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PRIME MINISTER

Seminar on Industry and Employment : Follow-Up Meeting

I attach a note which suggests how you might structure the discussion at the meeting to follow up the remits which emerged from the 6-7 September Seminar.

Are you content with:

Yes

- (i) the principle of selecting certain topics;
- (ii) the priority topics suggested;
- (iii) the issues selected for the lunchtime discussion?

It would be helpful to colleagues if an agenda and a list of papers were circulated in advance, on a restricted circulation of course. I would like to be able to do this on Friday.

The same Ministers and officials have been invited to attend but it would be helpful to have both Ferdie and John Redwood as outgoing and incoming Heads of the Policy Unit. Agree? Yes

The Secretary of State for Transport was not a member of the original group, though Mr. King has now become one as Secretary of State for Employment. Mr. Ridley has been asked to produce a paper in response to the remit on planning controls and deregulation in the transport field, though this request has been made without reference to the source of the remit. He could be added to the group but

- (i) his paper may be ready only a day or so before the meeting leaving insufficient time for it to be digested and briefed upon;

/ (ii)

- (ii) there may in any case be insufficient time at the meeting to do justice to this subject as well as to the others. A separate meeting might be better.

Agree membership of the group is not extended to Mr. Ridley? Yes.

I would welcome your comments on these suggestions.

AT

Thank you - you have done a great deal of work and I agree with your proposal. On the list of topics for discussion, I think House and Education could be deferred if we must start.

We shall want a thorough and detailed oral report. I do not want a superficial account of action but a report on real progress, problems encountered and what to do next.

mb.

6 December 1983

SEMINAR ON INDUSTRY AND EMPLOYMENT

FOLLOW-UP MEETING, 16 DECEMBER 1983

Introduction

You have agreed that, for the most part, Ministers need not prepare written reports on the various remits allocated to them, but should report orally. In part this was to minimise the circulation of paper, in part because the various remits are proceeding at different time scales. In one or two cases - see below - there are papers which happen to be ready and which can be drawn upon in the discussion.

Since there are only three hours plus lunch, we suggest that the bulk of the meeting be strictly limited to

A. Follow-up

with two short discussions on

B. Presentation of Government policy

C. Next steps.

The temptation to introduce new themes should be resisted on this occasion and kept for a later Seminar.

Handling

We suggest that the discussion of the follow-up will run better and more logically if we stick to the headings of Michael Scholar's letter of 14 September, with Ministers being invited to speak briefly on the progress made in each Department under each heading. Asking each Minister to report on all his remits before the next Minister speaks would jumble up the subjects hopelessly.

/ Even

Even so, it is unlikely that the meeting could do justice to all 15 subject headings and some selection will be necessary. In addition, we suggest that some subjects are more suitable for discussion over lunch.

Attached is a Policy Unit note - Annex A - setting out the state of play on each of the remits (the numbering is as in Michael Scholar's letter). Of these we suggest you give priority to those which have not been the subject of collective discussion or where there is still significant progress to be made:

2. ✓ Taxation policy - but not a discussion of 2(b) which should be dealt with in the run-up to the Budget.
4. ✓ Trade policy - Mr. Tebbit will be circulating a paper on this, concentrating mainly on export promotion. A separate paper on free trade and protectionism is being drafted for E(S).
6. ✓ Small firms policy - Mr. Tebbit may circulate a note on streamlining the various schemes to assist small firms.
8. ✓ Planning controls - Mr. Jenkin has circulated a paper (but the paper on transport would be dealt with separately).
10. ✓ Barriers to employment - the main issue being the future of wages councils and boards, though this cannot be finally resolved in the absence of Mr. Jopling. Items (a) and (d) have been dealt with.
13. ✓ Housing policy - there are a large number of remits on which relatively little progress seems to have been made.

*if time.*

15. Education - the discussion would be confined to items (a), (b), (c), (e), (f) as the training *y. time.* items have been dealt with either in E(A) or elsewhere.

