

PREM19

69

INDUSTRIAL POLICY

(Meetings with TUC)

(Part 1)

PREM

19/69

SB
830



PART 1 ends:-

TL to Wright 21.12.79

PART 2 begins:-

HMT to TL 23.1.80



Ind R2

10 DOWNING STREET

From the Private Secretary

21 December 1979

The Prime Minister has now considered your telegram asking for a meeting to discuss the problems of the steel and coal industries in South Wales. She has asked me to say that she does not think such a meeting would be particularly useful, and she has suggested that it would be best if you were to approach the Secretary of State for Industry and Secretary of State for Wales.

T. P. LANKESTER

George Wright Esq MBE

19

File

JD



10 DOWNING STREET

From the Private Secretary

18 December 1979

I am writing to acknowledge your telegram of 12 December. I hope to be able to give you a response very shortly.

I. P. LANKESTER

George Wright, Esq., M.B.E.

GB

PRIME MINISTER

You have decided to postpone your visit to Wales.

This still leaves the question of whether you should agree to meet the Wales TUC - they have sent a telegram asking for a meeting to discuss the steel and consequent coal closures.

If you are not going to Wales, I think it would be far better not to see the Wales TUC. We surely want to avoid the idea that the trade unions can come rushing to you on issues which are really the responsibility of other Ministers. Moreover, it is only a couple of months since you saw the Wales TUC.

Shall I tell them that you are unable to meet them, and that they should approach the Ministers directly responsible?

*Having met. them
only 2 months
ago - I think it
would be better if they
met either in both 7
See Industry, the visit
not*

17 December, 1979.



10 DOWNING STREET

From the Private Secretary

12 December 1979

I enclose a copy of a telegram to the Prime Minister from the General Secretary of the Wales TUC, requesting her to meet the Wales TUC with her senior economic Ministers in South Wales in the near future.

I would be grateful for your advice as to how the Government should respond to this request. In this context, we will also need to consider whether to advise the Prime Minister to change or possibly postpone her plans to visit Cardiff on 11 January.

As the Prime Minister will be leaving for the United States on Sunday, it would be helpful if your advice could reach me in the course of Friday 14 December.

I am sending copies of this letter and enclosure to Ian Ellison (Department of Industry), Ian Fair (Department of Employment), Martin Hall (HM Treasury) and Martin Vile (Cabinet Office).

M. A. PATTISON

RRF

George Craig, Esq.,
Welsh Office

MR PATTISON

T

889113 PO SW G
49643 PO CF G
34 1414 CARDIFF T 123

THE PRIME MINISTER
10 DOWNING STREET
LONDON

FURTHER TO THE ANNOUNCEMENT BY ESC YESTERDAY THAT STEEL MAKING AT LLANWERN AND PORTTALBOT IS TO BE HALVED IN XXX THE WALES TUC URGENTLY REQUESTS THAT YOU AND YOUR SENIOR ECONOMIC MINISTERS MEET WITH US IN SOUTH WALES IN ORDER TO EXAMINE AT FIRST HAND THE CONSEQUENCES IF THE DECISION THAT ARE BEING MADE THE LOSS OF OVER 24000 JOBS IN STEEL COAL AND ASSOCIATED INDUSTRIES WITHIN THE NEXT FEW MONTHS WOULD BE RUINOS FOR THE AREA STOP WE DO NOT BELIEVE YOU WOULD ALLOW THIS SITUATION TO CONTINUE IF YOU WERE FULLY AWARE OF THE PROBABLE CONSEQUENCES STOP WE LOOK TO YOU FOR AN IMMEDIATE AND FAVOURABLE RESPONSE TO THIS REQUEST
GEORGE WRIGHT WALES TUC GENERAL SECRETARY

COL 10 ESC 24000 THE WALES RPT THE WALES

49643 PO CF G
889113 PO SW G



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2411
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CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir Lawrence Airey
Mr F Jones
Mr Dixon
Mr Unwin
Mr Butt

THE TUC AND THE NEDC

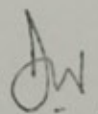
I had lunch today with Mr David Lea, Assistant General Secretary of the TUC. It was an engagement we had made some time ago and it was quite fortuitous that it took place on the day the TUC were reacting to the resignation of the whole of the National Enterprise Board. Inevitably a good deal of the discussion turned on this development. Lea made it plain that he personally was opposed to an excessive response on the part of the TUC. So was Murray, to whom he had spoken on the telephone this morning. There would be an angry statement put out today, but he hoped that the line could be held there. He wanted me to know however that there was increasing pressure on the part of some members of the General Council to escalate the reaction. This was not confined to Basnett. It included people like Urwin and Moss Evans. Urwin was influential and the particular chip on his shoulder was the decision to end the Hotels and Catering EDC, in which he has a special interest. The immediate pressure within the General Council would be for the withdrawal of TUC participation in all the Sector Working Parties and Economic Development Committees of NEDC. Lea's fear was that this would be the beginning of a domino development. It would ^{only} be a short step from there to the withdrawal from NEDC altogether and thereafter from the MSC, ACAS etc. What might precipitate this escalation was this. At the next General Council meeting (which I think is today week) there will be strong pressure on Mr Murray to take a delegation to No 10 Downing Street to make some sort of remonstrance. Lea thought that this would be counter-productive in that the Prime Minister would inevitably be able to make no positive response to any of the TUC's 'demands'. This negative response would then lead the malcontents to argue that it was fruitless to continue the dialogue with the Government and that a withdrawal from all the tripartite institutions should be made.

This led Lea to make the following suggestion. The only way that Murray could head off the pressure for a delegation to Downing Street would be for the Prime Minister to announce that she was taking the chair at the December meeting of NEDC. Murray would then be able to argue that the 6 TUC members of the Council would be able to make all their points about the thrust of the Government's policies at that meeting and that there was therefore no need for a deputation to go to Downing Street. Did I think it was possible at this late stage for the Prime Minister to step into the chair at the December meeting?

I said that this was very difficult. We had discussed the chairmanship of the meeting at the last Group of Four, and it had been unanimously agreed that it would be better for you to be the chair as at most meetings. The Prime Minister would be in the chair at the January meeting and this ought to suffice for Murray's purposes. Lea said that he feared that it would not. Murray would not be able to argue next week that he and his five NEDC colleagues would ^{soon} be seeing the Prime Minister; January was too far away. Action would be demanded before then.

I said that I would report these views to you immediately, but I was not at all sure that we could do anything to meet them. The Prime Minister's engagement book was filling up rapidly and anyway we would have to explain publicly why there had been a change in plan. I knew that you personally were keen to take the chair and might not take kindly to the idea of vacating it at this short notice.

You may like to discuss this matter with the Prime Minister tomorrow morning. The issue has not been put to us in any formal way and it would be relatively easy for me to tell Lea that on reflection you and the Prime Minister had felt that you should not change your plans. On the other hand if you were to make a move, it might be helpful to the moderates in the TUC in defusing a potentially difficult situation.



DOUGLAS WASS
21 November 1979

COVERING CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

30 October 1979

I enclose my record of the Prime Minister's meeting with the Wales TUC yesterday.

I am sending copies of this letter and enclosure to Martin Hall (H.M. Treasury), Ian Ellison (Department of Industry), Ian Fair (Department of Employment), Bill Burroughs (Department of Energy) and to Martin Vile (Cabinet Office).

J. P. LANKESTER

G. C. G. Craig, Esq.,
The Welsh Office.

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a Messrs Wolfson
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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE WALES
TUC AT 10 DOWNING STREET AT 1100 HOURS ON MONDAY 29 OCTOBER 1979

Present

Prime Minister	Mr. George Wright
Chancellor of the Exchequer	Mrs. Sylvia Jones
Secretary of State for Wales	Mr. John Griffiths
Minister of State, Department of Industry	Mr. Les Paul
Parliamentary Under-Secretary of State, Department of Employment	Mr. Bernard Pitson
Mr. I. Gow	Mr. John Foley
Mr. D. Wolfson	Mr. Derek Gregory
Mr. B. Ingham	Mr. David Jenkins
Mr. T. Lankester	
Mr. M. Pattison	

* * * * *

After welcoming the Wales TUC, the Prime Minister briefly outlined the Government's economic strategy. This was to secure rising living standards and a rising number of genuine jobs. The Government's basic philosophy was that people were responsible for their own lives, and for using their own skills to obtain useful work. Unfortunately, the revival of the economy could not be achieved at once; it would require resolution and a change of attitudes throughout the country.

Mr. Wright thanked the Prime Minister for agreeing to see the delegation. This was their third annual visit to No.10, and they hoped that the Prime Minister would agree to see them again the following year so as to give them an opportunity to present the particular problems of Wales. They did not expect to persuade the Government to change the basic strategy, but they still felt bound to express concern at the manner of its implementation. One area of particular concern was the threat to job support programmes: they would like to see the previous administration's guarantee of work, education or training for young people continued.

Mr. Wright went on to raise two issues. First, he hoped that the proposal for a new power station in Carmarthen Bay would go ahead. This proposal, which would involve the use of the new fluidized bed boiler technology being developed by Babcocks & Wilcox,

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/would

would improve the employment prospects of the area; and in any case the existing station was reaching the end of its useful life. (The Secretary of State for Wales commented that this proposal was still under consideration by the Department of Energy: unfortunately, Carmarthen Bay was not an ideal location for a demonstration plant.)

Shotton

Secondly, Mr. Wright raised the question of the closure of the Shotton steelworks. If BSC went ahead with the closure, this would create severe unemployment in the area. It was difficult to see how BSC could justify the closure, against the pledge which they had given in 1977. Whereas the previous administration had endorsed the 1977 pledge, the present Government did not appear to do so. Irrespective of the pledge, the continuation of steel making at Shotton could be justified on economic grounds. To close the works would involve more spending on redundancy payments and unemployment benefit than the funding required to keep the works going. The Shotton workforce had been very co-operative in agreeing cut-backs in employment in recent years, and they had achieved excellent productivity in the new coating complex. The policy of the unions had been to co-operate in the closure as long as there were alternative jobs in the offing; but despite repeated efforts, the number of new jobs brought into the Shotton area was negligible. The Secretary of State for Industry had said that Shotton was an issue for BSC and not for the Government. The unions could not accept this: in the last resort, if BSC did not take into account their representations, they had a right to expect intervention by the Government. The Government ought in any case to adopt a more flexible approach on the funding of BSC: if we were to stick to the 1980 deadline for breaking even, BSC could well collapse. The Government ought to recognise that BSC was faced with temporary difficulties, and provide the necessary funds to see them through the immediate period ahead. Another measure which would help Shotton would be to introduce temporary controls on sheet steel imports. The Wales TUC fully endorsed the Prime Minister's general approach on the EEC: to insist on import controls would be consistent with this approach.

The Prime Minister said that she was very unhappy that steel imports had reached such a high level. But it would be quite wrong

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to stop the engineering industry from buying imported steel when UK steel was higher priced and often not available. The solution to the import problem was not to impose controls but to improve the competitiveness of UK steel. The problem was not one of lack of investment. Rather, it was how to use existing investment more effectively. The present dispute at Hunterston, which was threatening the future of Ravenscraig, was a tragedy.

The Minister of State (Industry) said that the Shotton workforce had indeed shown a good attitude, and the steelworks was at present producing above target. However, the 1977 pledge had been given in the expectation of a growing market. It was easy to be critical of BSC with hindsight, but the reality was that the market for steel had not grown. The present Government had adopted the same break-even target as the previous Government: the only difference between the two was that the new administration intended to ensure that this target was achieved. Hence, BSC were making preparations for the closure of their less viable plants, and inevitably Shotton must be high on the list. They were currently producing at a loss of £24 per ton of steel, and they were the only steel works in the country still using open hearth furnaces. BSC had told the Government that they could meet the break-even target in 1980; it was now for them to take whatever action was needed.

The Prime Minister added that there was of course a human problem in any closure situation. But she could not accept the argument that it was worth subsidising jobs which were basically uneconomic. The more that the Government spent on supporting steel, the less there would be for the industries of the future. The Government would not intervene to stop BSC from going ahead with the closure; but everything possible would be done to help provide jobs for those made redundant. The Chancellor pointed out that Shotton might well have done better if it had continued as an independent company instead of being nationalised as part of BSC. But there was no point in trying to re-write history. BSC's investment in new plant and equipment had been massive, and the closure of the less economic plants was crucial if the industry was to become competitive. Indeed, the continued viability of the finishing end at Shotton would depend upon improved working at Ravenscraig and in the South Wales plants. The Government could not help here;

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/it was

it was primarily for the trade unions. The Secretary of State for Wales added that he was delighted at the recent improvement in productivity at Llanwern; the workforce at Port Talbot were also showing greater co-operation.

Mr. Wright then said that some of the steel imports appeared to be subsidised; he hoped the Government would consider this, and take action to stop the subsidies. The Chancellor commented that it would be difficult to complain about other countries' subsidies when we were subsidising BSC so heavily. We were already facing criticism in the USA for what appeared to them to be subsidies on exports.

The Secretary of State for Wales said that the Government were considering remedial measures for the Shotton area, and would make an announcement after BSC had completed their consultations and taken a final decision on the closure question. He appealed to the trade unions to work for the success of the Welsh steel industry as a whole.

Public Expenditure

Mr. Gregory said that the Government's public expenditure plans would cause severe difficulty for Wales. Public expenditure was more important to the economy of Wales than it was in the rest of the UK; for example, 60 per cent of employment was directly or indirectly dependent upon it. Mr. Gregory then cited the following areas of difficulty:

- (i) The Conservative Manifesto had said that there would be no cuts in the National Health Service. But as a result of tight cash limits and the VAT increase in the Budget, the real resources available to the National Health Service in Wales would be well down this year. As a result, services were deteriorating: for example, in South Glamorgan the ambulance service was already worse, there were fewer nurses

/in post

in post and the Prince of Wales Hospital was threatened with closure. If the Government was to honour its commitment, it should provide sufficient cash.

(ii) The local authorities were being forced to cut back services in response to the proposed cut in the Rate Support Grant. (The Secretary of State for Wales intervened to say that the Rate Support Grant for next year had not yet been announced, to which Mr. Gregory then replied that the local authorities were cutting back because they had been told to reduce their planned expenditure by 3 per cent this year and by 5 per cent next). In Dyfed, 20 per cent of the road work force was likely to be made redundant, and this would mean worse roads which would be bad for tourism in the area. Some authorities were proposing to cut back the home help service; this would be a false economy since many old people would consequently have to go into old people's homes. The cuts in education spending would also be damaging - in particular, the closing of nursery schools, higher school meal charges, reduced transport in remote areas, lower capitation allowances and the likely reduction in the number of teachers. If school meals were cut back, this would be bad for female unemployment in view of the number of part-time dinner ladies who would lose their jobs.

The Chancellor commented that the Government could not continue increasing spending when the nation's wealth was virtually static. The spending plans which the Government had inherited from Labour would have meant an 8p increase in the basic income tax rate in 1980-81. Total public spending had to be stabilised, and this would inevitably mean that some difficult choices had to be made. The Government for its part had decided to give greater priority to law and order and defence; the local authorities would have to make their own choices on the services which they controlled.

/The Secretary of State

The Secretary of State for Wales pointed out that local authority employment in Wales had risen more rapidly over the year to June than in Britain as a whole. He was sure they had room for savings. In any case, the savings required were not as great as they were alleged to be. Assuming the local authorities achieved the 3 per cent cutback this year, they would only have to reduce their spending by a further 1 per cent in 1980-81. There was unfortunately a tendency for local authorities to select reductions which would cause the maximum outcry so as to draw attention to their overall financial position. In reality, the options were usually easier than they made them out to be.

Regional Aid

Mr. Griffiths then raised the question of regional aid. The Wales TUC welcomed some aspects of the July announcement on regional aid: for example, the upgrading of the Wrexham area, the continuation of the rate of grant at 22 per cent in SDA's, and the fact that the DA rate had only been reduced by 5 percentage points. But they felt that the downgrading in Wales as a whole had been too severe (and in particular the downgrading of the South Wales conurbations to intermediate area status), and they were unhappy at the abolition of regional development grant in intermediate areas. Regional aid had played an important part in creating new jobs in Wales generally and it had also helped to stem de-population in mid-Wales. Regional aid was especially important in attracting internationally mobile projects, as the Ford engine project at Bridgend had shown. He understood that final decisions on assisted area coverage in Wales had still not been taken, and hoped that the Wales TUC's arguments would be taken into account.

(At this point the Prime Minister had to leave the meeting).

The Secretary of State for Wales confirmed that the downgrading of central Wales to non-assisted area status by 1982 was subject to review. In addition, marginal boundary changes were being considered in travel-to-work areas, which would be announced fairly shortly.

/ Mr. Butler

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Mr. Butler added that the purpose of the Government's policy on regional aid was to concentrate assistance where it was most needed. As a result of the changes announced in July, those areas which continued to have assisted area status would do relatively better than they had done in the past. The upgrading of areas had taken place immediately while downgrading would be phased. Even after full implementation of the new policy 94% of Wales in population terms would continue to receive regional assistance of one kind or another. On the question of internationally mobile projects, Section 8 assistance would continue to be available: the recent decision to support the Dow-Corning project was a good example of this. As for the Shotton area, if BSC decided finally to close the steelworks, the Government would seriously consider upgrading the area to SDA status.

(At this point the Chancellor of the Exchequer had to leave the meeting).

The Secretary of State for Wales said that multi-nationals were still showing good interest in Wales. There was no evidence that their interest had diminished since the July announcement. In reply to a question on the timing of remedial measures for Shotton, Mr. Edwards said that he thought there would be great resentment if remedial measures were announced before BSC finally decided on closure.

Economic Planning

Mr. Paul said that he wished to raise one topic with no financial implications. This was the problem of human relations in economic development. The decision to establish a Select Committee on Welsh affairs would help to widen public discussion. Nationally, the Government was facing up to severe economic and social problems, but there was a specific Welsh dimension which would require separate attention. In the review of the powers of the Secretary of State for Wales, trade union involvement must be considered. The Wales TUC saw a strong case for a National Economic Development Council for Wales to fill this need. There was a lack of a continuous planning process taking account of new developments. Such a Council would involve the Government, the Wales TUC

/and the Wales CBI

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likelihood of review or reversal, given that a decision had been taken. He would, however, ensure that any future opportunities for moving jobs to Wales were thoroughly examined, and put into effect if at all possible.

The meeting finished at 1230.

29 October 1979

cc: Private Secretary to the Secretary of State for Wales
" " " " Chancellor of the Exchequer
" " " " Secretary of State for Employment
" " " " Secretary of State for Industry
" " " " Secretary of State for Energy
" " " " Sir Robert Armstrong

PRIME MINISTER

cc: Mr. Wolfson
Mr. Ingham

MEETING WITH THE WELSH TUC

The Welsh Office have produced this mass of briefing for your meeting with the Welsh TUC on Monday. Much of it is on detailed points which, if raised, you can ask Mr. Edwards to deal with. The Chancellor of the Exchequer will also be present and Mr. Butler too.

I suggest that you concentrate on the following briefs only:

- (i) The steering brief at A. ✓
- (ii) The briefing on public expenditure "cuts" in the Welsh Office programmes at E. ✓
- (iii) The regional policy briefing at F.
- (iv) The briefing on steel at G.

These are the main points which the Welsh TUC have said they will raise.

