



10 DOWNING STREET

file 16
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From the Private Secretary

14 September 1983

cc Mr. Bailey
HMT

Dear John,

The Prime Minister has asked me to send to the Chancellor and other Ministers, with whom she discussed matters relating to industry and employment at Chequers last week, the attached checklist of conclusions and matters to be followed up.

Against each item for further action the Minister who is expected to take the lead is indicated in the margin. The Prime Minister would be grateful if Ministers would take this note as a request to initiate action as indicated, consult colleagues as required (consultation should not necessarily be limited to that specified in the margin of the list) and bring proposals to Cabinet or the appropriate Cabinet Committee in due course. Where the "lead" Minister indicated is someone who was not at the seminar, she will herself invite the Minister concerned to initiate action. The Prime Minister intends to take action at about the end of November to review the action which has been taken in response to this letter.

This note and the checklist are for the sight and use only of Ministers and their Principal Private Secretaries. The Prime Minister has asked that no circulation should be given to the note or the list; that no copies should be made of them; and that action should be initiated by means of separate oral or documentary instructions and not by means of the list itself. In putting action in hand, no indication should be given as to the provenance of the proposal to be pursued.

I am sending copies of this letter and the checklist to Imogen Wilde (Department of Education and Science), Michael Reidy (Department of Energy), John Ballard (Department of the Environment), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Trade and Industry), Alex Galloway (Office of the Chancellor of the Duchy of Lancaster); to the Chairman of the Manpower Services Commission; and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.

INDUSTRY AND EMPLOYMENT

Main conclusions and matters to be followed up

1. Strategy and main themes

- (a) Continue to reduce inflation and interest rates. ✓
- (b) Reduce overall level of taxation; therefore essential to
- (c) Contain and if possible reduce public expenditure.
- (d) Switch emphasis from reducing unemployment to increasing jobs and extending enterprise.
- (e) Seek opportunities for growth wherever they may be found - in services as well as manufacturing industry.

2. Taxation policy

Ch Ex

- (a) Change basis of tax treatment of share option schemes (tax as capital gains on disposal). ✓

Ch Ex

- (b) Reduce levels and increase spread of higher tax bands. ✓

Ch Ex

- (c) Consider optimum basis for taxation of companies:

Compare effects of

- (i) abolishing NIS versus 40 per cent mainstream Corporation Tax
- (ii) present capital allowances system and present rates of Corporation Tax versus no capital allowances and lower rate of Corporation Tax

Ch Ex

- (d) Consider how to alleviate burden of revenue administration on enterprise; eliminate discrimination in tax system against self-employment.

3. Industrial policy

To be pursued
in PES exercise

(a) Reduce levels of Government support for nationalised industries and publicly owned companies.

Ch Ex, in consultation
with MAFF

(b) Seek reductions of subsidies to agriculture via CAP and directly.

4. Trade policy

SSTI

(a) Reduce concentration on subsidised exports to countries which cannot pay.

SSTI

(b) Promote trade with countries that can pay.

SSTI

(c) Consider possibility of initiating (perhaps at Head of Government level) international action to reduce the subsidised proportion of world trade.

5. Regional policy

SSTI

(a) Pursue review of regional policy with the aim of making the following modifications:-

(i) eliminate discrimination against service industries;

(ii) make regional aids more job-related;

(iii) limit aid to replacement investment;

(iv) limit overall scale of regional aid.

SSTI

(b) Seek to discourage regional "beggar-your-neighbour" activities.

SS Env, in consultation
with SSTI

(c) Review urban programme as complement to regional policy.

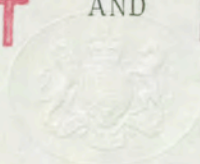
6. Small firms policies

SSTI, in
consultation
with CH Ex

(a) Review and reduce number and variety of schemes for encouraging small businesses.

SS Emp, in
consultation
with Ch Ex

(b) Extend enterprise allowance beyond unemployed.



X

PM

7. The burden of regulation

Consider setting up a scrutiny (or unit) to review the burden of central and local government regulations affecting industry, and to suggest possibilities for alleviating it.

PM, in consultation with SS Env, SS Trspt

8. Planning controls

Review burden of planning controls (including transport planning controls).