This would enable about 20-25 minutes to be devoted to each. The objective would be to ensure that each remit is being pursued vigorously and that the proposals which are being developed are consistent with the Government's wish to reduce unemployment by working with rather than against the market.

On the following subjects work is more advanced and reviews have either taken place or have been established, largely through the normal Government machinery. They can be merely taken note of unless the Minister concerned has a particular message he wants to get across. These topics are:

3. Industrial policy - the nationalised industries' EFLs have been settled and agriculture is to be the subject of a separate meeting. The manufacturing sector loss-makers in public ownership are best dealt with as each's Corporate Plan comes up for review though a general discussion of the problem could form part of the strategy discussion suggested for lunch.
5. Regional policy - by the time of the meeting a White Paper will have been published.
7. Burden of regulation - an exercise under David Trippier is looking at the administrative and legislative burdens on small firms. This should report in the New Year.
9. Labour market (including trade union law) - one Bill is before the House and work has already started on the problem of strikes in essential services.

11. Action on wage levels (principally of young workers) - proposals dealt with in E(A).
12. Employment and pensions - Mr. Fowler has announced a review with particular emphasis on portable pensions.
14. Opening up the public sector to market forces - following a discussion in E(A), John Moore is conducting bilaterals and will report back in the New Year.

Lunchtime Discussion

We suggest the following topics be reserved for the discussion over lunch:

- (i) strategy and summary of main themes;
- (ii) presentation of Government policy;
- (iii) next steps.

On strategy, you might wish to point out that experience since the summer has confirmed the rightness of the Chancellor's July measures and the overwhelming need to control public expenditure and public borrowing. This is the essential pre-condition, not only for reducing inflation, interest rates and taxation, but also for making room for enterprise to flourish. This is an opportunity to hammer home the lesson that it is only because we have controlled public expenditure that we are experiencing for the first time in years a respectable rate of growth and a respectable rate of inflation.

The Chancellor's paper for NEDC on 'Where will the new jobs come from' provides a convenient background for this part of the discussion.

/ On presentation

On presentation, the Government has a consistent and coherent policy but this needs to be hammered home in public discussion.

- (i) You have already invited the Lord President to take over responsibility for co-ordinating Government information services.
- (ii) We must use the New Year message to the Party and the New Year newspaper article to put over the theme.
- (iii) New initiatives to present Government policy could be considered, e.g. the policy survey suggested by the Policy Unit. Another option would be a well-produced booklet by Conservative Research Department.
- (iv) It might also be worth disclosing where appropriate the existence of strategic Government plans and initiatives to show that the Government knows what it is doing. The timetable on privatisation is a good example where a higher profile induces both public and City confidence.

✓ On next steps, we suggest that you do not use this group for following up specific proposals (the problem of keeping its existence secret makes it cumbersome to use an executive body and it does not have the membership required in every case). Instead remits can be:

- ✓ (i) | submitted to small Ministerial meetings under your Chairmanship;
- ✓ (ii) | followed up in the usual Cabinet Committee;
- (iii) followed up in correspondence.

The discussion at the Seminar may itself identify the subjects on which meetings taken by yourself would be helpful. These

might include:

- the simplification of small business schemes
- the planning system
- educational reform and parental involvement.

You will need to consider whether to raise the question of future meetings or whether to leave this open for the time being. One possibility would be to schedule another wide-ranging Seminar at Chequers in September, preceded by a meeting in say June, to identify themes and commission papers.

Papers

Ministers would be asked to bring the following papers:

- Michael Scholar's letter of 14 September
- Mr. Tebbit's paper on trade policy (forthcoming)
- Mr. Tebbit's paper on small firms policy (forthcoming)
- The Chancellor's employment paper for NEDC
- Mr. Jenkin's paper on planning controls.