They might well, however, raise the subject of industrial relations legislation. There is briefing on this at L. But I have asked Mr. Mayhew to stand by to attend the meeting if you would like him to come. Shall I invite him?

Yes please.

I think the best way to play the meeting would be for you to ask the trade unionists to state their representations. You can then reply in general terms on the Government's overall strategy, and then, as you wish, turn to other Ministers to reply on the more detailed questions.

Just like the TUC proper in June, they will no doubt go straight out and tell the Press what happened. Bernard Ingham will be at the meeting so that he can, as necessary, give the Press our version.

P.S. I attach the letter
|| on import controls referred to in today's Guardian: this is standard stuff and does not represent a change in policy.

26 October 1979

S575/79

cc Mr Hyman

6106

6106

19 July 1979

The Secretary of State has asked me to thank you for your letter of 15 June setting out some of the resolutions adopted at the Wales TUC Annual Conference.

Mr Edwards shares your concern about unemployment in Wales; the Government's policies are directed towards the creation of lasting job opportunities. In your letter you mentioned some specific objectives of the TUC such as a reduction in the working week. While prima facie this would help to reduce unemployment it would be essential to ensure it did not increase an employer's labour costs otherwise the adverse effects on industry's competitiveness and on inflation would prevent the gain in jobs such a move was intended to bring about. Similar problems exist in reducing overtime which is sometimes the only economic way of carrying out certain tasks. There would need to be a willingness by those in employment to forego overtime working and associated pay, otherwise the resulting increase in unit costs and prices would prevent any gain in employment. However, it is somewhat paradoxical that at a time of substantial unemployment a large amount of overtime is still being worked.

As regards holidays, there have been substantial improvements in holiday entitlements since 1970 with the average minimum entitlement now almost 4 weeks. Extending holidays would have some impact on unemployment but the effect would be small, especially if overtime were to be increased to make up for the extra holidays, or less output were to result.

You also referred to the need to introduce selective import controls and exchange controls. The Government does not regard the imposition of import controls in themselves as likely to help solve our economic problems. It recognises, however, that there may be instances where competition, particularly from low cost sources, increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without

/unacceptable

David Jenkins Esq
Research and Administrative Officer
Wales TUC
Transport House
1 Cathedral Road, CARDIFF CF1 9SD

unacceptable disruption and loss of jobs. Under such circumstances the Government would be prepared to consider selective import measures of a temporary nature.

On exchange controls, the Government do not believe that controls on outward investment encourage domestic investment. The available evidence does not suggest that overseas investment displaces investment at home but rather shows that outward direct investment generally encourages UK exports and therefore employment in this country as well as strengthening the balance of payments. For this reason the Government is convinced that it is right to dismantle the apparatus of exchange control which it inherited.

Finally you referred to Job Creation and Work Experience schemes. It has always been the Manpower Services Commission's policy to seek the approval of unions in establishments where work experience schemes have been set up and they encourage trade unionists to take an active part in the formulation and day to day running of many of their Youth Opportunity Schemes. The Government accepts some schemes have brought substantial benefits but the fact is that our economic problems will only be overcome when a sufficient number of permanent jobs have been created: the recent Budget set out the first steps towards achieving that objective.

G C G CRAIG
Private Secretary

to Mr Edwards

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 7448 (Linell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 7448 (Direct Line)

From The Secretary of State for Wales

26 October 1979

Dear Private Secretary

PRIME MINISTER'S MEETING WITH WALES TUC: 29 OCTOBER 1979

... Further to George Craig's letter of 22 October I now enclose two copies of a replacement background note on Public Expenditure Cuts 1979-80 - Welsh Office Programme, Section E2.

/ I am copying this letter and the enclosure to Ian Fair (Department of Employment), Ian Ellison (Department of Industry), Bill Burroughs (Department of Energy) and Martin Hall (HM Treasury).

Yours sincerely

D L ROBERTS
Private Office

T P Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

BACKGROUND NOTE

PUBLIC EXPENDITURE CUTS WELSH OFFICE PROGRAMMES

The total of reductions in the 1979-80 programmes within the control of the Secretary of State for Wales is £19 million. This comprises:-

	£ million
Housing provision	9.5
Welsh Development Agency	3.0
Welsh Water Authority	2.0
Provision for community land transactions	1.5
Net expenditure on health services (contained in programmes attributed to the Secretary of State for Social Services)	1.6
Expenditure on education services (contained in programmes attributed to the Secretary of State for Education)	1.3

The Wales TUC have organised a strong campaign against public spending cuts. They have predicted that, as a result of cuts in public spending and other budget measures, unemployment would rise to over 120,000 by mid 1980. This estimate was based on the assessment that 60% of employment in Wales is directly or indirectly supported by public expenditure. The TUC's assessment is very much at the upper limit of what is considered realistic in terms of the indirect effect of the public sector on employment in Wales. Direct public sector employment in Wales is in fact around 37%.

BACKGROUND NOTE

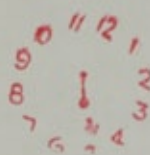
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26 OCT 1979





WALES T.U.C.

Cyngor Undebau Llafur Cymru

TRANSPORT HOUSE
1, CATHEDRAL ROAD
CARDIFF CF1 9SD

Telephone : 0222 371495

WALES SECRETARY

Your Ref. GHW/DJ/DR

GEORGE WRIGHT M.B.E.

23rd October, 1979.

Our Ref.

Please quote Ref.No in reply

Private Secretary to the
Prime Minister,
10 Downing Street,
LONDON.

For the attention of Carole Stephens

Dear Ms Stephens .

Further to your letter of the 17th October I can advise you that it is convenient for us to have the meeting at eleven o'clock. I would further advise you that we would wish to agenda three items for discussion at the meeting, these being -

- 1) Public Expenditure in Wales.
- 2) Changes in Regional Development Grant and Regional Development Grant areas.
- 3) Nationalised industries in Wales with particular reference to the Steel Industry.

The Prime Minister may observe that there is much common ground between these three items but it is our intention to refer to each of them specifically.

I also enclose, for the Prime Minister's information, a short note on the details of our delegation.

Yours sincerely,

DAVID JENKINS
RESEARCH AND ADMINISTRATIVE OFFICER

ENC:

SHORT NOTES ON TUC DELEGATION TO MEET PRIME MINISTER ON
OCTOBER 29th

George Wright, MBE, Wales TUC General Secretary.
Ex-officio member of Wales TUC General Council.
Regional Secretary for Wales of the Transport & General Workers' Union.
Active in the Trade Union Movement for 25 years.
Member of various committees and standing bodies such as A.C.A.R.D.,
Manpower Services Committee for Wales, Wales Council for Social Services etc.

Sylvia Jones, J.P. Wales TUC Chairman.
Member of Wales TUC General Council.
Works in the Salaries Department of South Glamorgan County Council.
Member of APEX and represents Mid-Glamorgan County Association of Trades Councils
on the Wales TUC.
Active in the Trade Union Movement for over twenty years.
Represents the Wales TUC on a variety of local and regional bodies.

John Griffiths, Wales TUC Vice Chairman.
Member of Wales TUC General Council.
District Secretary (North Wales) of the Transport & General Workers' Union.
Active in the Trade Union Movement for over twenty years.
Represents the Wales TUC on a variety of bodies, particularly in North Wales
and is a member of W.I.D.A.B.

Les Paul, Wales TUC Treasurer.
Member of Wales TUC General Council.
Works for the Inland Revenue in Cardiff.
Vice President of I.R.S.F.
Active in the Trade Union Movement for over thirty years.
Member of various committees, especially those related to the Civil Service
and in particular Whitley.

Bernard Pitso, Wales TUC General Purposes Committee Chairman.
Member of Wales TUC General Council.
Works at Fords, Swansea.
Member of Transport & General Workers' Union and is a Works Convenor.
Active in the Trade Union Movement for over twenty years.
Represents the Wales TUC on a number of bodies within the Principality.

Delete
~~Bryn Davies, Wales TUC General Purposes Committee Vice Chairman.
Member of Wales TUC General Council.
Regional Official for the National Union of Agricultural and Allied Workers.
Active in the Trade Union Movement for twenty years.
Sits on various Boards and Committees within Wales.~~

John Foley, Wales TUC Economic Policy Committee Vice Chairman.
Member of Wales TUC General Council.
Divisional Officer for the Iron and Steel Trades Confederation.
Active in the Trade Union Movement for twenty years.
Sits on various Boards and Committees within Wales.

Derek Gregory, Wales TUC Social Policy Committee Vice Chairman.
Member of Wales TUC General Council.
Divisional Officer for the National Union of Public Employees.
Active in the Trade Union Movement for over ten years.
Represents the Wales TUC on a number of bodies within the Principality.

David Jenkins, Wales TUC Research and Administrative Officer.
Employed by the TUC as a full time Assistant to the Wales TUC
General Secretary.
Member of A.P.E.X.
Active in the Trade Union Movement for over ten years.
Represents the Wales TUC on various Committees and deputises for
the General Secretary in his absence.

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

22 October 1979

Jarvis

R

PRIME MINISTER'S MEETING WITH WALES TUC:
29 OCTOBER 1979

I now attach two copies of the briefing for this meeting. It includes in addition to the Welsh Office efforts, contributions from the other Departments involved in the meeting. *- Briefs attached to file.*

I am copying this letter to Ian Fair (Department of Employment), Ian Ellison (Department of Industry), Bill Burroughs (Department of Energy) and Martin Hall (HM Treasury).

John
G C G Craig

G C G CRAIG
Private Secretary

T P Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

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22 OCT 1979

BRIEF FOR MEETING OF THE PRIME MINISTER
AND THE WALES TUC, 29 OCTOBER 1979

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COVERING NOTE BY WELSH OFFICE

1 This meeting arises from a request by the Wales TUC put to the Secretary of State for Wales in the course of his first meeting with them on 16 May. At a subsequent meeting (on 23 July) the main economic issues which are of concern to the Wales TUC were identified:-

- (a) the effects of the Budget and public expenditure cuts - in particular the increases in MLR and VAT;
- (b) the work of the Manpower Services Commission and the effects on it of public expenditure cuts;
- (c) changes in regional policy and their effect on the ability of the UK and Wales to attract internationally mobile industry;
- (d) the review (then in progress) of the dispersal programme;
- (e) the future of BSC Shotton;
- (f) the future and functions of the Welsh Development Agency.

In addition the Wales TUC set out their worries about the organisation and funding of the Health Service and ideas for developing consultative machinery for economic planning issues within Wales.

2 The views of the Wales TUC on the Welsh economy and employment are set out in two documents published in 1978 entitled "Unemployment - The Way Out - A Ten Year Strategy" and "An Industrial Strategy for Wales" (copies of each document have already been circulated). These however cover a wider range of questions than the TUC say they intend to raise with the Prime Minister. Following their meeting with the Secretary of State on 23 July they wish to concentrate on:

- (a) the effects of the public expenditure cuts in Wales;
- (b) recent changes in regional policy;
- (c) the steel industry in Wales with particular reference to the closure of Shotton.

3 On public expenditure they will argue that cuts bear unfairly on an area like Wales which has always had a heavy dependence on the public sector. In the short term they see only the prospect of increasing unemployment and in the longer term, a continuing unfavourable trend with more people coming on to the labour market in the Principality - particularly young people and women and difficulty in replacing jobs expected to be lost in the coal and steel industries.

*Covered
in Brief 11.*

- 4 On regional policy support the Wales TUC have argued that the levels agreed by the previous Administration would not have been sufficient to cope with the unemployment problems they foresee. They are therefore critical of recent regional policy changes - mainly on assisted area status. They will argue that the cuts overall are too severe, will hit specific areas too harshly - notably mid-Wales, Merthyr Tydfil, parts of the Rhondda and West Glamorgan - and fail to take account of known or likely changes in future employment. Their general view is that the balance of policy has moved away from the regions - the so-called 'golden triangle' will be mentioned. They claim to see a lessening in regional influence and may use as an example the abandonment of the dispersal programme.
- 5 The future of the steel industry will be presented as the major current issue in Wales, because of the proposal to close iron and steelmaking at Shotton. The Wales TUC and its General Secretary (Mr George Wright) in particular have publicly declared strong opposition to the BSC proposals. Their concern is both for the loss of employment at Shotton, so soon after the closures at Ebbw Vale and East Moors, Cardiff, and the underlying problems of the steel industry in Wales as a whole which provides almost 54,000 jobs.
- 6 Despite the TUC's commitment to oppose the Shotton closure they will not lose the opportunity to argue that the Government should provide support towards obtaining replacement jobs.
- 7 The Prime Minister will want to turn detailed points to colleagues for answer but in general the suggested line of answer (to take steel first) is:
- (a) the future of BSC depends on its ability to compete in world markets without being a drain on the taxpayer;
 - (b) the continued operation of individual plants is a matter for the commercial judgment of BSC and it is not an appropriate area for Government intervention;
 - (c) the Government accepts its responsibility to mitigate the effects of closures in the light of the overall economic circumstances of the country and Ministers are considering what might be done to help the Shotton area;

- (d) the arguments against closures, regional policy and expenditure cuts generally must not be looked at in isolation. They should be set in the context of the Government's overall strategy. The main aim of this is to get a firm grip on public expenditure. Otherwise inflation and unemployment will increase - as they did earlier in the decade when public expenditure was too high and real GDP too low. We have too to face the prospect of little or no growth - and that at a time of world recession.
- (e) Restraint in public expenditure is vital not only for the control of inflation but to ensure the tax cuts necessary to re-invigorate private industry. Only in this way will there be scope for the economic growth to finance better public services in the longer term.
- (f) Wales has to take its share of the cuts in public expenditure which are proposed. It is better in the long run to concentrate on the health of the UK economy as a whole rather than to rely - as has been done in the past - on short term rescue measures.
-

TUC DELEGATION TO ATTEND THE MEETING WITH THE PRIME MINISTER

George Wright, MBE, Wales TUC General Secretary.

Ex-officio member of Wales TUC General Council.

Regional Secretary for Wales of the Transport & General Workers' Union.

Active in the Trade Union Movement for 25 years.

Member of various committees and standing bodies such as the Advisory Committee for Applied Research & Development, Manpower Services Committee for Wales, Wales Council for Social Services, part-time member of South Wales Electricity Board and a member of the former Welsh Council.

Prominent in both the anti-EEC and pro-devolution campaigns.

Sylvia Jones, JP, Wales TUC Chairman.

Member of Wales TUC General Council.

Works in the Salaries Department of South Glamorgan County Council.

Member of APEX and represents Mid-Glamorgan County Association of Trades Councils on the Wales TUC.

Active in the Trade Union Movement for over twenty years.

Represents the Wales TUC on a variety of local and regional bodies including the Manpower Services Commission Special Area Programmes Board for South Wales and the Careers Service Advisory Council. Has been an active equal rights supporter.

John Griffiths, Wales TUC Vice Chairman.

Member of Wales TUC General Council.

District Secretary (North Wales) of the Transport & General Workers' Union.

Active in the Trade Union Movement for over twenty years.

Represents the Wales TUC on a variety of bodies, particularly in North Wales and is a member of the Welsh Industrial Development and Advisory Board.

Has been active in the campaign against the closure of Shotton Steelworks.

Les Paul, Wales TUC Treasurer.

Member of Wales TUC General Council.

Works for the Inland Revenue in Cardiff.

Vice President of the Inland Revenue Staff Federation.

Active in the Trade Union Movement for over thirty years.

Member of various committees, especially those related to the Civil Service and in particular Whitley. Was largely responsible for "An Industrial Strategy for Wales: Wales TUC Proposals" (see Section M1 of the brief for further details).

Bernard Pitson, Wales TUC General Purposes Committee Chairman

Member of Wales TUC General Council.

Works at Fords, Swansea.

Member of Transport and General Workers' Union and is a Works Convener.

Active in the Trade Union Movement for over 20 years.

Bryn Davies, Wales TUC General Purposes Committee Vice Chairman

Member of Wales TUC General Council.

Regional Official for the National Union of Agricultural and Allied Workers.

Active in the Trade Union Movement for 20 years.

Chairs the Mid Glamorgan Area Health Authority and the Establishment Committee of the Welsh Water Authority and sits on other various Boards and Committees within Wales. He was also a member of the former Welsh Council.

John Foley, Wales TUC Economic Policy Committee Vice Chairman

Member of Wales TUC General Council.

Divisional Officer for the Iron and Steel Trades Confederation.

Active in the Trade Union Movement for 20 years.

Derek Gregory, Wales TUC Social Policy Committee Vice Chairman

Member of Wales TUC General Council.

Divisional Officer for the National Union of Public Employees.

Active in the Trade Union Movement for over 10 years.

David Jenkins, Wales TUC Research and Administrative Officer

Employed by the TUC as a full-time Assistant to the Wales TUC General Secretary.

Member of APEX.

Active in the Trade Union Movement for over 10 years.

BACKGROUND BRIEF: CURRENT ECONOMIC SITUATION

Demand and Output

GDP recovered in the second quarter but underlying growth since last summer has been modest. Consumer spending rose substantially in the second quarter but retail sales have since been lower. Investment was lower in the first half of 1979 than in the second half of 1978, and a cyclical downturn may have begun. Exports of goods and services fell slightly in the first half while imports rose substantially. In the three months to August, industrial production was 3½% higher than a year ago but more than half the rise was due to North Sea oil. The index for August was 4% below the July level mainly as a result of strikes and changes in holiday patterns.

Unemployment and Vacancies

1264 thousand people were registered as unemployed in September (seasonally adjusted, excluding school leavers) 1,000 less than in August. 243,000 notified vacancies were unfilled.

Earnings and Prices

Average earnings rose by 16.5 per cent in the 12 months to August, but this includes some substantial back pay. The underlying increase over the year is estimated at 15-16%. The Retail Price Index rose by 15.8% in the 12 months to August 1979. This figure includes an increase in July estimated at 3.1% due to the Budget tax changes. The TPI rose by 13.4% over the year to August.

Balance of payments

For the first nine months of 1979 the current account deficit is estimated at £2.5 billion compared with a surplus of £0.4 billion in the first nine months of 1978. The visible trade deficit increased from £0.4 billion in the second half of 1978 to £2.8 billion in the first half of 1979; the surplus on invisibles fell from £1.3 billion to £0.4 billion.

PSBR

The Budget forecast was for a PSBR of £8.3 billion and a central government borrowing requirement (CGBR) of £9.6 billion in 1979-80. In the June quarter the PSBR is estimated to have been £3.4 billion (on an unadjusted basis) and the CGBR £3.8 billion; the provisional estimate of the CGBR for the second quarter is £2.7 billion.

Money Supply

In the first two months of the target period £M3 grew at an annual rate of 11%, very close to the top of the target range of growth in sterling M3 of 7-11% at an annual rate in the 10 months to mid-April 1980. (September figures to be published on 18 October.)

POINTS TO MAKE

UK's poor economic performance

The evidence is that Britain's economic performance has failed to match that of our competitors not because of a lack of demand but because British industry did not respond to the opportunities that were there.

Manufacturing Production lower now than in 1973

Manufacturing production, is no higher now than in 1973. Output per person employed increased by less than 1% a year in the past five years compared with increases of 3½% per year in the late 1960's and early 70's.

