help. He was trying to encourage local education authorities to remove bad head teachers. A Committee, chaired by the Prime Minister, had been working for months to devise a voucher scheme which would improve parents' power of choice. They had concluded that a thorough-going scheme was impracticable and were now working on a second-best alternative. But there should be no illusion that even a massive extension of parent power would necessarily produce good schools. He was also encouraging local education authorities to propose to the Government schemes for returning to a more selective system, including grammar and technical schools; it would not be possible to secure Parliamentary approval to the imposition of a selective system from the centre. He reiterated his plea for a systematic effort to increase economic understanding in the country at large: either by a series of ministerial speeches or by a film made by someone such as Anthony Jay (although this had been tried, so far without success). So far as a scheme to encourage parents to read to children was concerned, most already did so, but the large minority who did not were the ones whose children produced the problems.

There was further discussion of David Young's proposals. The Chancellor of the Exchequer said that he considered this an attractive package which needed to be costed before any decisions could be taken. The Chancellor of the Duchy hoped that the Chancellor of the Exchequer would at the same time take action to open up the sources of private funding for educational purposes.

There followed a discussion of the means by which a systematic effort to increase economic understanding could be carried out - whether through the production of films, or with the help of Conservative MPs, or through the Department of Trade and Industry or the COI.



Summing up the discussion, the Prime Minister said that the Secretary of State for Trade and Industry should pursue with the Employment Secretary and the Chairman of MSC, in consultation with the Chancellor of the Exchequer, the extension of technical courses within the school system (David Young interposed that they hoped to be able to persuade universities to accept the resulting qualification as an alternative to the present academic basis for entry). The Chairman of the Manpower Services Commission should pursue with the Education and Employment Secretaries the arrangements they had described for placing contracts for approved training courses with colleges of further education. Consideration should be given to a scheme for encouraging Aims for Industry, or some other organisation, to approach people reaching the age of 18 in an attempt to increase their understanding of industry. Further consideration should be given to the reforming of the Manpower Services Commission on the lines described; and to possible ways of increasing company sponsorship of students on university courses.

Summing up the whole discussion, the Prime Minister said that she was grateful to colleagues for the work they had done in preparing for the Strategy Meeting. It had been useful to have a wide-ranging discussion, to re-affirm the Government's strategy, and to examine some new directions which might be taken within that overall strategy. Action had been agreed in a number of areas, and she would see to it that the colleagues responsible were reminded of the relevant points which they would be pursuing through the usual machinery of Government including the Cabinet and Cabinet Committees.

MCS

9 September 1983

CFM

POINTS FROM MORNING SESSION

1. Strategy and main themes:

- (a) continue to reduce inflation and interest rates.
- (b) reduce levels of taxation: therefore, contain (reduce?) public expenditure.
- (c) switch emphasis from unemployment to increasing jobs and extending enterprise.
- (d) seek growth wherever it may be found - in services as well as manufacture.

2. Taxation Policy:

- (a) change basis of taxation treatment of share option schemes.
- (b) reduce levels and increase spread of higher tax rates.
- (c) consider optimum basis for taxation of companies (eliminate NIS or reduce Corporation Tax/Capital allowances?).

Compare effects of (1) Abolish NIS versus 40% mainstream Corporation Tax.

(2) Present capital allowances system and present rates of Corporation Tax versus no special allowances and compensating lower rate of Corporation Tax.

3. Industrial Policy

- (a) reduce level of Government subsidies to industry (? targets) and agriculture via CAP and directly.

4. Trade Policy

- (a) seek to reduce concentration on subsidised exports to countries which cannot pay.
- (b) concentrate on trade with countries that can pay.
- (c) international action to reduce subsidised proportion of world trade.

5. Regional Policy: changes required:

- (a) no discrimination against service industries.
- (b) make more job-related.
- (c) limit aid to replacement investment.
- (d) limit scale of regional aid.
- (e) seek to eliminate regional "beggar my neighbour" activities. (also in inward investment).
- (f) review urban programme in context of regional policy.