2. Taxation Policy

- (a) Change basis of tax treatment of share option schemes (tax as capital gains on disposals) - NL Inland Revenue proposals have been considered by John Moore who has discussed them with Chancellor.
- (b) Reduce levels and increase spread of higher tax bands - NL To be considered in the run-up to the Budget.
- (c) Consider optimum basis for taxation of companies - NL John Moore's plan is to reduce Corporation Tax to 30 per cent within 4 years by whittling down capital allowances and doing away with stock relief.
- (d) Burden of Revenue administration on enterprise; eliminate discrimination in tax system against self-employment - NL The new worry is that Business Expansion Scheme may now be too lax, permitting tax-dodging. For self-employed, the only significant current proposal is to raise the VAT registration threshold to £20,000.

3. Industrial Policy

- (a) Reduce levels of Government support for nationalised industries and publicly-owned companies - NL Pursued in PES exercise. But the totals are still hair-raising. Almost £1 billion cash going this year to the manufacturing public-sector industries (BS, BSC, RR, BL).
- (b) Seek reductions of subsidies to agriculture via CAP and directly - NL You have a meeting on 21 December with Michael Jopling and Chief Secretary. The CAP aspect is a crucial part of the Athens follow-up.

4. Trade Policy - NT

- (a) Reduce concentration on subsidised exports to countries which cannot pay - NT )  
) Norman Tebbit's paper discusses  
) new ideas for export promotion,  
) other countries' policies and  
) ideas for reducing the export  
) subsidy war. Do we need to  
) spend as much as we do?
- (b) Promote trade with countries that can pay. )  
)
- (c) Initiate international action to reduce the subsidised proportion of world trade. )  
)  
)

5. Regional Policy (NT)

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

White Paper this month, legislation introduced at same time or in new year, decisions on grants and map in late-1984, new scheme effective from late 1985.

(i) eliminate discrimination against service industries;

Some service sector activities will qualify for automatic grants. Officials envisage a limited list (eg computer services, technical services, administrative HQs, VANS, film studios, mail order houses) which will cost perhaps only £10m to support (see (iv) below). White Paper specifically invites comment on activities to be included.

(ii) make regional aids more job-related;

Cost-per-job limits to be imposed, automatic job grants an option (but are not envisaged to apply widely, or cost much (see (iv) below). 'Net' UK jobs will feature as a test in deciding the top-up selective assistance.

(iii) limit aid to replacement investment;

Still eligible for automatic grants, but subject to cost-per-job test, which it will find difficult to pass. Will qualify for the selective, top-up assistance under the (open-ended) rubric of "modernisation projects that safeguard employment".

- (iv) limit overall scale of regional aid.

It is envisaged that these proposals could save £150m a year from 1986 onwards.

- (b) Seek to discourage regional be~~ggar~~-your-neighbour activities.

Mr. Tebbit trying to resolve with Territorial Ministers.

- (c) Review Urban Programme as complement to regional policy.

Department of Environment is organising a two-year research effort to explore 'effectiveness' of urban programme.

Surely we could ask for a much earlier report (?June) since these projects are almost all supposed to be under constant DoE review.

## 6. Small Firms Policies

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

DTI Official Working Group to report in January. You'll probably need a further meeting to sort this out.

- (b) Extend enterprise allowance beyond unemployed - TK

DEm survey on effectiveness of scheme will be ready early next year.

7. The Burden of Regulation - PM

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.

*David Trippier exercise 18 report in New Year. Emphasis on small firms.*

There is also a role for the Ibbs Unit here. We must be extremely careful in regard to any regulations on health and safety.

8. Planning Controls - PM, PJ, NR

Review burden of planning controls (including transport planning controls)

PJ's paper deserves a further meeting. Although it explains some of the good things he has done to loosen up the system, it does not take account of the rigidities and bottlenecks introduced by the Structure Plans and the way they are interpreted by some counties.

NR deserves support in his efforts to deregulate urban buses.

9. Labour Market - TK, NL

a) "Step by Step" approach confirmed.

TK producing proposals on Essential Services in January. Are there any lessons from the NGA dispute?

(b) Prepare paper for NEDC on where jobs are coming from.

NEDC met on 8 December.

(c) Consider further White Paper on Employment in the light of NEDC discussion.

TK was inclined to feel that a White Paper would be a mistake. He imagines headlines: "Jobs - Government has nothing new to offer".