UK Wage Costs rising faster than competitors

Trend unit wage costs in UK manufacturing industry have been growing more rapidly than those of our major competitors. (In the year to the second quarter of 1979 unit wage costs in the UK rose 12 per cent compared to 2 per cent in West Germany and Japan, 6% in the US and 8% in France.) This weakens our ability to compete in overseas markets and depresses export orders, output and employment.

Import penetration rising

Imports of manufactured goods rose by 30% over the past 5 years while domestic output has been flat. Imports now account for about one third of UK consumption of consumer and capital goods. For some items the position is far worse; in 1978 imports took nearly one half of the new car market; so far in 1979 they account for nearly 55% of the market.

Inflation accelerating before Government took office

The underlying rate of inflation started rising towards the end of 1978 (7.9% in Q3 1978) due to the upward trend in unit labour costs, increases in prices of commodities and latterly higher oil prices.

Effect of Budget tax changes on prices

The Budget tax changes, especially in VAT, are estimated to have increased the RPI by 3.1 per cent in July, but these effects are once-for-all. The impact on real incomes has been offset by the reductions in income tax.

BACKGROUND BRIEF: GOVERNMENT'S ECONOMIC POLICIES

Main Objectives

The two main objectives of the Government's economic strategy are to reduce inflation by strict adherence to firm monetary and fiscal policies and to improve the supply side by restoring a flexible and competitive market economy.

Monetary policy and interest rates

The Government is committed to a target growth in the money supply of 7-11 per cent at an annual rate in the period to April 1980 and to a progressive reduction in size of that target in the years ahead. MLR was raised at the time of the Budget to check the excessive growth in the money supply. The rate will not be lowered until it is clear that money supply growth is under control. The Government continues to hope that mortgage rates will not go up.

Monetary policy and PSBR

The Government is bringing its fiscal stance into line with its monetary policy so that all of the burden of adjustment to slower monetary growth does not fall on the private sector through higher interest rates. The Budget forecast was that the PSBR would be 4½% of GDP in 1979/80, against 5½% in 1978/79. For future years the PSBR will be set at levels consistent with monetary policy.

Public expenditure

Public spending should be determined by what the nation can afford. The Government will give priority to spending on law and order and defence. Spending on the health service will be maintained. Specific cuts of £1468 million in programmes for 1979-80 have been announced, together with a reduction in the Contingency Reserve. About £1 billion will be saved by the cash limits policy and about £1 billion raised from sales of assets. These savings of £3½ billion together with some allowance for reduced shortfall imply a projected outturn for the volume of public expenditure in 1979/80 which, while at least 3% lower than in Cmnd 7439, is at much the same level as the estimated outturn for 1978/79. The White Paper on public expenditure for 1980/81 is due to be published around the end of the month.

Taxation

The Budget switched the burden of taxation with a £4½ billion reduction in direct taxes in a full year and a £4½ billion increase in indirect taxes. The cuts in income tax rates leave more money in the pay envelope week after week, £2.10 pw extra for a married man on £60 pw; £3.30 pw extra for a married man on £100 pw and £5.30 pw extra on £150 pw.

The net effect of the Budget direct and indirect tax measures is to leave the married man on £60 pw, 73p pw better off (on average), on £100 pw, £1.31 pw better off and on £150 pw, £1.96 pw better off.

The market economy

Income tax has been cut to improve incentives. The frontiers of the public sector are being rolled back; regulations which have outlived their usefulness (eg exchange controls) or which have produced severe distortions with little lasting benefit (controls on pay, prices, dividends), have been dismantled or cut back.

Pay

The Government does not intend to interfere in pay negotiations or to set general limits or norms. Its fiscal and monetary policies set the financial framework for pay bargaining. In the private sector settlements should depend upon the efficiency and profitability of the company. Any attempt to seek excessive pay settlements can only lead to higher unemployment as money will not be available for firms to meet such claims. The Government will set firm cash limits and financial controls, so that a similar discipline operates in the public sector. Higher wages will have to be paid for by greater efficiency. The trading nationalised industries will be set financial targets and left to negotiate appropriate pay levels within them.

POINTS TO MAKE

Reducing inflation is the priority

The Government's main priority is to reduce the rate of inflation. To do this firm monetary and fiscal policies are needed.

Tight policies inappropriate in view of the approaching recession?

A period of no economic growth is inevitable in the present difficult circumstances if inflation is to be brought under control.

Alternative policies (reflation? import controls?) would not work

Reflation now would merely lead to higher inflation; the UK economy is suffering from lack of supply not lack of demand. Import controls would break international treaty obligations, risk retaliation and carry no guarantee that they would result in higher output rather than protect inefficiency and delay necessary adjustments.

Public expenditure cuts needed

The previous government's plans for public expenditure were based on an over-optimistic assessment of prospects for growth in the economy. In the present gloomy circumstances cuts in these plans were needed. Higher public expenditure now would mean higher taxes or higher interest rates.

Pay claims and employment

The Government will not print money to finance excessive pay claims. Claims should be based on what employers can afford to pay and not on movements in the RPI or any other index. Negotiators should remember that the reductions in income tax rates leave more in pay envelopes. Excessive pay claims can only lead to an increase in unemployment.

Prices and competition

The Government will make sure that competition is maintained through-out the economy by giving the Director of Fair Trading power to make a quick investigation of restrictions to or distortions of competition. Any serious cases will be investigated by the Monopolies and Mergers Commission.

BACKGROUND BRIEF: PROSPECTS

FSBR Forecast, June 1979

The most recent official forecast indicated an increase in the level of GDP of $\frac{1}{2}\%$ in 1979 over 1978 followed by a fall of 1 per cent in the first half of 1980; the rate of increase in retail prices declining from 16 per cent in the third quarter of 1979 to $13\frac{1}{2}\%$ per annum in the third quarter of 1980 and near balance on the current account in the second half of 1979 and the first half of 1980.

Prospects gloomier now

GDP growth in the first half of 1979 was higher than expected at the time of the Budget, but trading performance and the current account were much worse. Earnings increases were also slightly higher. Prospects for growth of world trade are now worse and this will affect the UK.

Outside forecasts

The latest forecasts of the London Business School and Phillips and Drew show that they expect GDP to be about $\frac{1}{2}\%$ lower in 1980 than in 1979; the National Institute forecast a rise of $\frac{1}{2}\%$. These forecasts are dated. The ITEM club forecast published more recently is for GDP to fall 1.3% (at an annual rate) in the first half of 1980 and at a rate of 5.8% in the second half. They forecast unemployment to rise to 1.6 million at the end of 1980 and to 2.3 million at the end of 1981.

POINTS TO MAKE

New Treasury forecasts

These are being prepared and will be published later in the autumn.

Pessimistic outside forecasts

It is true that a number of forecasters, both outside and in Treasury, predict a gloomy short-term outlook for economy. Too much weight, however, should not be attached to actual numbers. Government's economic policies should ensure that longer-term outlook is less gloomy.

Need for changes in behaviour

The gloomy short term outlook emphasises the need for positive responses to the Government's policies. Wage claims need to be moderated, and productivity improved. Cuts in direct taxes have made it more worthwhile for people to work and invest.

NATIONALISED INDUSTRIES AND CASH LIMITS

To wait until the Spring of 1980 and then set nationalised industries' cash limits for 1980-81 to accommodate whatever pay settlement had already been agreed would mean that cash limits would not be serving as any real restraint on nationalised industries' claims on Government financing, and that the industries would be exempted from the market disciplines which operate in the private sector to reduce pressure for excessive pay settlements. Ministers have therefore agreed to set cash limits this autumn before major pay settlements have been concluded: the explicit intention is that cash limits so set should exert a downward pressure on the level of pay settlements. In this context there is a general presumption that real costs per unit of output should fall, ie the pay bill of any industry (assuming constant output) should go up by less than the forecast increase in the retail prices index. It would be up to the industries concerned to put forward proposals for any action necessary to accommodate pay settlements that would raise the pay bill above the level contemplated at the time the cash limits were set.

THE ECONOMIC SITUATION IN WALES

1. GENERAL

The economic situation in Wales results in relatively low per capita and household incomes mainly due to lower activity rates in the Principality. These low rates reflect partly higher unemployment levels, partly relatively fewer numbers of women taking up employment and partly relatively higher participation in manual occupations: slightly larger household size in the Principality also plays a minor part.

2. The basic statistics are:-

	<u>Wales</u>	<u>Great Britain</u>	<u>Wales as % GB</u>
Average gross weekly earnings			
- male manual workers (1978)	£80.9	£80.7	100.2
- all male workers (1978)	£96.6	£100.0	96.0
- all female workers (1978)	£53.9	£56.4	95.6
Proportion of males over 15 in employment (1971)	78.5	81.4	96.4
Proportion of females over 15 in employment (1971)	35.7	42.7	83.6
Seasonally adjusted September 1979 unemployment rate	7.1	5.1	139.2
Weekly Household Incomes per capita (1976/77)	£29.25	£31.8	92.0
Gross Domestic Product per capita	£1,740	£1,928	90.3
Incomes per capita from Social Security Benefits	£3.90	£3.49	111.6

3. The industrial structure is unfavourable. Older basic industries in Wales, notably coal and steel, have declined. This has required a major flow of inward investment to replace lost jobs and maintain the number of job opportunities for those in increasing numbers entering the labour market. Much has been done: but - and particularly in the light of the prolonged recession and likely manpower contraction - the task of maintaining an adequate inward flow has become increasingly difficult. The essential factor is stimulating a flow of investment at rapid growth in the UK economy, and this has recently been absent: high unemployment rates elsewhere in the country reduce the need for investors to look to Wales.

4. The position of industries, other than the basic industries referred to earlier, is also far from satisfactory. Although newer industries have expanded, older industries suffer from obsolescence (textiles in North East Wales for example). Industrial output growth, where it occurred, has not necessarily been accompanied by growth in employment.

BACKGROUND NOTE

WALES: EMPLOYMENT AND THE ECONOMY

1. The number of employees in employment in Wales since 1967 has remained fairly constant, between 1,102,000 and 1,111,000. However there has been a steady increase in the size of the labour force which has shown itself in an increase in the number unemployed. In 1973 there were 32,000 unemployed, by February 1974 this had risen to 38,500 (3.7%) and in September 1979 the total number of unemployed was 86,511 (7.9%).

2. The main factors contributing to the growth in the labour force were an increase in the working age population and an increase in female activity rates. In the period 1975 to 1991 the workforce in Wales is expected to increase by about 180,000: a 15% increase compared with an estimated overall workforce growth in Great Britain of 10%. Given that the numbers of jobs have remained almost static throughout the 1970s the growth in the working population presents very serious problems. If the present level of unemployment is to be contained at its existing level something around 1½% per annum increase in employment ie around 15,000 new jobs will be needed.

3. Although in the recent past there has been little or no growth in total employment, there have been dramatic changes in its type. Between 1974 and 1978 employment in the service sector grew by 10% while employment in manufacturing industries fell by 9%. This has resulted in a significant decline in male employment (54,000 in the period 1968-79) and a significant increase in female employment (48,000 over the same period); these changes reflect the decline in employment in mining, metal manufacturing, construction, utilities and transport sectors and the general diversification of the economy into service industry. Most expansion is likely to continue outside the manufacturing sector and to concentrate on female employment although the prime need is to increase male employment.

4. The estimates given above of the need for new jobs take no account of the current difficulties of the steel and coal industries which will result in further sizeable job losses.

EMPLOYMENT AND UNEMPLOYMENT

Background and Analysis

1. The September 1979 figures show that unemployment in Wales stood at 86,511 giving a rate of 7.9%, compared with 95,088 (8.7%) in September last year and 32,434 (3.1%) in September 1973. Corresponding rates for GB were 5.6%, 6.1% and 2.3%. In June, July and August the rates were 7.3%, 8.4% and 8.3% respectively with the June unemployment figure being the lowest for any month since June 1977.

2. Within these overall levels there are a number of variations both geographical and in relation to different age groups and Wales continues to have its share of unemployment blackspots whose position has deteriorated markedly compared with five years ago. The Rhymney Valley, Blaenau Gwent area, parts of South West, North West and North East Wales have unemployment rates above 10% compared with rates of less than 6% five years ago. Furthermore the unemployment situation in Wales relative to the rest of Great Britain has worsened over the last year or so - from 1.28 times the GB rate in September 1976 to 1.39 times in September 1979. A particularly worrying feature of the changes which have taken place over the last few years has been the disproportionate loss of jobs for males, and in the manufacturing sector. Between 1973 and 1976, the number of males in employment declined by over 24,000 and the total number of jobs in manufacturing by almost 27,000. Moreover, since mid 1976 a further 76,900 jobs have been notified as lost through redundancy: this includes 16,600 redundancies notified this year.

3. The growing number of school leavers unable to find work is also a disturbing feature of recent trends. Allowing for the increasing numbers of school leavers entering the labour market, it is still worrying that the number of school leavers unemployed in September 1979 was over 8,890 compared with 1,046 in September 1973 and 3,752 in September 1974.

4. The Special Employment Measures have had a significant effect in reducing the recorded level of unemployment: the acceleration of the Youth Opportunities Programme, for example, which currently provides opportunities for around 7,200 youngsters in Wales has undoubtedly been a major contributory factor in the decrease of over 2,000 between the levels of school leaver unemployment in September 1979 and September 1978 (8,892 and 10,985 respectively). Overall it is estimated that the total package of measures has benefited some 111,860 people and is still assisting around 23,800, many, but not all, of whom would otherwise be registered as unemployed.

ANNEX

Employees in Employment in Wales

	<u>Males</u>	<u>Females</u>	<u>Total</u>
1973	636,000	364,000	1,000,000
1974	621,000	371,000	992,000
1975	618,000	380,000	998,000
1976	612,000	383,000	995,000
March 1979+	601,000	392,000	994,000

+ Latest estimate in the DE quarterly series of employees in employment. Because figures have been independently rounded component parts do not sum to total.

Employees in Employment - Manufacturing Sector

	<u>Males</u>	<u>Females</u>	<u>Total</u>
1973	242,500	86,900	329,400
1974	244,000	91,500	335,500
1975	234,000	83,000	317,000
1976	225,100	77,600	302,700
March 1979+	-	-	303,100

Redundancies - Jobs Lost, Wales

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979*</u>
7,140	17,201	20,421	26,375	20,947	16,600

* Up to and including September 1979

Unemployment Rates - Not Seasonally Adjusted

	<u>Wales</u>	<u>GB</u>		<u>Wales</u>	<u>GB</u>
June 1973	3.1	2.4	January 1979	8.5	5.9
Dec 1973	3.1	2.1	February	8.4	5.9
			March	8.1	5.7
June 1974	3.2	2.3	April	7.7	5.4
Dec 1974	3.9	2.7	May	7.6	5.2
			June	7.3	5.4
June 1975	4.8	3.6	July	8.4	5.9
Dec 1975	7.0	5.0	August	8.3	5.9
			September	7.9	5.6
June 1976	6.9	5.5			
Jan 1977	7.7	5.9			
June 1977	7.3	5.9			
Dec 1977	8.4	6.0			
June 1978	7.9	5.9			
Dec 1978	8.0	5.5			

∅ Figure not available in December due to industrial action in some parts of the DE group.

EMPLOYMENT AND UNEMPLOYMENT

SPEAKING NOTES

General

1. The decline in unemployment in recent months is welcome. But it is still more than twice as high as when we were last in office and the trend is still unfavourable. The measures we have taken and others "in the pipeline" provide the conditions in which enterprise can flourish and jobs be created. But it would be unrealistic to expect substantial improvements in the short term.
2. Not only is unemployment in Wales twice as high as in 1973/74 but the gap between unemployment in Wales and the rest of Great Britain has widened over the last three years.
3. When you discount the number of people engaged on artificial temporary jobs, the unemployment situation is much worse than the figures suggest.
4. Of course, I accept that the special employment measures introduced by the previous Administration have ameliorated the effects of unemployment: indeed the Youth Opportunities Programme, whose aims we have endorsed, has been especially successful in providing additional opportunities for this year's school leavers. But the fact remains that these jobs are only temporary and what we need is permanent genuine employment.

Unemployment and Vacancies

Any analysis of unemployment is incomplete without a look at the nature and numbers of unfilled vacancies. The attached table gives a breakdown, by occupational groups, of the numbers of registered unemployed and unfilled vacancies for each county in Wales and for Wales as a whole.

It must be noted, however, that notified vacancies constitutes only a proportion (unknown) of total vacancies and that this proportion will vary with occupation, area and time. Nevertheless it does provide some evidence of disparities between different parts of the Principality. For example, the ratio of unfilled vacancies to unemployed in the case of clerical occupations is almost 5 times as high in South Glamorgan as in Gwent and in the case of craft occupations the ratio is 60% higher in Dyfed than in Mid Glamorgan. And in the case of managerial and professional occupations the ratio in West Glamorgan is more than twice as high as in Clwyd (and South Glamorgan for that matter). In other words an individual's chances of obtaining appropriate employment varies widely with area of residence.

Footnote: Figures relate to June 1979 - the latest date for which figures are available.

REGISTERED UNEMPLOYED AND VACANCIES NOTIFIED -
JUNE 1979

	South Glamorgan		Mid Glamorgan		West Glamorgan		Gwent	
	1	2	1	2	1	2	1	2
Managerial and Professional	1,358	164	510	112	1,185	318	526	95
Clerical and related	1,190	392	1,702	173	1,948	159	1,704	118
Other non-manual occupations	590	210	833	88	1,080	147	808	92
Craft and similar occupations	948	430	1,045	467	1,011	428	960	485
General labourers	4,837	21	7,342	60	4,041	86	5,849	166
Other manual occupations including farming and fishing	2,299	523	1,919	422	1,972	569	2,270	451
TOTAL	11,219	1,740	13,351	1,322	11,237	1,707	12,117	1,407

	Dyfed		Powys		Gwynedd		Clwyd		Wales	
	1	2	1	2	1	2	1	2	1	2
Managerial and Professional	614	97	151	90	564	118	1,524	185	6,432	1,179
Clerical and related	1,211	146	213	23	900	229	1,691	143	10,559	1,383
Other non-manual occupations	542	99	51	19	377	165	887	113	5,168	933
Craft and similar occupations	663	486	86	58	517	234	846	425	6,073	3,013
General labourers	2,077	93	491	51	2,025	109	2,218	118	29,880	704
Other manual occupations including farming and fishing	1,789	686	245	190	1,245	1,210	1,794	686	12,533	4,737
TOTAL	6,896	1,607	1,237	431	5,628	2,065	9,960	1,670	71,645	11,949

BACKGROUND NOTE

MANUFACTURING INDUSTRY - CLOSURES AND LAYOFFS IN THE PRIVATE SECTOR

The Engineering Unions strike had a serious effect on the production and cash flow of engineering companies throughout Wales. Many firms in the private sector are faced with a deteriorating trading situation, aggravated by high interest rates and, for exports, by the strong pound. An unusually high rate of closures and major redundancies are arising.

Closures announced so far this year of important plants, nationally or locally, include Triang Pedigree Ltd at Merthyr Tydfil (with the joint venture Morris Vulcan Company taking over part of its activities, only employing a small proportion of the previous workforce), approximately 600 jobs lost; Rosedale Mouldings and Lumex Ltd at Bedwas, 250 jobs; GKN Fasteners Ltd at Pembroke Dock, 180 jobs; American Hoist Ltd at Bridgend (a heavy engineering firm), just over 300 jobs; Homelton Tyre and Rubber Co Ltd at Pontypridd, 175 jobs; Chloride Power Ltd at Llanelli, 150 jobs; Sunblest Bakeries at Swansea, 250 jobs; and SCM Typewriters (a major employer at Porthmadog which has few other industries), approximately 200 jobs.