6. Small Firms
  - (a) Secretary of State for Trade and Industry to review number and variety of schemes.
  - (b) ? Extend enterprise allowance beyond unemployed.
  
7. Inland Revenue - too pernickety, discriminates against self-employed. Prime Minister and Chancellor of the Exchequer to consider further.
  
8. Excessive Regulations ? set up a Rayner-type unit or scrutiny of regulations affecting industry.
  
9. Boundary between DTI and DOI: transfer enterprise trusts, COSIRA etc. ?
  
10. Planning Controls: Prime Minister and Secretary of State for the Environment to review.
  
11. Transport planning: Prime Minister and Secretary of State for Transport to review?

✓ CFM

POINTS FROM AFTERNOON SESSION

1. Labour Market

- (a) "Step by step" approach agreed.
- (b) Chancellor of the Exchequer, in consultation with Secretary of State for Employment, to prepare paper for NEDC on where jobs are coming from.
- (c) White Paper on employment: draft to be revised, for publication after Chancellor's paper to NEDC.
- (d) Secretary of State for Employment to consider possibility of White Paper on training.

2. Barriers to Employment

- (a) Secretary of State for Social Services to consider whether the entitlement to supplementary benefit should be qualified for those recently in receipt of redundancy payments.
- (b) Wage Councils to go in 1985/86.
- (c) Agricultural Wages Board: Secretary of State for Employment to pursue with Ministry of Agriculture.
- (d) Exclude employers of firms with up to 5 (? up to 10) employees from provisions of unfair dismissal legislation; extend to 2 years (? 3 years) continuous employment the qualifying period for protection under unfair dismissal legislation and also for protection against dismissal on grounds of pregnancy.

3. Action on Wage Levels

Agreed not to:

- (a) Extend Young Workers' Scheme to cover adult full-time workers but consider extending it to 1 year beyond Youth Training Scheme. (or up to 19th birthday?).
- (b) Agreed not to pursue for the present earnings related limit on unemployment benefits; but Secretary of State for Employment and Secretary of State for Social Services to consider possibility of withdrawing or limiting benefits for under 18s.

4. Employment and Pensions

- (a) 2 possibilities: compulsory ~~de~~valorisation of pension entitlements, or portable pensions. Pre-disposition in favour of portable pensions. Secretary of State for Social Services to pursue in the light of his forthcoming meeting with the "pensions industry".
- (b) Secretary of State for Social Services, in consultation with Chancellor, to review State Earnings Related Pension Scheme (SERPS).

5. Housing Policy

- (a) Secretary of State for the Environment to pursue possibilities for progressive decontrol of rents and security of tenure, particularly in respect of new lettings, in the private rental sector, particularly in areas of largest imbalance.
- (b) Secretary of State for the Environment to pursue ways of increasing availability of land for housing, particularly in the South.
- (c) Chancellor of the Exchequer, in consultation with Secretary of State for the Environment, to pursue consideration of legislation to expand range of activities ~~of~~ building societies.
- (d) Chancellor of the Exchequer to consider the removal of private rented property from CGT.
- (e) Secretary of State for Employment to consider possibility of improving effectiveness of Employment Transfer Scheme.
- (f) Chancellor to consider level of stamp duty on house purchase.
- (g) Await paper from Lord Chancellor on conveyancing monopoly.
- (h) Consider possibility of improving pace of land registration.
- (i) ? Transfer Land Registry from Lord Chancellor's Department to Department of the Environment.

6. Opening Up the Public Sector to Market Forces

- (a) Chancellor of the Exchequer to follow up his letter of 25 July.
- (b) Note need for care in timing of bringing disposals to market (Secretary of State for Energy's point).
- (c) Competition where possible; maximum privatisation <sup>regulation</sup> subject to/ where competition is not possible.
- (d) Should disposals wait for profitability?