But the White Paper's purpose would not be to set out new

9.(c) continued

proposals. It would be to set out the argument and describe the likely future patterns of employment. It's an essential part of our armoury to move the debate on to our terms.

10. Barriers to employment

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

You agreed that redundancy payments should not be drawn on as a replacement for supplementary benefit, and that therefore this was not a practical option.

(b) Abolish Wage Councils in 1985/6. - TK

No action required yet, but see below.

(c) Review case for abolishing or limiting scope of Agricultural Wages Boards. - TK MJ

No review yet. Mr Jopling and Territorials have said they think that AWBs should be retained.

Will be more difficult to abolish Wages Councils unless AWBs go too. (Why is agriculture so different from, say, retailing in respect to wages bargaining?) Difficulty is that AWBs have an earlier window of opportunity for denunciation, which is now open. Tactically best to insist that AWBs must be considered, and decided upon, within Government's overall approach to wage bargaining machinery. DE to produce paper for E?

(d) Exclude employers of firms with up to 5(?10) employees from provisions of unfair dismissals 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. - TK

TK has formulated proposals to carry these through. No need for primary legislation.

11. Action on Wage Levels

(a) Agreed not to extend Young Workers' Scheme to cover adult full-time workers but consider extending it to one year beyond Youth Training Scheme (or up to 19th birthday?). - TK

TK will submit paper to E(A) on 13 December, proposing to make YWS a one-year programme for 17-year-olds only.

TK's proposal would ensure that most youngsters would be occupied between the ages of 16 and 18. People leaving school at 16 would get a year on YTS followed by a year on YWS; and those leaving at 17 would get either a year on YTS or a year on YWS. Seems a good idea. Also makes YWS administratively simpler.

(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. - TK

Subject to acceptance of 11(a), and consequent provision of occupations for most 16-18 year olds, TK happy to reduce under-18 benefit. No resistance likely from DES or MSC.

12. Employment and Pensions

- (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". - NF
- NF has announced his intention to legislate to protect the pensions of early leavers and improve the disclosure requirements of pension funds. He has issued a Green Paper and, at the same time, has announced a wide-ranging enquiry into pensions matters. Following a meeting of Ministers chaired by the Prime Minister, he has also agreed to promote the portable pensions issue up the agenda and there will be a separate report on portability of pensions by April 1984. This would enable proposals to be incorporated in his pensions legislation should the committee report in favour of changes.
- (b) Review State Earnings Related Pension Scheme (SERPS). - NF,NL
- State earnings-related pension scheme will be reviewed in the general pensions review which will report by the late summer of 1984.

13. Housing Policy

- (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. - PJ
- Ian Gow and PJ discussing options.

- (b) Pursue possibilities of increasing availability of land for housing, particularly in south. - PJ
- This refers back to PJ's paper on planning. Circulars on Green Belt and on Land for Housing to be reissued as drafts only and then not until February.
- (c) Pursue consideration of legislation to expand range of activities of building societies. - NL
- DoE and Treasury still discussing with building societies. Treasury will produce a Green Paper after the Building Societies Association has issued another version of its consultative paper. So no Government response before Budget.
- (d) Remove private rented property from liability to Capital Gains Tax. - NL
- CGT relief for resident landlords will be in next Finance Bill. But that apart, Chancellor prefers to relax rent controls.
- (e) Improve effectiveness of Employment Transfer Scheme. - TK
- D.Em. can see no way through at present. Worth an inter-departmental group (DoE, DE, Treasury, Policy Unit?).
- (f) Consider level of stamp duty on house purchase. - NL
- Being considered along with stamp duty on securities (in the context of Stock Exchange liberalisation). Action on either would be expensive.
- (g) Await paper on conveyancing/monopoly. - NT, QH
- With H Committee.
- (h) Consider possibility of improving pace of land registration. - NL, QH
- Encouraged by H, not least for simplifying and reducing the costs of conveyancing.