Significant layoffs announced or in prospect include further reductions at AB Electronics (one of Wales's foremost electronic firms), recent redundancies bring the workforce to some 1,000 below the 1977 level; Polikoff's Ltd, Treorchy (a clothing manufacturer and important employer in the Rhondda Valley), 400 reduction since mid 1978; South Wales Switchgear, Blackwood, 180 redundancies announced; P Leiner Ltd, Pontypridd (manufacturer of gelatin for medical uses), 150 reduction since 1977; Hymac Ltd, Pontlottyn (manufacturer of earth moving equipment), 99 redundancies announced; Crown Cork, Tredegar (manufacturer of bottle tops), 98 jobs lost in recent redundancies.

Employment could also be badly hit in Cardiff by 400 to 500 redundancies in prospect at GKN's important plant in the city.

Background note

The following run of figures (all at 1979 Survey prices) illustrates the overall position:

Total Expenditure on Welsh Office programmes, excluding Agriculture

£ million						
<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>
1044	1104	1145	1067	1069	1060	1054

The figures for the last three years will change to reflect final decisions taken at Cabinet in October. The changes will all be downwards.

The reductions in Welsh Office expenditure will occur at a time when the remedial work associated with steel-making closures in Cardiff and Ebbw Vale has not been completed, and measures will be necessary to alleviate the consequences of the steel-making closure at Shotton. There are also commitments in the General Election Manifesto for Wales to certain strategic road improvements which are essential for economic reasons. Money for all these purposes will have to be found from within the new planned levels of expenditure.

The difficulty is increased by the way expenditure figures are allocated to different programmes in the Survey/Vote system. Proposals have been put to the Treasury for a single Welsh Office PESC programme in place of the present collection of Welsh elements of functional programmes, and for matching changes in the Vote/Cash Limit structure. This would allow the Secretary of State some flexibility in re-allocating money within the agreed overall Departmental total. The Treasury see various difficulties in this which will take some time to resolve, so the discussion with the TUC should be held on the assumption that the Secretary of State does not have this flexibility.

The Wales TUC may argue against the principle of cutting public expenditure at all, in which case the Prime Minister will no doubt wish to rehearse to them the general lines of the Government's economic policy.

They may, however, pursue the more limited argument that expenditure cuts bear on Wales more severely than on England. To an extent this is true, because of the importance of the public sector in the Welsh economy (accounting for just under half of GDP), the retarded road Programme (Wales

has 8½% of its trunk roads as dual carriageways compared with 38% in England, 5½% as motorways compared with 21% in England), and the decaying housing stock (42.3% of the housing stock in Wales is pre-1919 compared with 30.3% in England, 15% is substandard compared with 10% in England). But the Prime Minister will wish to cut short any such special pleading.

There are still in Wales and elsewhere serious economic problems and the Government recognises these in its continuing programmes of regional support measures. At the same time, since public spending has to be reduced, regional support measures and other ways of bringing public sector support to areas such as Wales have to be reduced. In general the size of cuts in Welsh programmes are commensurate with the cuts in the analogous English ones.

Should the TUC raise points on any particular programme, the Prime Minister is advised to say firmly that such detailed matters are for the Secretary of State and should be pursued with him separately.



10 DOWNING STREET

Prime Minister

Room Briefing: Noon.

Lord Carrington will have
to leave your briefing at 12:30
to give lunch for Chairman
Horn. You may not wish
to be too late starting.

Paul

EXPENDITURE CUTS

Speaking notes

1. To the general argument that cuts bear unfairly on Wales

We have made it clear that public expenditure must be reduced. Wales has to take its fair share of cuts, and in the current exercise the size of cuts for Wales will be commensurate with those for England.

2. To the particular argument that the public sector is more important in Wales

We have said time and again that the public sector is taking up far too much of our productive effort. There are still in Wales and elsewhere serious economic problems and the Government recognises these in its continuing programme of regional support measures. However, the real solution is to get the balance of expenditure right between continuing support for the economically difficult areas and freeing the economy as a whole so that the rate of economic growth overall will rise.

3. To any question or argument about a particular programme

The size of our expenditure on particular programmes in Wales and the way it is spent are matters for Mr Edwards. If you have points to make then you should pursue them with him separately.

BACKGROUND NOTE

PUBLIC EXPENDITURE CUTS 1979-80, WELSH OFFICE PROGRAMMES

The total of reductions in the 1979-80 programmes within the control of the Secretary of State for Wales is £19 million. This comprises:-

	£ million
Housing provision	9.5
Welsh Development Agency	3.0
Welsh Water Authority	2.0
Provision for community land transactions	1.5
Net expenditure on health services (contained in programmes attributed to the Secretary of State for Social Services)	1.6
Expenditure on education services (contained in programmes attributed to the Secretary of State for Education)	1.3

The Wales TUC have organised a strong campaign against public spending cuts. They have predicted that, as a result of cuts in public spending and other budget measures, unemployment would rise to over 120,000 by mid 1980. This estimate was based on the assessment that 60% of employment in Wales is directly or indirectly supported by public expenditure. The TUC's assessment is very much on the upper limit of what is considered realistic in terms of the indirect effect of the public sector on employment in Wales but the Welsh Office would not disagree with their approach. Direct public sector employment in Wales is around 37%. Welsh Office estimates suggest it is most unlikely that unemployment will exceed 100,000 during 1980.

SPECIAL EMPLOYMENT MEASURES - EFFECTS OF PUBLIC
EXPENDITURE CUTS THROUGHOUT THE UK

GENERAL

1. In his Budget speech the Chancellor announced that the Secretary of State for Employment had reviewed the programmes of the Manpower Services Commission and the special employment programme of the Department of Employment and that savings of over £170 million would be made in the current financial year on these programmes.

LINE TO TAKE

2. We cut the measures because we believed some of them should be more sharply focussed on areas of high unemployment where the need is greatest.

3. All the present measures operate until 31 March 1980. The programme for 1980-81 will be reviewed later this year.

4. We attach great importance to the work of the MSC and the manpower programme it operates. But following a period of rapid expansion of the Commission's programmes, expenditure and staff there is now a need for consolidation.

5. The special employment measures cannot solve the unemployment problem. They can however provide job or training opportunities for those, especially young people, who would otherwise be unemployed.

REDUCTIONS IN MSC EXPENDITURE - BACKGROUND NOTE

4.

MSC SERVICES IN WALES: ESTIMATE 1979/80 AT FORECAST OUT-TURN PRICES

	1979/80 Estimates	Reduction	£m Revised 1979/80 Estimates
Employment Service	6.960	- 0.059	6.901
Training Services	14.299	- 1.314	12.985
Youth Opportunities Programme	16.971	- 2.580	14.391
Office for Wales	0.173	-	0.173
	<u>38.403</u>	<u>- 3.953</u>	<u>34.450</u>

EFFECTS OF REDUCTION EXERCISE

EMPLOYMENT SERVICES DIVISION

1. The reduction in expenditure is not likely to have a significant effect on normal ESD services for this year. There is some slowing down of the jobcentre programme; so far one project (Llantisant) has been abandoned and new and conversion work deferred on premises in Maesteg, Risca and Penygroes. Provisions under the Employment Transfer Scheme have been reduced.

TRAINING SERVICES DIVISION

2. The reduced TSD budget has necessitated a cut back of 1,100 training places provided in skillcentres, colleges and employers' establishments under the Training Opportunities Scheme. The areas of training affected are mainly the commercial, clerical and management courses, and those craft training courses for which there is little demand.

3. The building of an extension to Bangor College of Further Education for the provision of skillcentre training has been suspended. A decision about this will be made following a review of the existing skillcentre network and the planned provision. The review will be undertaken as part of the programme of Sir Derek Rayner, who has been appointed by the Government as adviser on the promotion of efficiency in Government administration.

SPECIAL PROGRAMMES DIVISION

Youth Opportunities Programme

4. The expenditure cuts in themselves will not lead to any reduction in the number of planned participants which still stands at 18-20,000 compared with 14,900 in 1978/79.

Special Temporary Employment Programme (Expenditure borne on Department of Employment Vote

5. Despite reductions in planned expenditure levels the commission are still aiming for an increase in the number of 'starts' over last year (3,000 compared with 1,400 in 1978/79).

SPEAKING NOTE

MSC SPENDING IN WALES

The reduction in the Commission's budget for this year will not lead to a reduction in throughput under either the YOP or STEP programmes; indeed the number of young persons taking part in YOP and adults on STEP will be considerably higher than last year.

The reduction will not have a significant effect on the Jobcentre programme and reductions on the training side have been concentrated on commercial and clerical courses with reductions in craft courses being confined to those for which there has been little demand.

Even with the reduction in the Commission's planned expenditure in Wales this year, expenditure will be substantially greater than last year.

1.

REGIONAL POLICY CHANGES - SPEAKING NOTES

GENERAL

1. The changes in regional policy must be set in context of the Government's overall economic strategy which is to provide the right climate for industry to invest and expand.
2. While regional policy is an important factor in the development of the assisted areas, it cannot be really effective unless the economic climate is right for the UK as a whole.
3. The Government is committed to a strong regional industrial policy but this has to be far more selective and to concentrate on areas of greatest need.

INWARD INVESTMENT FROM OVERSEAS

4. The changes in regional policy will not affect the overall attractiveness of the UK to inward investors. On the contrary the measures already taken to improve the economic climate nationally will increase its attractiveness.
5. In addition to the financial incentives available to investors in the assisted areas, the Secretary of State has made it clear that we are prepared to continue to contribute towards the costs of internationally mobile projects which would not otherwise come to the UK.

EFFECTS ON WALES

6. The needs of Wales for new employment have been kept very much in mind. 94% of the employee population of Wales will continue to be covered by assisted area status.
7. The areas to be downgraded will be cushioned by the transitional arrangements. No downgradings will take effect until 1980 (but the upgradings take effect immediately) and the changes will not be completed until 1982. Those areas due to lose assisted area status will only do so after a further review in 1981.
8. By its very nature regional policy cannot be static. The Secretary of State for Industry has indicated his willingness to consider any significant new developments in the employment situation of individual areas in Wales.

REGIONAL POLICY REVIEW - BACKGROUND NOTE

1. The outcome of the Government's Review of Regional Policy was announced by the Secretary of State for Industry on 17 July following a major review. The main features of the changes are:-

- i. a reduction in the size of the assisted areas, from a coverage of 40% of the employee population of GB to about 25% in August 1982 when the proposed changes are completed;
- ii. Regional Development Grants (RDGs) are no longer available in Intermediate Areas (IAs) and the rate in the Development Areas has been reduced from 20% to 15%;
- iii. Industrial Development Certificate (IDC) control has been relaxed: IDCs are no longer required in IAs and the threshold has been raised to 50,000 sq ft; and
- iv. tightening of the criteria for regional selective assistance under section 7 of the Industry Act 1972.

2. In making the changes the Government have sought to obtain better value for money. Regional industrial policy by being more selective will enable assistance to be concentrated on those areas with the most serious problems of unemployment and structural weakness. Public expenditure provision of £609m for 1982-83 will be reduced by £233m as a result of the changes.

3. The changes have no direct effect on the work of the Welsh Development Agency and the Development Board for Rural Wales. Their role in areas due to be descheduled in 1982 is subject to review. Areas which are to be downgraded completely will cease to be eligible for assistance under the European Regional Development Fund and, unless the Government alters the present arrangements, for tourism infrastructure grants under section 4 of the Tourism Act.

ASSISTED AREA COVERAGE IN WALES

At present the whole of the Principality has assisted area status. In terms of population this amounts to SDA 25.9%, DA 59.8% and IA 14.3%. In August 1982 when the transitional period ends these proportions will be SDA 12.9%, DA 46.7%, IA 34.4% and non-assisted 6.0%. In terms of territorial coverage the changes are larger - 61.6% of the land area of Wales will have assisted area status following the change.

The detailed changes by sub region are as follows:-

NORTH EAST WALES

This is currently Development Area except for Wrexham which was upgraded to a Special Development Area, as part of the review there is to be no change. Department of Industry Ministers have indicated their willingness to consider upgrading the Shotton TTWA to SDA in the event of closure of iron and steel production at Shotton.

NORTH WALES

This is currently Development Area except for Colwyn Bay, which is an Intermediate Area. Rhyl was made a Development Area as part of the review but otherwise the whole area will become an Intermediate Area next August.

NORTH WEST WALES

This is currently SDA. Anglesey is to remain SDA, and the rest of the area is to be regraded to DA next year. Particular concern about downgrading has been expressed in Gwynedd because of the rundown on the CEGB pumped storage scheme at Dinorwic which currently employs around 2,500 people - the majority of them local.

CENTRAL WALES

This is currently DA and is to be downgraded in stages to non-Assisted Area status by 1982, subject to review.

SOUTHWEST WALES

This is currently DA. It will remain DA apart from Tenby which will become IA and Carmarthen which will become non-Assisted by 1982, subject to a review.

SOUTH EAST WALES

The Valleys are currently SDA, the coastal plain DA and the area around Newport and to the border IA. The Valley areas of Rhondda, Ebbw Vale and Rhymney are to remain SDA. The remaining Valley areas will be downgraded to DA. The central coastal area centred on Cardiff and Barry will remain DA but Bridgend, Port Talbot and Swansea are downgraded to IA. The Newport area remains IA. Particular concern has been expressed about the downgrading of Merthyr Tydfil where the major employer, Hoover Ltd, is shedding labour and other closures and redundancies have occurred recently.

EFFECT OF REGIONAL POLICY CHANGES ON THE ABILITY OF THE UK TO ATTRACT INTERNATIONALLY MOBILE INDUSTRY

BACKGROUND NOTE

1. The high level of regional development grant (22%) in special development areas will continue to be a powerful incentive for inward investors as will the rate of RDG in development areas, although this has been reduced from 20% to 15%. Regional selective assistance will continue to be available in all the assisted areas where it is necessary for projects to go ahead.
2. Assistance will continue to be made available under Section 8 of the Industry Act to attract internationally mobile projects which would not otherwise come to the UK. These arrangements together with the incentive to investment offered under the system of company taxation mean that overall the UK will continue to match the incentives available elsewhere. The steps taken by the Government to establish the right climate for industrial development and regeneration mean that the UK should become a more attractive base for inward investment.

COMPARISON BETWEEN THE EFFECTS OF REGIONAL POLICY CHANGES IN WALES AND THE REST OF GREAT BRITAIN

1. The Wales TUC are likely to argue that because of its economic difficulties Wales has a greater need for regional assistance than many other parts of Great Britain and that in this context the impact of the review of regional policy is likely to be more severe in Wales than elsewhere. A straight comparison of the position in terms of % of employee population is as follows:

		Wales	GB
July 1979	IA	14	20
	DA	60	11
	SDA	26	13
	Total	100	44
August 1982	IA	34	7
	DA	47	7
	SDA	13	11
	Total	94	25

94% of the total employee population of Wales will continue to be covered by AA status compared to 25% in Great Britain as a whole.

2. Of the total savings of £233m estimated to accrue in 1982-83, when the changes will have full effect, some £37m will come from cuts in regional development grants (£35m) and selective financial assistance (£2m) in Wales. The cut in regional development grant is almost 50% of the expenditure incurred in Wales in 1978/79 which amounted to £71.5 million.

FINANCIAL ASSISTANCE UNDER THE 1972 INDUSTRY ACT
BACKGROUND NOTE

During the financial year 1978/79 289 applications were received for projects in Wales for financial assistance under Section 7 of the 1972 Industry Act (to create or safeguard employment) and 191 offers were made with a total value of just over £14m. These projects involved a total investment of £230m and are expected to create or safeguard nearly 10,600 jobs.

A similarly high level of demand continued in the first half of 1979/80 under the old rules for assistance prior to the announcement on changes in Regional Policy on 17 July. 148 applications were received and 103 offers were made with a total value of nearly £9m in respect of projects involving a total investment of £85m expected to create or safeguard nearly 7,000 jobs.

Since the new scheme was introduced, with more rigorous criteria, making assistance very much more selective, some 50 enquiries have been received but only 3 have reached the stage of formal applications and no offers have been made to date. It is too early to say whether this experience reflects a serious downturn in investment intentions, but there is considerable concern about reduced incentives under Section 7, the new assisted area boundaries, and the reduced availability of tax free assistance from regional development grants. A number of firms have expressed doubts whether they will be able to proceed with planned expansion. New high technology projects by Signode Ltd and Siliconix at Swansea in particular have attracted publicity in this respect. At this time discussions with the firms are in progress with a view to the maximum assistance now possible being offered.

An article which appeared in the Guardian on 18 October suggested that the revised criteria were again under review because they had had too harsh an effect on the number of applications.

In fact the number of applications received in August/September was low following the usual pattern during the holiday period. In addition the number of applications in June/July was exceptionally high as companies attempted to forestall possible changes in regional policy. It is therefore too early to judge the effects of the changes which were intended to reduce the number of applications by concentrating assistance on projects which need it and which will provide more secure and more productive jobs.

FINANCIAL ASSISTANCE UNDER THE 1972 INDUSTRY ACT
EFFECT OF THE NEW CRITERIA - SPEAKING NOTE .

It is too soon to say what effect the revised criteria are having on applications for assistance. The number of applications in August and September was low as is usual during the holiday period. The new regulations are intended to reduce the number of applications and to concentrate assistance on projects which need it and will provide more secure and worthwhile jobs.

CHANGES IN THE REGIONAL DEVELOPMENT GRANTS SCHEME

1979

1. On 17 July/the Secretary of State for Industry announced the following changes in the RDG Scheme:
 - (a) an increase in the minimum value limits below which grant will not be paid on individual assets from £1000 to £5000 for buildings and works, and from £100 to £500 for machinery and plant;
 - (b) a reduction in the rate of grant payable on plant, machinery, buildings and works provided in the Development Areas from 20 per cent to 15 per cent;
 - (c) the discontinuance of the 20 per cent grant payable on buildings and works provided in the Intermediate Areas.
2. Changes in the extent and status of certain Assisted Areas, which have implications for eligibility for RDG, were also announced.

TRANSITIONAL ARRANGEMENTS

Minimum Value Limits

3. The new limits apply to assets provided on or after 18 July 1979. However, where assets affected by the changed minimum values are provided on or after 18 July, grant will be payable on any part of the expenditure defrayed before that date.

Changes in Rate of Grant

4. Grant at the old rate is payable on expenditure defrayed (ie payment made) before 18 July 1979 and on assets provided (ie buildings and works completed, plant and machinery ready for use) before 1 August 1980. Otherwise the reduced rate of grant, or no grant, will be payable.

Upgraded Areas

5. Grant will be payable at rates applicable to an area's new status on expenditure defrayed on or after 18 July 1979 on plant, machinery, buildings and works provided on or after that date.

Downgraded Areas

6. Grant will be payable at the rates applicable to an area's pre-announcement status on expenditure defrayed before 18 July 1979 and on assets provided before 1 August 1980. Otherwise grant will be payable at the new DA rate of 15%, or, where an area becomes an IA on 1 August 1980, no grant will be payable. In the case of Newbridge Employment Office Area currently on SDA but becoming a DA on 1 August 1980 and an IA on 1 August 1982, grant will be payable at the rate of 22% on expenditure defrayed before 18 July 1979 and on assets provided before 1 August 1980; and at the rate of 15% on assets provided between 1 August 1980 and 31 July 1982 (inclusive), no grant being payable thereafter.