POINTS FROM MORNING SESSION

Wednesday 7 September

*Mufaxed FM  
to Arguers  
7.9*

1. Secretary of State for Education and Science to pursue with Secretary of State for Employment and Chairman of MSC extension of technical courses within the school system. Universities to be persuaded to accept resulting qualification as basis for entry.
2. Chairman of Manpower Services Commission to pursue with Secretary of State for Education and Science and Secretary of State for Employment arrangements for placing contracts for approved training courses with colleges of further education.
3. Noted that Secretary of State for Education and Science is preparing further proposals on polytechnics and universities.
4. Consideration to be given to scheme for encouraging Aims of Industry or some other organisation to approach people reaching the age of 18 in an attempt to increase their understanding of industry.
5. Further consideration to be given to the reforming of the Manpower Services Commission into a national training agency.
6. Further consideration to be given to organising increased contacts between schools and companies through local Conservative MPs.

7. Further consideration to be given to possible ways of increasing companies sponsorship of students on university courses.





10 DOWNING STREET

Robin

Nicky P. hold the anon

~~notes~~

file with after the  
follow-up meeting  
or 16 Dec. Feb 8

These are your notes

from the chequers

Unemployment Seminar.

Do you wish to keep  
them?

Nicky  
" 1/10

Not degenerate into miscellaneous measures  
Maintain strategy

④ Keeping down inflation, interest rates, containing public expenditure  
Already feel paying too much tax

Lockfield No shortage of demand. But unused resources: labour, capital  
Post war 20 years full employment. But 1959 pub. exp. 25% of GNP. Higher tax depresses economy: depressed economy raises burden of tax. Break vicious circle. Reduce pub. exp.  
Other measures v. important but unless get framework right, working against tide.

PM Reduce pub expenditure  
+ positive attitude:  
Burden of wage-related pensions  
Subsidies to nat. inds.  
Use of regional grants  
Preliminary view  
Can't go on with steadily increasing defence expenditure.

Tebbit Subsidy to food production industry

MAFF B of p, employment

Ch/Exch CAP enormous + growing burden of UK economy.

Parkinson No search for novelty

Lawson Real nut to crack is pub exp.

PM Must contain. Encourage private provision.

Nationalised industries. <sup>(2)</sup>

Regional policy.

Agricultural subsidy.

Agriculture

~~Operates~~

UK surplus of net budget

Bof p

£26.

4 years

Tebbit

Heavy subsidy to bring into cultivation 70 marginal seats. And then subsidising.

PM

Sheep subsidy + suckler cow premium  
Can't go on with new subsidies to produce meat which we can't dispose of.

---

Get framework right -

8

2-8

Ch/Bsch

18 + 19

Parkinson

15 + 22

Cockfield

Lawson

① Scope for developing service industry: tax system discriminates against (part. capital allowances)

Lower capital allowances for those benefitting

② Business expansion scheme. (Lawson) We have too many schemes. Weeding out needed but BES good.

③ Share option schemes.

PM

NIS

have we reduced it far enough: Continental  
Continent on personal tax

Cockfield

Only 1% but wages going up 5% more than productivity

②

Want more profitable investment.

PM

Parkinson £40 b. of unused [capital] allowances available

Walker

Need more productive investment  
French pouring money into food processing. Must

Cockfield

Need high productivity. lower levels of basic tax.  
Govt. should not intervene.

Jenkin

Manufacturing better for b of p. NIS more on services  
than on manufacturing.

Service industries: capital in working capital for which  
no relief.

Service have no international competition.

NIS tax on service industries.

Parkinson

Wants lower C.T. + lower allowances.

Ch/Exch

C.T. 1% = £180 m.