Ch Ex, in consultation with SS Emp
SS Emp

9. Labour market

- (a) "Step by step" approach confirmed.
- (b) Prepare paper for NEDC on where jobs are coming from.
- (c) Consider further White Paper on Employment, for publication after Ch Ex's paper for NEDC and in light of discussion at NEDC.

SSSS

10. Barriers to employment

(a) Consider whether the entitlement to supplementary benefit should be qualified for those recently in receipt of redundancy payments.

SS Emp

(b) Abolish Wage Councils in 1985/86.

SS Emp, in consultation with MAFF

(c) Review case for abolishing or limiting scope of Agricultural Wages Board.

SS Emp

(d) Consider excluding 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 entitlement to protection under unfair dismissal legislation and also the qualifying period for protection against dismissal on grounds of pregnancy.

11. Action on wage levels

SS Emp, in
consultation
with MSC

(a) Agreed not to 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?).

SS Emp, in
consultation
with SSES, MSC

(b) Agreed not to pursue for the present earnings-related limit on unemployment benefits; but consider further possibilities of changes which will avoid the need for under-18s to register as unemployed, and of limiting scale of benefits to under-18s who choose not to take advantage of opportunities for education, training or employment.

12. Employment and pensions

SSSS

(a) Agreed upon the need to reduce pension disincentives to mobility of labour. As between compulsory revalorisation of pension entitlements and portable pensions, a pre-disposition in favour of portable pensions. To be pursued in the light of the forthcoming meeting of the Secretary of State for Social Services with the "pensions industry".

SSSS, in
consultation
with Ch Ex

(b) Review State Earnings Related Pension Scheme (SERPS).

13. Housing policy

SS Env

(a) Pursue possibilities for progressive decontrol, particularly in respect of new lettings, of rents and of security of tenure in the private rental sector, particularly in areas of largest imbalance.

SS Env

(b) Pursue possibilities of increasing availability of land for housing, particularly in the south.

Ch Ex, in
consultation
with SS Env

(c) Pursue consideration of legislation to expand range of activities of building societies.



- Ch Ex (d) Consider the removal of private rented property from liability to capital gains tax.
- SS Emp (e) Consider possibility of improving effectiveness of Employment Transfer Scheme.
- Ch Ex (f) Consider level of stamp duty on house purchase.
- L Ch (g) Await paper on conveyancing monopoly.
- L Ch, in consultation with Ch Ex (h) Consider possibility of improving pace of land registration.

14. Opening up the public sector to market forces

- Ch Ex (a) Chancellor of the Exchequer to follow up his letter of 25 July.
- (b) Need for care in timing of bringing disposals to market.
- (c) The principle to be:
Competition where possible; maximum privatisation subject to regulation where competition is not possible.
- Ch Ex (d) Consider whether disposals must wait for profitability.

15. Education and training

- SSES (a) Consider how to encourage parents to take more active interest and role in children's education.
- SSES (b) Welcome proposals by local education authorities to re-establish grammar or technical schools.
- SSES (c) Pursue reform of teacher training schools and curriculum.
- SSES (d) Encourage links at all levels between industry and education system, to improve teachers' awareness of industry's needs.
- Ch Ex, in consultation with SSES (e) Encourage industrial sponsorship of students in universities and polytechnics.

SSES, in
consultation
with Ch Ex and CDL

- (f) Pursue possibilities for improving understanding, both in schools and in the country at large, of economic realities. Consider introduction of pilot schemes.
- (g) Training for 16-18s: the objective should be to ensure that, apart from 15 per cent or so of this group who go into higher or further education or professional training, the remainder should go into either 4-year vocational and training courses between 14 and 18 or into an evolving YTS.

SS Emp, in
consultation
with SSES and MSC

- (h) Consider and make recommendations on role of MSC in pursuing this objective.

MSC, in consultation
with SS Emp, SSES, Ch Ex

- (j) Consider improvements in training of employed adults.

SSES, in
consultation
with MSC

- (k) Promote parity of esteem for technical education (as compared with traditional educational qualifications): encourage universities to accept technical qualifications for entrance.

MSC, in consultation
with SS Emp, SSES

- (l) Build on arrangements for placing contracts for approved training courses with colleges of further education.