BACKGROUND NOTESECTION 8 of the INDUSTRY ACT, 1972

Assistance under Section 8 is available throughout the UK (unlike Section 7 which is only for the Assisted Areas) for projects that are in the national interest. It has been provided through two main channels:

(a) Sectoral Schemes

These were aimed at specific areas of industry. All but three (Footwear, Redmeat Slaughterhouse and Energy Conservation) have now closed. Applications for these schemes, and those still being processed for closed schemes, will be considered against existing criteria.

(b) Selective Investment Scheme

This was aimed at projects over £0.5M which would result in a significant improvement in performance. It closed on 30 June 1979. The outstanding applications will be considered against existing criteria, but more stringently so that marginal projects will no longer be approved.

For the future assistance under Section 8 will be available for viable projects which are either internationally mobile or which will lead to very substantial improvements in performance or to the introduction of new products. Assisted projects will be expected to produce a substantial net contribution to UK output or to introduce a significant degree of innovation to the UK.

Dow Corning Ltd

The decision to offer Section 8 assistance of £18.25M to Dow Corning Ltd ('DCL') towards a £135M expansion of their plant at Barry in South Wales was made public on 11 September. The new investment will enable DCL, a subsidiary of Dow Corning Inc of the USA ('DCI'), to become a major manufacturing site and to act as the distribution centre for worldwide markets. More than 75% of the output of the new plant will be exported, leading to



a net increase in UK output of £68M by 1988 when the plant will be fully onstream. The project will also create an additional 125 jobs in a Development Area.

The package of £33M (£18.25M Section 8 and £15M Regional Development Grants) includes some £4.35M of Section 8 assistance, negotiated as partial compensation for the loss of expected RDGs suffered by Dow Corning as a result of the change in the rate of grant for Development Areas, without which the project would not have been sited in South Wales.

Savings made by the Change of Policy

The change in policy, leading to tougher criteria and more stringent appraisal of cases, will result in savings which have already been taken into account in the Review of Public Expenditure which took place in the summer.



SPEAKING NOTES

SECTION 8 OF THE INDUSTRY ACT, 1972

The policy changes announced in July for Section 8 of the Industry Act were designed to introduce tougher criteria and a greater degree of selectivity as part of our process of ensuring that assistance in the form of taxpayers' money is only given where it is clearly and unmistakably justified. However, we shall continue to use Section 8 to attract internationally mobile projects to this country, as well as to assist worthwhile domestic projects that will produce a substantial improvement in performance or introduce new products or technology.

We know that other Governments offer incentives to persuade companies to locate projects in their countries.

We have recently provided over £18M of assistance under Section 8 to Dow Corning for an expansion of their silicone plant at Barry in South Wales which will cost £135M. The economic benefits to the area once the project comes onstream should be very substantial.

DISPERSAL - BACKGROUND NOTE

1. The Wales TUC were active in their support for the previous Administration's proposals to disperse nearly 6,000 civil service jobs to South Wales over the next 5 years. The Government's revised dispersal package provides for only about 800 posts in the Export Credit Guarantee Department moving to the Cardiff Area. The biggest loss is the proposed move of the procurement arm of the MOD which was to have moved over 4,000 jobs to the Cardiff/Newport area.
2. The TUC may refer to the continuing need for new job opportunities in the Cardiff area, in the light of the closure of steelmaking at East Moors and the loss of about 500 jobs recently announced by the GKN Company.
3. The future of vehicle excise duty which is handled by the Driver and Vehicle Licensing Centre at Swansea is currently under review.

CONFIDENTIAL:

A range of options entailing the loss of up to 670 jobs at DVLC will shortly be considered by Ministers collectively. It is estimated that if no change takes place, the centre will employ about 4,650 people in 1980/81.

Vehicle Licensing Centre

DISPERSAL - SPEAKING NOTE

1. The decision not to proceed with the dispersal programme was taken because of its high cost. What was eventually decided will save more than £200m in planned public expenditure.
2. The decision not to go ahead with the MOD dispersal in no way reflects on Cardiff's suitability and the retention of Development Area status for the area is an indication of the Government's commitment to attract both white collar and manufacturing jobs to the area.

BRITISH STEEL CORPORATION

Background Note

The cash limit for the BSC in 1979-80 has been set on the basis that the Corporation achieves break-even by March 1980, and management are gearing their plans to this objective now endorsed by the Secretary of State for Industry's announcement that the Corporation has been set a target of operating at a profit in the 1980-81 financial year after providing for depreciation and interest. The cash limit in 1980-81, will be set at a level intended when taken with internally generated funds to cover only fixed investment and other essential capital requirements; the Government has said that it is not prepared to finance the operating losses of the Corporation which has received over £3,000m from the public purse over the past 10 years with minimal return in the form of dividends.

Possible Questions

What place does the Government see for the UK steel industry in its strategy for the early 1980's?

The size of the future market for British steel will depend crucially on our ability to sell products of the required quality at the right price in an increasingly competitive market. If the industry is not to be a drain on the taxpayer, this means that productivity must improve to match competitors' levels.

Government's financial squeeze risks future of even BSC's modern steelworks which would leave UK vulnerable to imports in future upswing in demand.

As the BSC Chairman has said:-

'The future of each of the modern steelworks is ultimately in the hands of its management and workers. If they cannot compete on economic basis and markets are lost, the cost and risk to the country of keeping unduly large amounts of under-utilised capacity is simply too great to be sustained'.



THE STEEL INDUSTRY IN WALES

Background Note

BSC's main works in Wales are grouped into the Corporation's Welsh Division, which in April had 48,400 employees (out of 169,700 in BSC^{Iron and Steelmaking} as a whole). Last year the Division lost £96.6 million (BSC total loss £309 million). The major steelworks are those at Port Talbot, Llanwern and Shotton. All of these works lost money last year - the loss per tonne being highest at Shotton, the UK's last remaining works to use the obsolete open hearth steelmaking process, which lost £23.9 per tonne (Llanwern £17.3 million per tonne and Port Talbot £14.4 million per tonne).

2 BSC continues to invest heavily in its Welsh Division. The 9 major investment schemes listed in the most recent annual report involve a total expenditure of £302 million, of which £247 million is going on schemes at Port Talbot.

3 In April 1978 BSC announced its objective of achieving operation at break-even after depreciation and interest by March 1980. On 3 July 1979, the Secretary of State for Industry announced that he had set the Corporation the target of operating at a profit in the 1980/81 financial year after providing for depreciation and interest. To reinforce this target the cash limit for 1980/81 will be set at a level intended with internally generated funds to cover fixed investment and other essential capital requirements. (No change has, however, been made to the £700 million cash limit for 1979/80, set by the previous Labour Government). BSC are therefore seeking to achieve savings and improved performance throughout the business. The Corporation has told the Steel Industry Management Association (not affiliated to the TUC) that the cost reduction programme for the Welsh Division seeks to produce savings worth £56 million in a full year, of which £38 million will come from closures. The major closure proposed in the Division is the end to iron and steelmaking at the Shotton works in North Wales

JOB LOSSES IN WALES

4. There has been a substantial reduction in steel industry employment in recent years. In the public sector about 7500 jobs have been lost since 1977, including about 4000 at Ebbw Vale and 3000 at East Moors, Cardiff. Further reductions from demanning are planned or in progress.

In the private sector 1000 jobs were lost when the Dupont steel works at Briton Ferry closed in November 1978 and GKN (Cardiff) are reducing their workforce by about 500 over the next few months.

BSC SHOTTON: BACKGROUND NOTE

1. BSC presented its proposals for closure of Shotton's "heavy end" on 12 July to the TUC Steel Committee. On 2 October the Corporation told the TUC Steel Committee that a total of 6,400 men will lose their jobs (leaving 4,200 men working in the cold strip mill and coatings department, and on the two coke oven batteries, which will not be affected by the closures) in the period between December and March 1980. The "finishing end" at Shotton would then be supplied by steels from the newly expanded Ravenscraig Works and from the South Wales works. The Corporation next meets the TUC Steel Committee on 9 November, which will allow the unions time to study a 52 page BSC document on the closure.

2. There have been many calls for Government intervention. The Government has said that the future of individual works is a matter for BSC, whose responsibility it is to take decisions about particular plants in the light of BSC's need to operate efficiently and commercially. This view was emphasised on 2 October when Sir Keith Joseph received a large delegation representing local authority and trade union interests led by Clwyd County Council.

3. One reason argued in favour of intervention is that Government should seek to make BSC honour the pledge given on 16 March 1977 when BSC withdrew its then closure proposals for Shotton steelworks. The pledge is at Annex A. BSC have made clear that economic and market circumstances have changed radically since the pledge, but have acknowledged that the negotiations should take this into account. The Government has made it clear that such intervention on its part would be wrong.

LINE TO TAKE

1. The Prime Minister can say that the future of individual steelworks remains a matter for BSC, whose management must take decisions in the light of the need to secure efficient and profitable operation. The market for steel remains very difficult. There is still too much capacity in relation to demand, despite

/the substantial ...

the substantial closures effected by BSC under the last Government (for example at East Moors in Cardiff and at Ebbw Vale).

2. This Government, like its predecessor, has recognised that BSC's losses are running at an unacceptably high level, and that action must be taken to deal with the present situation. This inevitably involves painful but necessary actions by the Corporation.

3. While the Government accepts fully that it has a responsibility for helping to mitigate the ill-effects of closure, it remains convinced that it would not be in the interests of those who work in the steel industry for Government to interfere with steps being taken by BSC to achieve viability. As custodian for the interests of the taxpayer, the Government has set a financial target for the Corporation which BSC believes to be challenging but realistic.

4. There has been no arbitrary cut-back of BSC's cash limit for this year and the Government's target is fully consistent with the objective set by BSC last year (and which was indeed endorsed by the previous Administration in their last public expenditure White Paper).

CONFIDENTIAL

5. The Government is considering what further measures might be taken to help create alternative employment in and near Shotton following the closure, including a review of infrastructure priorities. In particular, we are examining the scope for the construction of more advance factories and looking most carefully at the case for making the area a Special Development Area, as indicated by Lord Trenchard in July.

PORT TALBOT/SHOTTON: CHAIRMAN'S STATEMENT

The following statement was made by the Chairman of the Corporation, on behalf of the Board, on 16th March 1977, at the time of the Government's announcement of proposals for the development of iron and steel making capacity at Port Talbot and the future of the facilities at Shotton:

'This statement involves the doubling of iron and steel making capacity at Port Talbot to 6 mtpa over a period of years at a cost of £835 million at 1977 prices and it removes any proposal or date for the termination of iron and steel making at Shotton. (mtpa - million tonnes per annum of liquid steel.)

Our recommendation to Government is based on these considerations:

1. BSC must at all costs regain its lost share of home and export markets which means convincing its customers that it can always supply their reasonable requirements and does not "lag behind the market".
2. The future demand for hot strip mill products (which is what is made at Shotton and Port Talbot) is extremely hard to foresee. It is probably growing more slowly than was expected five years ago, but the advent of North Sea oil and other factors could revive it. BSC's strategy must therefore be to get into a flexible and balanced position (not easy in the steel industry) from which it can "remain ahead of the market", without creating acres of unused capacity.
3. Investment in BSC's plants was, for many reasons, neglected for many years. The last five years have seen a big improvement; the next five years are critical for modernisation, combined with the recapture of market share, and becoming profitable.
4. Resources for development, particularly finance, are limited and BSC has to choose where it will get the best value for money in the long - 30 years - life of its main investments. The medium term return on capital under any of the main options at Port Talbot/Shotton is not very different, so the decision becomes a matter for commercial prudence and development strategy.
5. There are clear limitations to the development of Shotton beyond 1.85 mtpa, which are both infrastructural and connected with iron and steel making; these would be expensive to overcome. At Port Talbot the expansion is virtually unlimited by reason of its harbour and other existing facilities, so Port Talbot has to be the preferred site.
6. To try to develop both Shotton and Port Talbot at the same time would invite customers' anxiety about the adverse effects on production of disruption at both plants. To develop Port Talbot without being covered by Shotton's production would do likewise. To terminate Shotton's iron and steel capacity in the foreseeable future would be to close important options as to Shotton's place in the next phase of hot strip mill development. To invest large amounts of public funds in new iron and steel making facilities at Shotton would be to create excess capacity and to close many options

/as well ...

as well as causing disruption to production and divert resources from the essential development at Port Talbot.

7. Provided iron and steel making continues at Shotton we shall be able to undertake the Port Talbot development in a controlled deliberate way, ensuring the maximum economy and efficiency in construction.

The combined trade unions at Port Talbot have given a commitment to achieve international manning levels and productivity at the rate of 500 tonnes of liquid steel per man year in a developed Port Talbot Works.

Our recommendation to Government is as follows:

We recommend in accordance with the Ten Year Strategy for Steel approved by Parliament in 1973 the development of our works at Port Talbot to 6 mtpa at a deliberate pace to meet the market and to ensure a controlled development. A blast furnace and BOS converter would be installed as well as the first new continuous caster. A new strip mill and coke ovens are already approved. Two other continuous casters would be built as the development proceeds. The ancillary facilities would be built as required. The cost of the above development is expected to be £835 million at 1977 prices.

In view of our commercial objectives and of our proposal for the development of Port Talbot on the above basis we have decided to remove any proposal or date for closure of iron and steel making at Shotton. This decision will not be reviewed during BSC's current five-year plan beginning 1977. We do not intend to spend further large amounts of public money at Shotton Iron and Steel Works at this stage. The coating complex there (which will be the most advanced in Europe) is about to be completed at a cost of £47 million. The open hearths at Shotton will be brought up and kept in prime condition, and we shall want Shotton's steelmake for many years to come. The "Shotton Option" remains open for technological progress, new commercial requirements and other potential development of hot rolled coil in the second half of the eighties.

This plan is commercial, practical and prudent and it maintains employment in Wales. It has been approved by Government, as was announced by the Secretary of State for Industry in the House of Commons on 16th March 1977.

Charles Villiers'

BACKGROUND NOTE

SHOTTON CLOSURE - REMEDIAL MEASURES

1. The proposed closure of the heavy end at Shotton with associated finishing processes will involve about 6,000 direct job losses which, together with about 500 job losses due to demanning, will give a total job loss of 6,500 if closure is implemented as planned between December and 31 March 1980. This will occur at a time when the area has already lost about 2,000 jobs in the textile industry over the last 3 years and against a background of expectation of stability of employment in the steel industry until 1982/83.

The pledge by the Chairman of BSC (endorsed by the previous Administration) of the continuation of steelmaking at Shotton until at least 1982/83 has been repeatedly referred to by the unions, local authorities and others since the Corporation made its first announcement last July of bringing forward the closure of the heavy end at Shotton.

2. The effect of the Shotton closure will be especially severe on Deeside where 73% of the Shotton workforce live. Its effects will however extend further to other parts of North Wales, notably Wrexham where about 10% of the Shotton workforce reside (and which has recently been upgraded to SDA status), as well as to Chester and Merseyside.

3. The Wales TUC, local unions, local authorities and other organisations in the area are totally opposed to closure and have expressed extreme concern about the level of central government support which will need to be made available to provide remedial measures to meet the unemployment problems created by the loss of 6,500 jobs in a very short period.

In commenting on the BSC closure decision on 12 July, Lord Trenchard's statement said that the Government would give urgent consideration to what further measures might be taken to help create alternative employment including a review of infrastructure priorities and the scope for construction of more advance factories as well as the case for making Shotton a Special Development Area.

4. The Wales TUC are likely to raise the question of Government support for remedial measures in the event of closure and at this stage nothing can be added to Lord Trenchard's statement. They may also say that the number of jobs in prospect in the area is unknown but likely to be inadequate in the

context of the massive redundancies. The most recent estimates show that there are almost 1,000 jobs in the pipeline for the Shotton Travel-to-Work area (arising over the next 3 to 4 years) and this could of course be quoted. There are also about 2,150 new jobs in prospect in the Wrexham Travel-to-Work area although unemployment in Wrexham is already at a very high level. (12.4% in September).

5. Industrial Development in the Shotton area

The Welsh Development Agency own 157 acres at Deeside Industrial Park and 48 acres at Engineer Park, Sandicroft. The Agency have already built 17 factories totalling 153,000 sq ft at Deeside and all but 2 (which have prospective tenants) have been allocated. In addition 100 acres at Deeside is being made suitable for industrial development by raising the level of the land but further expenditure of about £5m will be needed to provide the complete infrastructure services for the estate before building can begin.

6. SDA status for Shotton

The Prime Minister will know that the EEC have been advised of the Government's intention to upgrade Shotton to SDA status in the event of closure and no difficulties with the Commission are anticipated. However this cannot be revealed.

7. Representations

The Prime Minister should also be aware that there are plans to embark on major demonstrations against the Shotton closure soon after Parliament reassembles. This will involve intensive lobbying of MPs at Westminster.

REMEDIAL MEASURES

THE EXPERIENCE OF EBBW VALE AND CARDIFF - BACKGROUND NOTE

The iron and steelmaking departments at Ebbw Vale have closed in phases since 1975; between January 1975 and January 1979 some 4,000 jobs were lost. During this period the Government approved initially, some £12.6m (later increased to £17m) for additional expenditure to assist in providing new employment and to improve the infrastructure. This money covered factory building, clearance of derelict land, water and sewerage schemes and assistance to local authorities for the preparation of industrial sites. When the accelerated closure of those parts of the works was agreed a further package of £12m was announced in April 1978. Of this £8m was allocated to the Welsh Development Agency for 1978/79 to provide new jobs and to accelerate the development of the Rassau Industrial Estate. This was translated into the building of 48 factories (464,000 sq ft). The further sum of £4m was earmarked for Rassau for 1979/80. In all these factories will provide jobs for 800/900 initially with the prospect of double the number.

After agreement had been reached in March 1978 on the accelerated closure of the East Moors works at Cardiff by April 1978, the Government announced a £13m package of aid over the 3 year period 1978/81 to help provide jobs in the Cardiff area to offer the 3,100 job opportunities lost at East Moors. £4m was provided for 1978/79 and the further £9m for the period 1979/81. In May 1978, the WDA announced that they would build 20 advance factories (250,000 sq ft) in Cardiff to provide 500 jobs initially, rising to double that number over 3 years.

The TUC will argue that at least comparable financial support should be made available to deal with the Shotton closure which because of its size and unexpectedness will have a more serious impact on Deeside and surrounding areas.

STEEL IMPORTS

Press reports suggest that the Wales TUC will raise the question of temporary import controls on steel to delay the scheduled closure of the Shotton steelworks. (Copy of Western Mail report attached).

The Wales TUC have been in correspondence with the Secretary of State earlier this year seeking the Government's views on various matters including import controls. The Welsh Office statement referred to in the Western Mail report sets out the Government's view that where competition from low cost sources increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without unacceptable disruption the Government would be prepared to consider selective import measures of a temporary nature. That remains the Government's position but does not apply to the circumstances of the British steel industry.