Cockfield

Which better: a) reduce corporation tax ~~at~~ <sup>or</sup> N.I.S.

b) 52% plus large capital allowances or  
bring down + abolish accelerated allowances

Tebbit

Leave where it is to cover costs of training + reduce  
corp tax

Lawsa

More important symbolically. Only politically important  
if going to increase. Not to be said

Joseph

Third question: if reducing, what is best way of stimulating risk-taking

(4)

Jenkins : Share option when meeting US venture capital companies.  
Treasury progress but more to do.

Lawsan Taxed as income - spread over 5 years.  
Attractive to tax as capital gain on disposal.  
Heavy deadweight cost + new cost from response.

Walker Firm to pay management <sup>a capital sum</sup> out of capital reserves.  
Taxed on capital gains.

Young Our entrepreneurs go abroad  
Need  
① Stock option tasked at C.g.t. 1972 scheme.  
② New firm get listing on white stock market

Cockfield What is necessary is to reduce rates, not stock option

PM 2 things important  
Rate of tax on good income  
Different approach to stock options (Treasury are looking at)

Parkinson Workforce also important. Adopt objective  
That more than half workforce <sup>should</sup> have stock option

Young All companies will be shedding labour. VAT  
on restaurants

PM Don't reduce tax base.

Ch/Exch Reduce exemptions + extent base

Govt. assistance to industry

Cutting back subsidies to loss-making indus.

Always something on BR, but none on steel coal  
Adopt target.

Lloyd register of shipping won't register as A1 ships produced in  
Some British shipyards.

Young people regard British-made as second best

Campaign on standards last year

Tebbit First stage is to convince workforce standards  
abysmally low.

Lawson Resources used to prop up uneconomic pit.  
Why? Measur time-lag. But removal of subsidy  
has immediate effect.  
Now time to do it.

Walker Depend on Macgregor. Bound to deficits next 3  
years. Target breakeven by 1987.

£100 million Australian coal in Rotterdam.

Cosmos going exceedingly well.

PM Investing too much?  
Chancellor Macgregor mustn't feel there is political brake  
PM vs. skeptics of privatisation  
Parkinson Brit. Steel. KeyRevensraig. US steel deal remote.

AM Board will approach.  
Not yet ready to close Ravensraig: don't rule out all time  
Brit. Shipbuilders

⑥

Other industries but

PM Must reduce

BP sale of Forties field. To ensure profits  
so that tax allowances can be used.

## Regional policy

Walker Much of world trade gone by Govt. agencies  
e.g. health

Jenkin Did revolutionise org. but home market rather  
base.

Parkinson Have system of targeting particular areas.  
Organise missions with business men heading.

PM Bulk of ECU money goes to few companies.

Parkinson Many competitors  
lots of sub-contractors.

Joseph Jan Tommeia Nat. West Bank last issue  
Everyone going into subsidies.

Parkinson Brit. Industry plane financial package but  
uncompetitive.

Tebbit Better to spend money regaining our own  
market.

PM Fewer orders from countries who can't pay.

(7)

Regional aid

Completing inward investment agencies abroad.

Parkinson

Transform quality of components.

Walker

Certain industries you have to do something about.

Do more about infrastructure but stop competition

PM

Also reg. policy subsidize

Young

Distorted: manufacturing in north, head office in south. He ~~created~~<sup>So</sup> services in south

Lawson

- ① End discrimination against services
- ② Relate more to jobs
- ③ More limited scheme.

PM

Difficult when jobs move from elsewhere. Net job produced in UK look at job-related cut out Sutton Voe <sup>not in</sup> services industries

look at replacement. Look at what programme

Tebbit

If not replacement, new factories are advantaged.

Jenkin

No economic justification for

PM

Urban programme v. expensive

Jarvis

All capital.

Ought to be looked at in context of regional policy

PM

Urban programme to be looked at alongside regional policy



Small firms + self-employed ⑧

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Young <sup>lowest level:</sup> Parours Enterprise Allowance but only helps unemployed. 5000

Small firms

Jenkin

Bureaucracy of getting started.