14. Opening up the Public Sector to Market Forces

- (a) Chancellor of the Exchequer to follow up his letter of 25 July.  
- NL

Chancellor of the Exchequer has followed up his letter of 25 July. A meeting of E(A) was convened chaired by the PM, and the Financial Secretary was asked to construct a timetable for disposals and introduction of competition by end January. The bilaterals are currently under way. Transport has been completed; Industry is week of 5-9 December; and Energy for Monday, 12 December. The end result is likely to be agreement on Transport, some agreement and some disagreement on Industry, and a lack of agreement on Energy, which will have to be resolved at Cabinet.

- (b) Need for care in timing of bringing disposals to market.

Treasury is well apprised of the need to bring disposals in an orderly way to the market. The only queueing problem to have emerged so far is the possible clash between British Airways and British Telecom, and this has been resolved in favour of British Telecom coming to market in the autumn, with British Airways being held back until early 1985.

(c) The principle to be:  
Competition where possible;  
maximum privatisation subject  
to regulation where competition is  
not possible.

The principle that competition should be maximised and, where it is not, regulation should be introduced, is being adhered to. Proposals to privatise National Bus Co. whole as a monopoly have been sent back for a fundamental rethink to increase the competitive powers in any privatisation proposal. British Telecom competition policy has been strengthened, and the office of telecommunications will regulate. The serious options for the energy industries which will be brought to Cabinet entail increasing or creating competition where none exists. The sale of Sealink, possible sale of British Rail Engineering, Cable & Wireless, Associated British Ports, British Airways, are all cases where competition is already strong.

(d) Consider whether disposals must wait for profitability.

The general principle being adopted is that disposals need not wait for profits to be reached, but in practice there is a heavy accent in the sales programme to date on the sale of profitable businesses. We should consider again whether our options are radical enough on disposing and reducing risk in the bankrupt businesses.

15. Education and Training

(a) Consider how to encourage parents to take more active interest and role in children's education.

DES to present paper "by Christmas". This is likely to be feeble. We suggest that you call a meeting in January to discuss more devolution of power to parents and headmasters.

(b) Welcome proposals by local education authorities to re-establish grammar or technical schools.

Nothing much happening, although Bob Dunn has made some strong speeches.

(c) Pursue reform of teacher-training schools and curriculum.

DES have issued White Paper, ACSET has responded with improved guidelines for teacher-training; and KJ will now insist on even tougher guidelines.

The purpose of the reform is to increase the practical element in teacher-training; and there is every likelihood of this succeeding. One of the few real advances.

(d) Encourage links at all levels between industry and education system, to improve teachers' awareness of industry's needs.

Nothing substantive: KJ is talking to IoD, CBI etc. Proposals for NTC contracts with NAFE institutions offer only real prospect for increasing the education system's "awareness of industry's needs".

(e) Encourage industrial sponsorship of students in universities and polytechnics.

Treasury has produced a paper; this rejected by DES; KJ and officials now "considering the issue".

- (f) Pursue possibilities for improving understanding, both in schools and in the country at large, of economic realities. Consider introduction of pilot schemes. KJ is energetically seeking ways of increasing "economic awareness". Paper will probably come to PM in due course.
- (g) Training for 16-18s: the objective should be to ensure that, apart from 15% 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. New White Paper on industrial training will seek extension of YTS. No action on 4-year vocational and training courses, since NTVEI. As new move on 14-18 vocational and training courses, you might suggest creation of direct-grant technical colleges.
- (h) Consider and make recommendations on role of MSC in pursuing this objective. NTC proposals to be discussed.
- (j) Consider improvements in training of employed adults. MSC will submit draft statement on adult training strategy to E(A) on 13 December. Paper proposes abolition of TOPS; liberated funds will be used (1) to contract with industry for job-related training, and (2) to contract with NAFE and industry for training of unemployed people. Also, new national loan scheme guaranteeing bank loans to adults for training, and reform of Skill Centre Training Agency. A rapid response. No grounds for complaint.

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

Interdepartmental group set up emerge.

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

NTC meeting: see above.