The attached tables show the degree of penetration by imports, their source and the balance of steel imports and exports. If the Wales TUC suggest import cuts as an alternative to the Shotton closure the following points can be made:

1. Imports of finished steel have remained fairly stable in the region of 21 per cent of total deliveries in the UK since 1975.
2. Three fifths of our steel imports come from Common Market countries. Any restriction of these imports would be illegal and could be overturned in the UK Courts.
3. The large surge in imports came in 1974 and 1975 when industrial difficulties (including the 3 day week) made many UK steel users look for a second source of supply abroad.
4. The only sure way of recapturing a larger share of the domestic market is by being competitive in price, quality and service, as BSC themselves recognise. This requires the effective operation of the modern plant that is now available. The retention of outdated plant obstructs rather than helps the process. It must be remembered that our steel-using industries have to compete with foreign manufacturers who buy their steel from the best sources available to them.

5. In total the UK is exporting about half a million tonnes more than it imports.

6. Imports from non-Community sources are the subject of voluntary agreements between the Commission and the main supplying countries on volume and price. Being part of the Commission's short-term anti-crisis measures for steel, these are only temporary but the UK is pressing for their renewal in 1980.

7. Imports of steel from the Community are large but they have been declining since the peak year, 1974. On the other hand our steel exports to the Community, although smaller, have grown substantially since 1975.

8. [If reference is made to the higher level of imports in the second quarter (and August 1979)] 7.

Imports in the first quarter were unusually low, being no doubt distorted by bad weather and industrial action. Taking the first half of the year as a whole, import penetration by finished steel was 21.5 per cent.

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1974 1st Q	1974 2nd Q	1974 3rd Q	1974 4th Q
FINISHED STEEL														
Imports				2,143	2,506	3,338	3,280	3,374	3,096	3,245	616	922		
net home deliveries + imports				16,859	19,798	18,868	15,830	16,360	15,220	15,480	3,623	3,539		
Import penetration: %				12.7	12.7	17.7	20.7	20.6	20.3	21.0	17.0	26.1		
STEEL FOR CONVERSION														
Imports				518	272	470	456	720	623	427				
Estimated UK consumption of steel in crude steel equivalent				22,210	24,130	23,130	21,440	21,130	20,520	20,050				
Import penetration: %				2.3	1.1	2.0	2.1	3.4	3.0	2.1				
STEEL (INCL. MATERIAL FOR CONVERSION)														
Total imports	2,137	2,243	2,033	2,661	2,778	3,808	3,736	4,094	3,719	3,672	681	1,069		
of which : EEC	885 (41%)	642 (28%)	850 (42%)	1,191 (45%)	1,515 (55%)	2,751 (72%)	2,603 (70%)	2,590 (63%)	2,345 (63%)	2,231 (61%)	430 (63%)	634 (59%)		
: EFTA	395 (18%)	311 (14%)	348 (17%)	470 (18%)	476 (17%)	420 (11%)	445 (12%)	506 (12%)	493 (13%)	653 (18%)	124 (18%)	200 (19%)		
: E. Europe	189 (9%)	126 (6%)	126 (6%)	187 (7%)	164 (6%)	94 (2%)	63 (2%)	243 (6%)	338 (9%)	209 (6%)	15 (2%)	59 (6%)		
: Other	668 (31%)	1164 (52%)	709 (35%)	813 (30%)	623 (22%)	543 (14%)	625 (17%)	755 (18%)	543 (15%)	579 (16%)	112 (16%)	176 (16%)		
Total exports	3,631	3,842	4,706	4,444	4,026	3,133	3,021	3,543	4,266	4,216	896	1,254		
of which : EEC	676 (19%)	692 (18%)	609 (13%)	676 (15%)	857 (21%)	746 (24%)	677 (22%)	1,007 (28%)	1,161 (27%)	1,266 (30%)	304 (34%)	434 (35%)		
: EFTA	435 (12%)	617 (16%)	535 (11%)	513 (12%)	502 (12%)	395 (12%)	350 (11%)	410 (11%)	462 (11%)	423 (10%)	82 (9%)	129 (10%)		
: E. Europe	57 (2%)	100 (3%)	133 (3%)	182 (4%)	117 (3%)	114 (4%)	190 (6%)	262 (7%)	198 (5%)	152 (4%)	45 (5%)	66 (5%)		
: Other	2,463 (68%)	2,433 (63%)	3,429 (73%)	3,073 (69%)	2,550 (63%)	1,878 (59%)	1,804 (59%)	1,864 (53%)	2,445 (57%)	2,375 (56%)	465 (52%)	625 (50%)		
Trade Balance	+1,494	+1,599	+2,673	+1,783	+1,248	-675	-715	-651	+547	+544	+215	+185		
of which : EEC	-209	+50	-241	-515	-658	-2,005	-1,926	-1,583	-1,184	-965	-126	-200		
: EFTA	+40	+306	+187	+43	+26	-25	-95	-96	-31	-230	-42	-71		
: E. Europe	-132	-26	+7	-5	-47	+20	+127	+19	-140	-57	+30	+7		
: Other	+1,795	+1,269	+2,720	+2,260	+1,927	+1,335	+1,179	+1,109	+1,902	+1,796	+353	+449		

Source: EcS3e

Source: ISSB

FINISHED STEEL (EXCLUDING MATERIAL FOR CONVERSION)

IMPORT PENETRATION

	Imports	Net home deliveries plus imports	Import penetration
	'000 tonnes	'000 tonnes	%
1972	2,143	16,859	12.7
1973	2,506	19,798	12.7
1974	3,338	18,868	17.7
1975	3,280	15,830	20.7
1976	3,374	16,360	20.6
1977	3,096	15,220	20.3
1978	3,245	15,480	21.0
1979 (Jan to June)	1,538	7,162	21.5

PRESS CUTTINGS SERVICE

Name of Paper

Western Mail

Date

25:10:79

CEP 8301552

TUC seeks import controls on steel

WALES TUC leaders will ask the Government on Monday to consider the introduction of temporary import controls to delay the scheduled closure of Shotton Steelworks.

The Welsh trade unionists — who are due to meet Mrs. Thatcher at Downing Street — are pinning their hopes on a statement made by the Government to the Welsh union movement earlier this year.

Despite the basic Conservative philosophy of free competition, the Wales TUC was told that the Government recognised there could be a case for temporary steel import restrictions.

The statement, from the Welsh Secretary's office, declared, "There may be instances where competition,

By ANDY PHILLIPS,
Labour Correspondent

particularly from low-cost sources, increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without unacceptable disruption.

"Under such circumstances, the Government would be prepared to consider selective import measures of a temporary nature."

On Monday, the Wales TUC delegation hopes to persuade Mrs. Thatcher that the planned closure of Shotton, with more than 6,000 redundancies, falls into the special category defined by the policy statement.

A TUC spokesman said, "Some 41

per cent. of the market for the type of steel produced at Shotton is supplied by imports.

"Temporary protection measures would give Shotton a breathing-space to look at ways of retaining steelmaking, and increased demand for its products would ease the crisis situation it now faces."

Government officials confirmed that the earlier response to the Wales TUC remains official policy.

"As a general rule the Government is of course against restrictions on trade, but does recognise that special circumstances can exist," said a Whitehall spokesman.

"In the case of the steel industry, there are existing agreements on trade regulation but any proposals put forward by the Wales TUC will be carefully considered."

FURTHER COKING COAL IMPORTS BY THE BSC

Speaking Note

At the Government's request the National Coal Board and the British Steel Corporation are at present jointly considering the Corporation's future demand for coking coal.

I understand the concern in the South Wales coalfield.

When the NCB and the BSC have completed their discussions, the Government will be able to consider what action, if any, it should take.

Background Note

CONFIDENTIAL

The BSC have recently informed the NCB that their imports of coking coal in 1980 will be at least 2.4 million tonnes, that they have taken steps to secure a further 1.25 million tonnes and are contemplating importing additional tonnages beyond this.

Although discussions between BSC and NCB on the Corporation's future coking coal requirements and how these can be met are not completed, BSC have already told NCB South Wales (22 October) that from 29 October they would be reducing their purchases of South Wales and Staffordshire coals by 7,700 tonnes per week and 5,000 tonnes per week respectively. The reduction for South Wales would be increased from 1 January to 9,700 tonnes per week.

The NCB and NUM in South Wales have reacted strongly to the BSC decision. There have been reports in the South Wales press of the NUM concern about BSC's intention to increase their imports of coking coal (copy of article in Western Mail attached) and Mr Emlyn Williams, South Wales NUM President has spoken of the possibility of industrial action. Almost certainly the NUM will have raised the matter with the Wales TUC and have briefed them to broach the subject at their meeting with the Prime Minister.

The Welsh area of the NCB say the loss of market for a half a million tonnes of coking coal (against an estimated coal field production of deep mined coking coal this year of about $3\frac{1}{2}$ million tonnes) will inevitably add to already high stocks of coal (which would be opposed by environmental lobby who have opposed such stocking in the past) or lead to colliery closures if alternative markets cannot be found. (The NCB area Director has said some profitable pits might be put at risk).

Following discussion in E(EA) Committee on 25 July the Secretaries of State for Energy and Industry informed the NCB and BSC that the Government was prepared in principle to provide support on a declining basis for sales of NCB coking coal while the NCB took steps to adjust their output to BSC's lower demand level. BSC and NCB are still in discussion on the connected questions of demand and price and the NCB were reporting to the Secretary of State for Energy shortly.

Name of Paper

Date

CSP 8801552

Coalfield wants £200m. of Government cash

By JOHN OSMOND,
Welsh Affairs Correspondent

THE NEXT few months will be critical for the South Wales coalfield for its future depends on whether the Government can be persuaded to commit itself to investing a fresh £200m.

Two major projects need the go-ahead by early next year if the coalfield is to be set firmly on its feet with the prospect of becoming profitable by the end of the 1980s.

But the change of Government this year has prevented the Coal Board with the task of beginning again a new campaign to persuade the Department

of Energy and the Treasury to give them the cash.

Between last November and March this year, an unprecedented series of talks took place on the coalfield's future, between the board, the National Union of Mineworkers and the Government, with the Energy Minister, Mr. Tony Benn, in the chair.

The director of the South Wales area of the Coal Board, Mr. Phillip Weekes, believes the report from those meetings make the case for investment. But he is worried that the publicity

which surrounded the report's publication — which placed the emphasis on possible pit closures — may have led the Conservative Government to believe that the outlook for the South Wales coalfield is far from favourable.

Earlier this year, in a House of Commons debate on the coal industry, the present Secretary of State for Wales, Mr. Nicholas Edwards, said the report on the South Wales coalfield made "depressing reading."

But Mr. Weekes believes that if the coalfield receives the investment he is

advocating, it will become profitable by the mid to late 1980s and secure vital coal reserves for Britain.

The Diggest project in need of Government aid is the proposed new mine at Margam, south of Maceg, which would require a capital outlay of £160m, spread over eight years before coming into full production.

But by then it would be employing 1,000 men and exploiting an estimated 100 million tons of prime coking coal (probably more) that represent 35 per cent of Britain's reserves of this fuel.

The other project which needs backing is an investment of around £35m. in the Phosphate Plant at Aberaman in the Cynon Valley.

Miners may act over imports

by GARROD WHATLEY, Industrial Editor

SOUTH WALES pits could be crippled by industrial action over the row about importing coking coal — if talks over the next three weeks fail to resolve the issue.

Leaders of the coalfield's 30,000 miners yesterday decided to recommend industrial action unless the British Steel Corporation dropped its import plans.

Mr. Emlyn Williams, South Wales are a National Union of Mineworkers president, told me, "We are hopeful that our discussions will be fruitful. But if they are not, we will recommend at a conference on November 14 that there should be industrial action."

He was speaking after a meeting of the South Wales NUM area executive, which discussed the coking coal issue for about two hours.

The miners are angry and worried about BSC plans to reduce its purchases of coking coal from the National Coal Board while increasing its imports.

Unless the matter is resolved during the next three weeks, the miners appear likely to seek support from other unions to block the handling of imports of coking coal.

This could involve action by train drivers, railwaymen, dockers and possi-

by steelworkers.

The round of talks planned for the next few months will include approaches to the TUC Steel Committee to get its members to persuade the BSC to change plans.

The Wales TUC will also be asked to take part in efforts at local and national level to prevent the cut-back on orders of Welsh coking coal at a time when it is already being stockpiled.

Next month's conference was originally arranged to discuss progress on the NUM's national pay claim. It will be attended by delegates from all South

Wales mines and now the coking coal controversy will be added to the agenda.

On the day before the conference the NUM's South Wales area executive meets — and if the BSC has not backed down it will recommend to the conference that the miners plan industrial action.

Earlier this year the miners agreed to imports of power station coal into Britain, because of a shortfall in supplies from British pits. But Mr. Williams said yesterday, "That is an entirely different situation from the coking coal issue."

There are grave job consequences for the South Wales coalfield if its coking coal market drops, and the NCB has also said that the steel corporation's plans were a "stunning blow."

SOUTH WALES COAL INDUSTRY - BACKGROUND NOTE

a. GENERAL

The South Wales Coalfield is one of the oldest in the country with a high proportion of pits over 100 years old. Since Nationalisation the coalfield has contracted from 263 collieries employing some 108,000 men to 36 collieries employing about 27,000 men.

In 1950 the coal industry in South Wales employed 102,000 men. This had declined by 1961 to 81,000. It was, however, in the '60s that the major decline took place with the closure of 62 pits between 1960 and 1970 and the loss of some 25,650 jobs. (From 1960 to October 1964, about 11,500 jobs were lost: from October 1964 to 1970, about 14,000 jobs were lost.) Since 1970 11 pits have closed with a loss of 3,718 jobs; 933 jobs in 1970-74 and 2,785 from 1974 to date.

The Report of the Sub-Committee of the Coal Industry Tripartite Group, set up to examine ways of returning the South Wales Coalfield to financial viability, was published last March. It identified a need for:

- continuing investment;
- joint NCB/Unions consideration of pits incurring heavy losses;
- Government financial support to help sustain the coalfield pending a return to financial viability.

The coal industry needs continuing forward investment in order to maintain capacity and jobs: at the same time, some closures of the older uneconomic, and often exhausted, pits are inevitable. In the Tripartite Group Sub-Committee's discussions leading to their report, published in March 1979, there were references to a possible rundown of between 5,000 and 8,000 jobs in South Wales through closures.

The future of South Wales pits will be very dependent on Ministerial decisions on cash limits for the industry as a whole. The most recent Ministerial discussions have centred on a minimum closure programme for GB of 1½ million tonnes a year capacity, which would involve over 4,000 job losses through closures in Wales; 3,500 jobs in South Wales and 550 in North Wales.

The Wales TUC are fully seized of the threat to employment in the coal industry and will argue that these further job losses in the coal industry will hit Wales particularly hard. They are likely to point out that this, coupled with the substantial cut-back in the steel industry, will lead to increasingly serious unemployment problems, in the mining valleys of South Wales, where it is already difficult to attract alternative industries. They are likely to emphasise that a high proportion of the pits whose future is at risk are in areas which have recently been downgraded from SDA to DA status.

b. COKING COAL

About half the South Wales collieries are principally concerned with coals for the coke oven market. Since 1970/71 BSC's total purchase of coking coal has declined from 16.7 million tonnes to 10.6 million tonnes with NCB's share at the same time reducing from 99% to around 80%.

Confidential

✓ The Secretary of State for Industry has informed the Chairman of the BSC that the Government had no intention of imposing the licensing control on which the previous Government had decided. He was asked to keep this confidential until the Government had considered further the interrelationship between the NCB and the BSC on coking coal. At Ministers' invitation the two bodies are now discussing a possible supply agreement. ✓

c. COAL IMPORTS

Coal imports accounted for only 2% of home demand of 120 million tonnes in 1978. Even with increased power station imports this year to meet increased demand, coal imports will rise only to 4% (about 5 million tonnes). There is no question of imports accounting for more than a small proportion of the coal we burn because of world market and transport constraints and, in the light of the present oil situation, it is unlikely that the price of any significant quantity of imported coal would be much cheaper than our own coal.



ANNEX A

OPERATING LOSSES : SOUTH WALES

	1979	1978	1977	1976
Deep-mined only (£m)	(18.9)	(31.8)	(21.8)	(25.2)
after opencast profits (£m)	(8.9)	(27.0)	(14.6)	(9.6)

OUTPUT

Deep-mined (m. tonnes)	7.9	7.46	7.78	8.46
Opencast (m. tonnes)	2.8	2.5	1.97	1.90

STOCKS HELD IN SOUTH WALES 000 Tonnes

Steam smalls power stations	Coking smalls prepared	ROM *	Total
2611	201	1332	4144

*Run of Mine



COAL INDUSTRY IN SOUTH WALES

THE SOUTH WALES COALFIELD

Speaking notes:

WHEN WILL THE GOVERNMENT ACT ON THE REPORT.

- The Government has noted the Report on the South Wales coalfield. Any specific help for the South Wales coalfield would need to be considered in the light of the Government's decisions on the strategy for the coal industry as a whole.

A NEW COKING COAL MINE AT MARGAM. (near Port Talbot)

- The National Coal Board have not put forward any proposals to the Government for investment approval of a new mine at Margam. If and when they do the proposals will be considered in the context of the overall strategy for the industry and the normal financial criteria.

WILL THE GOVERNMENT AGREE TO DEFER ANY FURTHER CLOSURES IN SOUTH WALES UNTIL THEY HAVE SETTLED A STRATEGY FOR THE COALFIELD.

- Colliery closures are a matter for the National Coal Board and the mining unions through the established Colliery Review Procedure.

WILL THE GOVERNMENT BAN COKING COAL IMPORTS.

- At the Government's request the National Coal Board and the British Steel Corporation are at present considering the Corporation's future demand for coking coal.



NANTGARW COKE WORKS (near Cardiff)

Speaking Note :

- Nantgarw has won itself a 12 months reprieve, because of the continuing demand for coke by BSC. I understand that NSF have offered BSC a five year contract, but this is essentially a matter for the NCB and the BSC. [I have asked that the Secretary of State for Energy be kept in close touch with the outcome.]

Background.

The NCB's wholly-owned subsidiary, National Smokeless Fuels Ltd., has given formal notice to the NUM of closure of the Nantgarw coke works. But increased demand for coke by BSC for Llanwern, Shotton and Corby, running at some 15,000 tonnes/week, has won Nantgarw another year's reprieve. The long term future of the plant and its 300 workers is still in the balance.

NSF have offered BSC the entire output of Nantgarw for the next 5 years. BSC are, however, examining a number of options open to them, eg. a rebuild at Llanwern, imports from Germany and France and coke from the North of England.

NSF are also confident that they can^{re-}negotiate a 2,000 tonne a week contract for the Avonmouth smelter in 2 years.



PHURNACITE PLANT, ABERAMAN (near Aberdare)

SPEAKING NOTE

- The National Coal Board has submitted a report to Ministers and this is being studied against the overall background of the Coal Review.

BACKGROUND NOTE.

The Phurnacite plant supplies some 0.8m tonnes of premium smokeless fuel for the domestic boiler and room heater market. The total domestic market is about 14 million tonnes, of which 2 million tonnes represents the premium boiler/ room heater market. Smokeless fuels are at a premium on world markets, current price of Phurnacite is £52.0 a tonne, and imports, if they could be found, would have to be at high prices (£72+ per tonne).