Non-portability of pensions, problem

Joseph

Rayner look at de-regulation  
William Poetor.

PM

Jumble of small firm aids

Rayner study Deregulation

Cockfield

3 years from from tax, NIC etc.  
Get into it through training scheme.

Parkinson

① Revenue's attitude to self-employed.

Trying to drive people into Schedule E

② Business Expansion Scheme: invest in investment company, not just fund

③ Small firm loans guarantee scheme. Hope to continue.

PM

⚡ Cockfield to have Revenue - backing role

(9)

Joseph Reservoir Pension

Young Halve number of schemes : T1 to consider

~~Enter~~ COSIRA to go to Industry.

---

## Planning

Jenkin Planning system checker or retail investment.

No support for major review of planning.

How to make system better particularly in relation to ~~unemployment~~ <sup>unemployment</sup> planning.

PM + DoE to consider  
Considering extending Enterprise zone system of planning

Walter Transport licensing very bad.  
to be examined

Thurs. p.m. ① - Pub e.

Precedural agreements as condition of immunity

Substantive agreements not legally enforceable yet

Longrun and secondary action outside law sometimes

See next Bill clearly - then choice

Facing up public sector to competition

More loyalty to company than to union.

AM Step by step : alternate year new Bill

Must not miss chance  
Do now lay-off?

Telhit

Organisation outside Govt to support people to help actions

KJ

Not only unions prices

But also about projects

Can we find list of projects aborted by lack of support

Ch/Bel

Prove respect for law. To be done through legally binding agreements - but not yet.

Back up legislation to bring about more respect for company than union.

Law to Prolix

Ch/Bach Paper on <sup>(2)</sup> employment to be produced  
look at US to see where

White Paper on training

PM<sup>de</sup> Agree broad general approach on trade union  
laws

---

Next paper (10)

Pay redundancy by instalments.

Also deem he retains some of his redundancy payment

Cockfield Over recent years redundancy treated more  
generously than deserved.

PM NT to consider whether any more to be  
done about large redundancy & supp ben.

Agricultural Wages Board first

Walker Don't abolish AWB.

Tebbit In correspondence with Jopling, can exclude young  
people.

" Tebbit to pursue with Jopling  
Exclude small companies (> 5)

(3)

Ch Exch make it > 10

~~And to 20 years of lifting~~

Look at new small business (10 - 20) exempt for first five years. (would need legislation)

Extend YWS to adult workers on low wages. No but consider extending to year after YTS

Cap unemployment benefit

PM would like to say no social security below 18. Or lower level.

Further measures to encourage young people.

Passport for job - no!

16-18 700,000

YTS 500,000

Unsupported 200,000

Unemployed 150,000

Loss of revenue £400m.

Extension of YWS up to nineteenth birthday to follow on YTS

(4)

Examining Pop.

Employee making provision: employer to pay in what he would have paid.

Not compulsory revaluation

AM

Revaluation big effect on mobility

Tebbit

Prefer taking out your share of fund.

PM

Predisposition to offer Pop.

Look at SERPS

---

Revamp of shared hold

Assured tenancy scheme

New lets released from control

Ch/Exch

Should go as far to decontrol policy as possible: mitigate opportunity

Walker

If did it, liberals + labour would pledge to give security and would frighten people off.

Jenkin

Shared ownership scheme - good but costly.

Jenkin

Stamp duty + conveyancing monopoly. Land registry slowed by staff shortages. Transfer to DOE. Rent with a Dec 1981 to new letting. Conservation of security of tenure.

(5)

P.M

look at land availability

Jenkins

Building Societies to take on houses being sold.

---

Public sector and market forces

Note Energy Secretary's comment about being careful about rate at which we bring sales to market

Walker: Private monopoly <sup>better than</sup> ~~between~~ public monopoly

Must get the regulatory system worked out for each industry

Where left with natural monopoly, break it down regionally.