Phurnacite is produced by a Disticoke process. Of 6 batteries two are over 20 years old and have now reached the stage where they can only be kept in service with difficulty and at excessive cost. Closure of these batteries within the next 3-4 years is inevitable. Replacement of the lost capacity with further Disticoke ovens is considered impracticable, partly because of the excessive capital cost, but mainly because the Disticoke process itself is now out-dated and inefficient and has the following inherent technical disadvantages:

- inflexibility of operation: the plant cannot be shut down for short periods, and maintenance and repairs are difficult and costly.
- not readily adaptable to automation, and labour intensive.
- a high level of solid and gaseous atmospheric pollution. The local Authorities and the Alkali Inspectorate have indicated that a reduction in the incidence of pollution to about 1/10 of the present level is required to satisfy public opinion.

Total closure would affect the 950 jobs at the plant, and 4500 mineworkers' jobs.

The NCB have examined the possibility of replacing the two oldest batteries by a German process, 'Ancit', to prolong the life of the plant well into the 1990s. The Board have recently submitted a report setting out options. They estimate the cost of building an Ancit plant to be some £41 millions.

THE WELSH DEVELOPMENT AGENCY
BACKGROUND NOTES

The Agency was established on 1 January 1976. Its chief statutory purposes are to further the economic development of Wales and to provide or maintain employment in Wales. Its powers include the provision and management of industrial estates and factories, land reclamation, investment in industry in Wales, environmental improvement and the promotion of Wales as a location for industrial development.

INVESTMENT AND FACTORY BUILDING

The Agency has invested £15.7m in 182 firms (estimated as having provided over 3,000 job opportunities), and administers some 518 factory units with a total floor area of 1.4 million square metres. Less than 1% of this total is unlet. A further 200,000 square metres (sufficient to accommodate approximately 6,000 jobs) is either under construction, approved or planned, and in March 1979 a 2-year programme was announced to build 140,000 square metres of additional factory space.

FUTURE PROSPECTS

The Conservative Manifesto for Wales supported the Agency's work with the proviso that safeguards would be sought over its powers to buy into profitable business. Its investment activities are under review. The Agency's 1979/80 budget has been cut by £3 million; however an additional £3.8 million has been made available to enable it to meet its commitments this year to the special steel closure area programme of advance factory building in Cardiff and Ebbw Vale.

Although not yet publicly announced, a cut of £9.3 million is expected for 1980/81 with further cuts in subsequent years. Given the severe problems likely to arise at Shotton and the Agency's commitments at Ebbw Vale and Cardiff, they are unlikely to have any money available for new bespoke projects or for making an early significant start on the latest advance factory programme. Environmental improvement and derelict land work may well have to be scaled back and investment activity pruned drastically.

Thought is being given to ways in which the private sector institutions might be involved in providing finance for advance factory building.

WELSH DEVELOPMENT AGENCY

SPEAKING NOTES

Future of the Agency

We have said clearly that we support the work of the Agency but we are looking to ensure that its investment functions do not duplicate what is already available from the private sector.

Reductions in the Agency budget

The Agency cannot be exempt from reductions in public expenditure. We are of course looking here, as elsewhere, for good value for money, and where it is sensible, for greater involvement by the private sector.

DEVELOPMENT BOARD FOR RURAL WALES (DBRW)

BACKGROUND

1. ACTIVITIES

1.1 The DBRW (which began work on 1 April 1977) covers the county of Powys and the districts of Ceredigion and Meirionnydd, ie Mid Wales. It is responsible for the growth of the new town of Newtown and for the social and economic well-being of the people of its area. It undertakes a programme of housebuilding in Newtown and advance factory construction there and elsewhere in its area. At the end of September it had a total of 177 advance factories completed, with a further 33 under construction and 8 approved. The Board has (as agent of the WDA) a business advisory service and provides loan finance to industry. It can also give social and economic grants to local and public authorities and social grants to voluntary bodies.

2. CURRENT ISSUES - FINANCE

2.1 With the exception of the 3% salaries cash limit reduction the DBRW has not had its £10.1 million provision for 1979/80 reduced. No decision has yet been taken on provision for 1980/81. However, the PES allowance for that year is only £6.0 million. Reduction to that level would represent a considerable drop in the Board's activities.

- REGIONAL POLICY

2.2 If implemented the Government's proposals for changes in Assisted Area status would drastically reduce the coverage in the Board's area. Although the whole of the area currently has assisted area status, from August 1982, about four-fifths of it will become descheduled and parts of the remaining one-fifth will have been downgraded from their present status. These proposals do not affect the powers of the DBRW, though its operation in areas to be descheduled will be reviewed in due course. The changes will make it more difficult to attract mobile industry at a time when the Board's financial resources are to be reduced.

- FUTURE OF THE BOARD

2.3 The Conservative manifesto for Wales pledged that the DBRW would continue and Ministers have subsequently confirmed that. However, public expenditure cuts, changes in regional policy and the Government's attitude to nominated bodies have implications for the DBRW. Its operation in Assisted Areas to be descheduled is to be reviewed, and the Secretary of State for Wales is currently reviewing its relationships with the WDA and the extent of its area.

DEVELOPMENT BOARD FOR RURAL WALES

SPEAKING NOTES

FINANCE

No decision has yet been taken on the resources which will be available to the Board next year and thereafter. What is clear is that, although the Board has emerged virtually unscathed from the public expenditure cuts imposed this year, it must expect to make a contribution in future years to the Government's efforts to cut expenditure in the public sector.

THE FUTURE OF THE BOARD

The continued existence of the Board is not in doubt. Our manifesto for Wales pledged support for its work and the Government has subsequently confirmed that. However, it would be quite wrong for the Board to be isolated from important decisions on public expenditure and regional policy which are fundamental to our efforts to revive and reinvigorate the economy. It is obviously sensible to examine the way in which organisations like the Board operate to ensure that they are efficient and effective and meet the Government's economic objectives. The Secretary of State for Wales is doing just that.

ENQUIRIES AND VISITS
BACKGROUND NOTE

Enquiries this year (to end September) by industry for sites, factories etc are slightly ahead of last year - 571 compared with 557. Visits (to end September) by industrialists (a more reliable indicator of interest in Wales as a location for industrial investment) are well ahead of last year - 643 compared with 455.

But there is some evidence that the rising trend of the last 2 years or so has levelled off or even given way to a downturn. For example, in June-September 1979 there were 226 enquiries compared with 295 in the corresponding period in 1978. And although the number of visits in the same period was marginally ahead - 269 compared with 244 - this should be looked at against a very substantial increase in the first 5 months of the year compared with the corresponding period last year (374 against 211).

These trends lend support to the view that economic activity in Wales is slowing down. The Wales TUC are likely to argue that the changes in the coverage of the assisted areas in Wales, the reduction in the rates of regional development grants (except in the special development areas), the more rigorous criteria for selective financial assistance and the relaxation of industrial development certificate control will exacerbate the problem of attracting new employment to Wales in the coming months. The beneficial effects of the Government's general economic and fiscal policies will not in their view be sufficient to deal with employment problems in Wales.

GOVERNMENT FINANCED FACTORY LETTINGS
BACKGROUND NOTE

Last year's lettings were an all-time high - 100 formal allocations promising 5500 jobs. So far this year 101 factories have been formally allocated promising 4100 jobs. A further 89 factories promising 4600 jobs have been provisionally allocated. In recent years the advance factory programme has been veered in favour of the smaller firms - hence the reduction in the average job content of lettings.

CLOSURE OF ROSEDALE INDUSTRIES AND LUMEX LTD, BEDWAS

BACKGROUND NOTES

In 1975 the Government of the day "rescued" Linpac Mouldings Ltd, comprising Rosedale Industries and Lumex Ltd at Bedwas, and Conway Stewart Ltd at Crumlin with a loan of £1.65m and a losses grant of £300,000.

The "rescue" has been almost entirely unsuccessful (apart from the Conway Stewart operation) with heavy losses being incurred. The Engineering Unions strike proved the last straw for the Bedwas operations and the factories were closed on 11 September with 250 engineering employees dismissed and 50 other workers declared redundant.

The closure and subsequent activities by pickets seeking to prevent the removal of assets from the plant and the refusal of unemployment benefit to workers dismissed (now under appeal) has attracted considerable publicity. The Wales TUC are aware of the 1975 rescue operation.

Various options for protecting and if possible recovering the public money involved are currently being examined and discussed with the companies. There is no scope for any further "rescue".

CLOSURE OF ROSEDALE INDUSTRIES

SPEAKING NOTES

I very much regret that the protracted strike by the Engineering Unions has seriously weakened the position of many companies.

It is a tragedy that the closure of this firm - and I fear only too likely other closures and loss of employment - might have been avoided if there had been a better understanding between management and the unions about the company's situation.

INMOS LIMITED
BACKGROUND NOTE

Inmos (the Government-financed microprocessing, development and manufacturing concern) is looking for a site for their first manufacturing unit in the UK, following the establishment of the Administration and R and D headquarters in Bristol.

A large number of local authorities have made bids. It is now understood that Cardiff (Forest Farm) is on the short list of 3 sites. A decision will be made on the location by the end of this month and the company hopes to be on site before the end of 1979 for completion of the factory by the end of 1981.

The company requires a site of approximately 15 acres on which to erect a first phase building of 120,000 sq ft and possibly double up in a second phase. A total of 1,000 jobs will be provided in the first phase.

INMOS LIMITED

SPEAKING NOTE

No decision has, I understand, yet been made on the establishment and on the site of the company's first manufacturing unit, but South Wales is very much in the running.

HOOVER LTD

BACKGROUND NOTES

There is increasing anxiety about the future of Hoover Ltd at Merthyr Tydfil, the centre for the company's washing machine manufacture in the UK, and the predominant employer in the area.

Hoover are failing to compete successfully with imported machines (particularly with competition from Italian manufacturers which Hoover regard as less than fair but on which a Department of Industry cost investigation has found no evidence to justify any complaint with the EEC or the Italian government). The company are at odds with its Merthyr workforce over productivity and high absenteeism and its cost reduction programmes have yet to restore profitability or achieve the improvements in efficiency needed to compete.

Employment at Merthyr has been substantially reduced over the last year and plans, heavily backed by offers of financial assistance by the previous Government, to expand production and introduce new products and thereby create substantial new employment, in a major new factory being built for Hoover by the Welsh Development Agency, are in abeyance.

There is little prospect of further Government financial assistance at this time and confidential discussions are in progress between the WDA and Hoover on the future of the new factory. An alternative tenant may have to be sought.

CONFIDENTIAL

HOOVER LTD

SPEAKING NOTES

Italian Competition

I understand that this has been very thoroughly gone into and the company accept the need to improve their own efficiency. If there is any good evidence of unfair competition we shall of course follow it up.

Industrial Relations at the Plant

I would hope that the management and Unions could co-operate to overcome any further difficulties and ensure the future of the Merthyr factory, and that we shall see a realistic attitude by all concerned to the need for efficiency in meeting foreign competition.

The WDA Factory

Strictly confidential contractual matters are involved, with possible legal implications and no comment is advised. If pressed "Every effort will, I am sure be made to see that it is put to good use for the benefit of employment in the area".

GAS SUPPLIES - BACKGROUND NOTE

Wales Gas, in common with other Regions of the British Gas Corporation, are experiencing difficulty in meeting the unprecedented demand for gas following the shortage of oil earlier this year and the sharp rise in its price. Demand has far exceeded the planned expansion - 10.7% this year.

Wales Gas has a statutory duty to maintain supplies to existing customers and to make gas available to those within 25 yards of a gas main, but new industrial customers in this category are having to be restricted to 25,000 therms per annum. While industrialists with firm contracts will continue to get a supply at existing levels it will not be possible for Wales Gas to meet demands from new industrial customers, though it is hoped to be able to meet the needs of new domestic housing developments.

CONFIDENTIAL: The proposed increases in the price of gas are expected to dampen down demand and the Gas Corporation is seeking to increase the availability of gas supplies through accelerating investment though this, of necessity, is a longer-term measure. 7

EDUCATION AND INDUSTRY

Background Note

Interest in school/industry liaison has been increasing over the last few years. Individual schools have established links with local industries and arranged visits for their pupils to neighbouring factories and industrial representatives have visited schools to foster interest amongst pupils in the world of work. Arrangements have been made for pupils to have short periods of work experience in local industry and teachers have been able to spend time seconded to industrial jobs. However the amount of activity in Wales has been proportionately less than in England. There is still some reluctance in schools to see awareness of industry as relevant to their task.

More general attempts to promote understanding between schools and industry have been made by national or regional bodies. In the past 12 months there have been 2 conferences involving a wide spectrum of interests, one arranged by the Cardiff Branch of British Institute of Management and the other by the Industrial Society in conjunction with University College Cardiff. TUC, CBI and Schools Council have also been among those active in promoting or sponsoring individual liaison schemes.

The experimental Unified Vocational Preparation (UVP) programme was launched in July 1976 for an initial period of 3 years and later extended to 5 years in response to concern about the inadequate provision made for those young people going to jobs where they receive no further education and little or no systematic training.

The main aims of the programme, as set out in the previous Administration's Statement introducing UVP is to enable young people:

- i. to assess their potential and think realistically about jobs and careers;
- ii. to develop basic skills which will be needed in adult life generally;
- iii. to understand their society and how it works;
- iv. to strengthen the foundation of skill and knowledge on which further training and education can be built.

EDUCATION AND INDUSTRY

Speaking note

Schools/Industry Liaison

The Government is in no doubt about the importance of encouraging better understanding between schools and industry. I am pleased to hear reports of increasingly effective work being done in this field and hope that all concerned, including those in trades unions, will continue to seek opportunities for further local initiatives.

SKILL SHORTAGES IN WALES - BACKGROUND NOTES

1. The present philosophy of industrial training in this country is founded firmly on the premise that it is industry's responsibility to train for its own needs: the Government contribution being very much at the margin in, for example, the provision of opportunity training for individuals under the Training Opportunities Scheme and certain direct training services to firms. Through these efforts the public training services can, of course, to some extent seek to alleviate shortages of certain skills, but their involvement must inevitably be on a short-term contingency basis, the task of adequate longer-term problems of supply and demand remaining with industry, assisted by the Industrial Training Boards on which, of course, the trades unions are represented.
2. The latest thinking on the operation of the ITBs is reflected in the MSC programme for Action Training for Vital Skills which, inter alia, charges the ITBs with the responsibility for identifying areas of actual and potential skill shortage and encouraging their employer members to more adequately plan for future needs within their industries in an effort to alleviate the longer-term problem. Industrial Training Boards are also being encouraged to develop more sophisticated manpower intelligence systems at the regional level and it must be acknowledged that this is one area of present deficiency.
3. As far as the scale and scope of the skill shortage problem in Wales is concerned there is nothing in the present ITB "diagnosis" to suggest that it is any different from the rest of the country. There are pockets of high demand for certain skills (such as instrument technicians, electronic engineers, design and production engineers with experience of micro processors) etc and these are in some cases exacerbated by problems of geographical mismatch.
4. As the Prime Minister will be aware, however, the MSC are currently reviewing the work and operation of the ITBs as part of their ongoing review of the Employment and Training Act 1973, and it is possible that at the end of the day there may be scope for change in their present mode of operation. The TUC have 3 members on the review body (Messrs Chapple, Gill and Monk) and it is suggested that any WTUC criticisms of the present systems and organisations should be dealt with on the basis that they can be channelled in this direction.

INDUSTRIAL RELATIONS LEGISLATION

Picketing, the closed shop and union ballots

The Government's detailed proposals for amending the law on picketing, the closed shop and union ballots were sent to the CBI and TUC on 4 July in a series of working papers. The papers were published on 9 July and, at the same time, were sent to a range of bodies representing employer and employee interests.

Amendments to the Employment Protection Acts

The Secretary of State for Employment published three further working papers on 25 September seeking views on a number of proposed changes to the Employment Protection Acts. These covered unfair dismissal, industrial tribunal procedures, the maternity and guarantee pay provisions, trade union recognition and schedule 11. Comments have been invited within the next 2 months.

Consultations with the TUC

The Secretary of State for Employment met the TUC Employment Policy Committee on 22 August to discuss the proposals on picketing, the closed shop and union ballots. He intends to meet them again in due course to discuss the proposed amendments to the Employment Protection Acts.

Timing of decisions

Consultations are continuing. The Government's decisions will be made known in the Bill as it is introduced in Parliament.

Timing of Legislation

The intention is to introduce a Bill in Parliament before the end of the year.

Trade union immunities

An internal review of the existing law on trade union immunities is under way in the Department of Employment and was referred to in the working paper on picketing. Ministers are now considering the subject in detail.

SLADE

Mr Andrew Leggatt QC has now completed his inquiry into the recruitment practices of SLADE and the NGA. The report was published on 17 October. The Secretary of State for Employment is currently considering the report.

AMENDMENTS TO THE EMPLOYMENT PROTECTION ACTS

GENERAL

1 The Government's manifesto stated an intention to amend laws such as the Employment Protection Acts where they damage smaller businesses (and larger ones too) and actually prevent the creation of jobs. The Government has recently issued three working papers on its proposed amendments as a basis for consultation. The Government intends, after a necessary period has been allowed for consultation, to lay legislative proposals before Parliament.

LINE TO TAKE

2 The Government are not attacking the concept of employment protection; Conservative administrations have led in its embodiment in statute (notably unfair dismissal, introduced in 1972).

Experience has shown that the ^{present} legislation has not worked as intended in some respects, the Government's proposals aim to make adjustments in the light of experience.

It is important to strike a balance between protection for those with jobs and disincentives to employers to create jobs for those who are unemployed.

The unfair dismissal provisions do not take sufficient account of the circumstances of small firms.

There is no question of removing (altogether) the special protection for working mothers but it is pointless to offer a degree of protection which deters employers from recruiting women.

[If challenged] The Government wants to keep to a minimum any differences of rights between employees of large and small firms (the only item that would cause a permanent difference is the proposal to deal with the problems faced by small firms in re-instating women after maternity).

MICRO-ELECTRONICS AND EMPLOYMENT

GENERAL

1 A study group within the Department of Employment has been looking into the manpower implications of micro-electronics over the next 5-10 years. It is at present preparing its report and it hopes that this will be published around the end of the year.

2 There is going to be a clear need for training and retraining to enable workers to acquire the new skills that will be required in connection with new technology. The Manpower Services Commission has launched a programme to meet this need and to overcome existing skill shortages which are acting in some areas as a constraint on speedy adaptation to new technology. The main responsibility, however lies with individual industries to identify their own particular skill requirements and to direct their own training activities accordingly.

3 The TUC has recently produced a report on Employment and Technology. This is a very useful and realistic contribution to the debate and should be welcomed as such. It recognises the need to adapt to new technology at least as quickly as our competitors and believes that the best way to achieve this with the maximum benefit to both employers and employees is through full consultation from the very earliest stage. It lays stress on the desirability of obtaining New Technology Agreements which would contain, wherever possible, a guarantee of full job security for the existing work-force. The TUC report also emphasises the need for Government action and intervention in many areas including training and education, support for the micro-electronics industry, and promotion of micro-electronics applications.

LINE TO TAKE

1 Very high levels of unemployment arising from new technology are not inevitable. New technology offers opportunities for both increased productivity and the creation of new products and services. If these opportunities are grasped by industry they could well have a positive impact on output and employment.

2 Clearly new technology will lead to reduced job opportunities in some particular industries or regions. The Government already has policies to deal with such matters, and for the provision of training and re-training. These should, with any necessary adaptation, be sufficient to deal with any problems that might arise over the next 5 years or so.