P.M

Competition wherever possible: if not, privatisation subject to regulation

Do not wait until it gets into profit to sell it.

①

KJ

Schools + national culture interact

Lack of understanding of economic reality

Increase national understanding.

Provide esteem for technical education

Employers to provide w

10 technical schools

Education: output and

47% leave school

making or  
low grade CSE

Demotivated.

Playing smart.

Comprehensive

YTS

Technical schools

14 projects

14,500

mixed <sup>general</sup> education + technical

By end of decade

About 15%

1/3 going to technical/vocational course

14 - 18

Qualification City + Guilds



50% YTS evolving in no further  
Kachepus cost to 2 years?

Noone leave education to 18

---

## Training

Adult training

Untrained

Retraining

Managers  
8 1/2%

University degrees

7.3%

Other qualification

## Skills & Training

TOPS for unemployed  
£200m?

6 months 50-60000

40% into job

Alleged of further education £1 billion

Adult training strategy - far more for employed  
people

£20 million

PM

Why not leave it to companies?

(3)

Loan scheme

Can't leave to big companies because declining force

1/27 Pent-up demand from people who have come through education system with ~~36 year~~ system with

Change in mechanisms - MSC

Walker

Quality of teachers - mobilise parents

Deliver to Mum booklet at time of birth

16-18 deliver booklet of what system is all about: direct mailing direct mail shots

Tebbit

S of S unbalanced and between Taxpayer + v.e.a.s

Change could not have been effected from DES

Primary + secondary schools

F.e.

MSC to become National Training agency

Non-advanced further education -

Funds to go to them on terms Colleges

Right course, right standards

Great difficulties for DES: difficulties with trade unions

Teaching unions <sup>(4)</sup> tried to block training initiative

Universities: Colleges have adopted  
Deal with universities. Industries to sponsor  
undergraduates: influence courses

PM Link redundancy to retraining

Jenkins Industrial Training Council disappointing

Backfield Children need to understand how world works,  
not economics  
But don't make it too narrow

Parkinson 95% Japanese school → 18 We 25%

60% W. Germans have vocational training - we 30%  
(incl. secretaries etc)  
Competition more selective system of education

Defeatist to say inadequate basic teaching & teaching  
corp.

Govt. will have to institutionalise training; because  
industry won't do it. Do we accept this?

Lawson Other countries would take effective steps in this  
situation. For us sacred cow.

PM MSC group in at 14-19  
Test for children leaving primary schools

K&J

Can't transform history  
Central control

Teacher training corps

40% of maths teachers have no 'O' level in maths

Rigorous framework for teacher training: fewer, better selection. Power to disapprove courses

Education authorities to get rid of ~~Schools~~ <sup>bad heads</sup> & teachers

Can't do vouchers. 2nd + 3rd best choices.

Are Initial <sup>technical</sup> courses in Schools

Purge the bogeyman

DIY

£210 m. training: instead of taking training. Propagate courses which people can take

① Extending technical courses within school system. MSC + Education system approve courses

Aim is 1 in every local education authority. Possible separate teacher training courses.

Cost but cost less than 14-18  
Aim to get YTS into schools

④ Changing apprenticeship arrangements too slowly; but by pass them

⑤ Parity of esteem: universities to accept B Tech qual/pack for <sup>work</sup> ~~work~~

(1)

(2) Further education colleges

Contract with training agency.  
reallocation

(6)

(3) Proposals for polytechnics + universities: KJ  
bringing forward

(4) Encourage Aims of Industry pilot scheme on  
mail shot to youngsters at age 18

Increased understanding of economic relationships

(5) Explore further re-forming of MSc  
~~MSc to be reformed~~ into National Training Agency

(6) ~~MPs~~ Organize through local Conservative MPs  
contact between schools + factories.

(7) Consider ~~scheme~~ <sup>possibilities for increasing</sup> ~~encouraging~~ companies' sponsorship  
of university students.