3 The bigger danger lies in failure to adapt to new technology at least as fast as our competitors. If this happens we would lose competitiveness and consequently would lose markets, which would have serious effects on our industrial base and hence on employment.

TECHNOLOGICAL CHANGE - WALES TUC REPRESENTATIONS

BACKGROUND NOTE

The Wales TUC have recently written to the Secretary of State requesting a meeting to discuss their attitude to technological change and its implications for employment prospects.

The request for a meeting arises from a resolution on the subject passed at the last Wales TUC Conference. In correspondence on the resolution the Wales TUC also asked for a tripartite committee to be established between the Government, Management and unions to ensure that Wales received maximum benefit from the changes. This request is still under consideration.

The Wales TUC also asked that ACARD (the Advisory Council for Applied Research and Development) should continue to function. This Council is chaired by the Lord Privy Seal and there are no plans to abolish it.

SPEAKING NOTE

I am aware that you have asked for a meeting with the Secretary of State for Wales to discuss the problems of technological change. I understand that Mr Edwards is considering your request and will reply to you as soon as possible.

REDUCTION IN THE WORKING WEEK AND EARLY RETIREMENT OPTIONSGENERAL

1. The Wales TUC amongst others have suggested that forms of worksharing should be introduced as a way of reducing unemployment. This usually implies a shorter working week, and/or longer holidays without loss of pay, reduction of overtime and/or earlier retirement.
2. There is a strong risk that reducing hours of work and granting longer holidays would increase unit labour costs, put up the prices of our goods and services making them less competitive in domestic and overseas markets and therefore tend to worsen employment prospects.
3. The long-term trend towards shorter working hours and more leisure is likely to continue, but any moves in this direction are best made in negotiations at industry or plant level where the circumstances of each firm - its efficiency, profitability and international competitiveness - can be assessed by the negotiators and the ability of firms to make the concession properly judged.

OVERTIME

4. There may be some scope for reducing systematic overtime working - to increase efficiency as well as to create job opportunities for the unemployed. The best way to get reductions is through collective bargaining.

EARLY RETIREMENT

5. The major objection to a reduction in the pensionable age for men is the cost, which even allowing for savings in benefit would be high now and would be even higher when there is full employment. So far as reducing unemployment is concerned, the

/effects ...

effects are uncertain. There would be little immediate effect, and even in the long term it is likely that a significant number of vacancies created by men retiring earlier would not be filled. This could exacerbate skill shortages and could therefore tend to worsen rather than improve employment prospects.

FLEXIBLE RETIREMENT

6. Options for flexible or earlier retirement are currently being considered by the DHSS in the context of their general review of provision for the elderly. Their thinking on this will be set out in the White Paper they plan to produce next year. However, changes involving additional expenditure are out of the question at the present time: it is not for the Government, but for employers and employees, to determine what retirement arrangements they want and are prepared to pay for.

RECENT SETTLEMENT IN ENGINEERING INDUSTRY

7. The main points to note about the Engineering Employers' Federation's (EEF's) recent settlement for manual workers are

- i) Normal hours will be reduced from 40 to 39 in November 1981.
- ii) There will be a progressive increase from 4 to 5 weeks holiday by 1983.
- iii) Since the agreement provides for increased productivity to compensate for the reduction in hours, it will not of itself create extra jobs, and therefore cannot be described as worksharing.

LINE TO TAKE

1. Changes in working time are best determined by collective bargaining but inflationary increases in labour costs are to be avoided.

/2. A reduction ...

2. A reduction in hours does not necessarily entail the creation of additional jobs: to this extent it does not constitute a measure of worksharing.

In their paper entitled "Unemployment - The Way Out - A Ten Year Strategy" published in 1978 the Wales TUC put forward 6 proposals for reducing the supply of labour by reducing the number of hours a person worked each week and by reducing total working life. These measures would, they contend, create a demand for more workers and provide jobs for those now unemployed.

Their specific proposals were:-

- (a) Early retirement at perhaps 64 or 63 years of age. In addition during the last 3 years of service a worker might work a 3-day week or during the last 5 years workers might opt to be instructors on the MSC Work Experience Programme.
- (b) Extended leave for service - all workers should have the right to a maximum of 18 months' paid extended leave at 10-yearly intervals.
- (c) Work experience/training for 16/19 year olds - unemployed school leavers would be entitled to 3 years' work experience/training.
- (d) Control of overtime - progressive control and eventual elimination of systematic overtime working.
- (e) Paid educational leave - all workers should have the right of up to 2 years' paid educational leave to be spread over a working life.
- (f) Reducing the working week - the working week should be cut to 35 hours.

AN INDUSTRIAL STRATEGY FOR WALES: WALES TUC PROPOSALS

A consistent theme of representations by the Wales TUC on the economic front has been the need for a regional plan for Wales. This was enunciated most recently in a paper prepared in September 1978 in the context of a series of seminars on the previous Government's industrial strategy. The paper made the case for a continuous planning process which would be sensitive to external changes and would bring together existing elements of economic and industrial planning such as county structure plans and the plans of the Welsh Development Agency and the Development Board for Rural Wales.

EMPLOYMENT

The main objective of the plan would be to consolidate existing employment and develop sufficient new job opportunities to cater for the growth in the labour force. Taking account of current levels of unemployment, the people "employed" by the programme of special measures and the low female activity rate in Wales the paper calculated an immediate need for 83,000 jobs and an annual rate of job creation up to 1991 of 12,500.

In the light of recent trends in employment in the Principality, ie. the decline of traditional heavy industry and associated male employment and the growth in service sector employment notably in the public sector, the paper concluded that it would not be possible to provide the jobs needed. Job creation measures would have to be combined with increased commitment to work sharing measures and a boost to public expenditure programmes. The aim would be to achieve and maintain a level of unemployment no higher than 3% and to bring activity rates of women into line with the GB average. The work sharing measures envisaged included early retirement, controls on overtime and reductions in working hours. These had been spelt out in greater detail in a previous Wales TUC document entitled "A 10 Year Strategy".

DIVERSIFICATION OF THE ECONOMIC BASE

The other main objective of the regional plan would be to diversify the economic base in Wales and to move away from over reliance on the coal and steel industries. Regional policy should be geared towards the development of high growth industries with long term prospects. A policy of undifferentiated assistance would do little for real problem areas and certain types of industry eg. electrical engineering should be targetted. The paper acknowledged but did not address itself to the problem that sectors categorised as having

negative growth had the largest number of employees in Wales while those categorised as high or moderate growth had shown no more than "some employment growth" since 1971.

TRIPARTITE PLANNING MECHANISM (see also background note on NEDC for Wales).

A tripartite planning mechanism involving Government, unions and industry should be set up by means of a National Economic Development Council and Office for Wales.

NEDC FOR WALES - BACKGROUND NOTE

1. The Wales TUC have for some time pressed the case for a National Economic Development Council for Wales. In the context of the multiplicity of committees and agencies in Wales they see a need for co-ordination by a small high-powered committee chaired by the Secretary of State with representatives of the TUC and CBI. The Committee would be charged with the development of a 10 year economic strategy for Wales.

2. Following the decision to abolish the Welsh Council and in the wake of the devolution referendum, the Secretary of State has made it clear that he is anxious that statutory bodies in Wales should be more accountable for their actions. He invited interested parties in the Principality to put forward their views on this and on the sort of advisory bodies which should exist. He is still in the process of considering the framework of advice-giving bodies. The decision to set up a Select Committee on Welsh Affairs will strengthen the democratic oversight of the affairs of the Welsh Office.

NEDC FOR WALES - SPEAKING NOTE

1. The TUC's views on this subject are well know to the Government. The Secretary of State for Wales will take full note of these views in deciding upon the framework of advice-giving bodies he thinks necessary in Wales.

BACKGROUND NOTE - NATIONAL HEALTH SERVICE

1. The Wales TUC have asked that some form of regional machinery should be set up for the NHS in Wales to enable them to pursue matters of concern. They claim that because there is no regional health authority in Wales they are deprived of suitable negotiating and consultative machinery which exists in England. A meeting has been offered with Mr Wyn Roberts (PUSS) and it is therefore unlikely that the WTUC will raise health matters at their meeting with the Prime Minister.

2. There are a number of areas which the TUC have raised with the Government:
 - a. DEMOCRATISATION OF THE NHS - the TUC are aiming at appointing 50% of members to health authorities and want to re-open discussions started with the previous Government. The Secretary of State for Social Services has indicated his opposition to this approach but is concerned to improve the staff consultative machinery in the NHS.

 - b. ROYAL COMMISSION ON THE NHS - its report published July makes recommendations relating to the structure and management of the NHS. A consultative document will be published before the end of the year and a consultative paper on Welsh issues will follow early in 1980.

 - c. PRIVATE HOSPITAL PRACTICE - The Health Services (Miscellaneous Provisions Bill), will abolish the Health Services Board and restore the Government's power to authorise or remove pay beds from NHS hospitals and to authorise the development of large private sector hospitals. The TUC were consulted about the legislative proposals. They are completely opposed to private practice in NHS hospitals on the grounds that private patients can secure more rapid and sometimes better treatment. The Wales TUC expressed the same general view. It is important, to avoid discord in the NHS, that the trades union movement should accept the proposals as reasonable, or at least not campaign against them.

 - d. EFFECT OF PUBLIC EXPENDITURE CONSTRAINTS ON THE NHS - the TUC have expressed concern about the financial and other problems facing the NHS. They have criticised the increases in prescription and dental charges.

SPEAKING NOTES - NATIONAL HEALTH SERVICE

PUBLIC EXPENDITURE CONSTRAINTS

1. Despite the serious financial situation which we inherited we have protected the NHS from public expenditure cuts to a greater degree than other Public Services. No reduction in gross health expenditure is proposed. We intend to maintain the levels of expenditure set out in the last White Paper.
2. We think it is right that where the health service can reasonably help to pay for itself it should do so. I do not believe that the increases in prescription and dental charges, which do no more than reflect inflation, will deter people who need to see a doctor or dentist.
3. Measures are being examined to eliminate waste and simplify administration in the NHS. This will enable more of the available resources to be channelled into direct patient care.

PRIVATE HOSPITAL PRACTICE

1. I appreciate your concern that patients who cannot or do not wish to pay for private treatment should not be adversely affected because of those who do. But it would be foolish to achieve this by denying access to private medicine to those who wish to pay for it and by denying to the health service financial and other benefits which result from it.
2. We are seeking clear agreement with the medical profession on banning possible abuses of the health service by private patients.
3. The Government will retain central control over private sector developments and will take account of any danger that an expanded private sector might attract too many trained staff from the NHS.

BACKGROUND NOTE - DAY CARE FACILITIES FOR CHILDREN UNDER 5

1. A report by the TUC in 1977 drew attention to the lack of day care facilities for children under 5. The report urged universal free day care facilities for children whose parents wish to work. The Wales TUC made representations to the previous administration about this issue.
2. The Secretary of State for Social Services has made it clear that satisfactory day care facilities should be available where mothers have to go out to work or wish to work but that such facilities should not be provided free by the State. He believes that the State has a responsibility to provide care for children where family circumstances mean that parents are unable to cope.
3. The provision of day care facilities is a matter for the County Councils and it is for them to determine levels of expenditure in the light of other competing claims. At present in Wales there are only 3 local authority day nurseries and a few day places in residential nurseries. Two more local authority day nurseries are planned.

BACKGROUND NOTE

WALES TUC CONFERENCE - RESOLUTIONS

Over the last few months, the Wales TUC have written to the Secretary of State for Wales notifying him of the resolutions adopted by the Wales TUC at their Annual Conference in May.

The TUC's proposals were wide-ranging. They included the following:-

THE ECONOMY

- i. an overall economic policy to be directed towards industrial regeneration and the setting up of a Welsh NEDC;
- ii. the need for a tripartite committee, representing Government and both sides of industry, to ensure that Wales receives maximum benefit from the technological changes facing industry;

INDUSTRY

- iii. no further closures of steel plants to take place in Wales;
- iv. the activities of the nationalised industries to be planned and coordinated by Government;

ENERGY

- v. the problem of coal stocking in Wales to be investigated and solutions sought. (The Wales TUC held a meeting in August attended by officials from Welsh Office and Department of Energy, as observers, to discuss this issue);
- vi. an energy policy based on coal;

EMPLOYMENT

- vii. a number of specific measures to be taken to combat unemployment and end low pay including:-
 - a. the introduction of selective import controls and exchange controls to safeguard the manufacturing base, and a general reflation of the economy to create the basis for further employment;
 - b. the use of North Sea oil and gas reserves and the expansion of public services to increase the demand for labour; and

c. various measures such as a shorter working week, longer holidays and earlier retirement to control labour supply;

viii. a considerable increase in training provision; part time day release for further education to be made available to all; special temporary employment schemes to be scrutinised more closely for possible abuses;

ix. finance and support to be made available for the setting up of small co-operative workshops to provide employment;

x. the employment exchange areas of Rhyl and Colwyn Bay to be upgraded to Development Area status (Rhyl was upgraded in July this year);

xi. to defend and extend all closed shop agreements;

xii. the British Government and the EEC to take steps to achieve international standards on matters of health and safety;

xiii. "welder's lung" to be included in the schedule of prescribed industrial diseases;

EDUCATION

xiv. the need for close school/industry liaison in view of the implications for both education and industry of microprocessor technology;

xv. education maintenance allowances to be made available for students over 16 in both schools and colleges;

HEALTH & SOCIAL SERVICES

xvi. concern over expenditure cut-backs in the NHS;

xvii. that money be made available for the immediate commissioning of secure units to accommodate children under 16 presently detained in Remand Centres in Wales;

HOUSING

xviii. a clause to be included in future public works contracts in Wales to ensure the use of local labour;

xix. an inquiry to be made into the present system of house purchase;

TRANSPORT

xx. the implementation of an integrated transport policy based on public ownership and control; the establishment of a Road and Rail Transport Authority for Wales;

xxi. local authority travel concessions for OAP, the handicapped etc, to be standardized and passes to be issued at Post Offices;

xxii. the Cleddau Bridge, its approaches and connecting trunk roads to be reclassified and the toll charges on the Bridge abolished;

ENVIRONMENT

xxiii. the Government to take measures to protect the Welsh coastline from increasing pollution.

STEEL IMPORTS

Press reports suggest that the Wales TUC will raise the question of temporary import controls on steel to delay the scheduled closure of the Shotton steelworks. (Copy of Western Mail report attached).

The Wales TUC have been in correspondence with the Secretary of State earlier this year seeking the Government's views on various matters including import controls. The Welsh Office statement referred to in the Western Mail report sets out the Government's view that where competition from low cost sources increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without unacceptable disruption the Government would be prepared to consider selective import measures of a temporary nature. That remains the Government's position but does not apply to the circumstances of the British steel industry.

The attached tables show the degree of penetration by imports, their source and the balance of steel imports and exports. If the Wales TUC suggest import cuts as an alternative to the Shotton closure the following points can be made:

1. Imports of finished steel have remained fairly stable in the region of 21 per cent of total deliveries in the UK since 1975.
2. Three fifths of our steel imports come from Common Market countries. Any restriction of these imports would be illegal and could be overturned in the UK Courts.
3. The large surge in imports came in 1974 and 1975 when industrial difficulties (including the 3 day week) made many UK steel users look for a second source of supply abroad.
4. The only sure way of recapturing a larger share of the domestic market is by being competitive in price, quality and service, as BSC themselves recognise. This requires the effective operation of the modern plant that is now available. The retention of outdated plant obstructs rather than helps the process. It must be remembered that our steel-using industries have to compete with foreign manufacturers who buy their steel from the best sources available to them.

5. In total the UK is exporting about half a million tonnes more than it imports.

6. Imports from non-Community sources are the subject of voluntary agreements between the Commission and the main supplying countries on volume and price. Being part of the Commission's short-term anti-crisis measures for steel, these are only temporary but the UK is pressing for their renewal in 1980.

7. Imports of steel from the Community are large but they have been declining since the peak year, 1974. On the other hand our steel exports to the Community, although smaller, have grown substantially since 1975.

8. [If reference is made to the higher level of imports in the second quarter (and August 1979)]

Imports in the first quarter were unusually low, being no doubt distorted by bad weather and industrial action. Taking the first half of the year as a whole, import penetration by finished steel was 21.5 per cent.

FINISHED STEEL (EXCLUDING MATERIAL FOR CONVERSION)

IMPORT PENETRATION

	Imports	Net home deliveries plus imports	Import penetration
	'000 tonnes	'000 tonnes	%
1972	2,143	16,859	12.7
1973	2,506	19,798	12.7
1974	3,338	18,868	17.7
1975	3,280	15,830	20.7
1976	3,374	16,360	20.6
1977	3,096	15,220	20.3
1978	3,245	15,480	21.0
1979 (Jan to June)	1,538	7,162	21.5

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19 July 1979

The Secretary of State has asked me to thank you for your letter of 15 June setting out some of the resolutions adopted at the Wales TUC Annual Conference.

Mr Edwards shares your concern about unemployment in Wales; the Government's policies are directed towards the creation of lasting job opportunities. In your letter you mentioned some specific objectives of the TUC such as a reduction in the working week. While prima facie this would help to reduce unemployment it would be essential to ensure it did not increase an employer's labour costs otherwise the adverse effects on industry's competitiveness and on inflation would prevent the gain in jobs such a move was intended to bring about. Similar problems exist in reducing overtime which is sometimes the only economic way of carrying out certain tasks. There would need to be a willingness by those in employment to forego overtime working and associated pay, otherwise the resulting increase in unit costs and prices would prevent any gain in employment. However, it is somewhat paradoxical that at a time of substantial unemployment a large amount of overtime is still being worked.

As regards holidays, there have been substantial improvements in holiday entitlements since 1970 with the average minimum entitlement now almost 4 weeks. Extending holidays would have some impact on unemployment but the effect would be small, especially if overtime were to be increased to make up for the extra holidays, or less output were to result.

You also referred to the need to introduce selective import controls and exchange controls. The Government does not regard the imposition of import controls in themselves as likely to help solve our economic problems. It recognises, however, that there may be instances where competition, particularly from low cost sources, increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without

/unacceptable

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unacceptable disruption and loss of jobs. Under such circumstances the Government would be prepared to consider selective import measures of a temporary nature.

On exchange controls, the Government do not believe that controls on outward investment encourage domestic investment. The available evidence does not suggest that overseas investment displaces investment at home but rather shows that outward direct investment generally encourages UK exports and therefore employment in this country as well as strengthening the balance of payments. For this reason the Government is convinced that it is right to dismantle the apparatus of exchange control which it inherited.

Finally you referred to Job Creation and Work Experience schemes. It has always been the Manpower Services Commission's policy to seek the approval of unions in establishments where work experience schemes have been set up and they encourage trade unionists to take an active part in the formulation and day to day running of many of their Youth Opportunity Schemes. The Government accepts some schemes have brought substantial benefits but the fact is that our economic problems will only be overcome when a sufficient number of permanent jobs have been created: the recent Budget set out the first steps towards achieving that objective.

G C G CRAIG
Private Secretary

FURTHER COKING COAL IMPORTS BY THE BSC

Speaking Note

At the Government's request the National Coal Board and the British Steel Corporation are at present jointly considering the Corporation's future demand for coking coal.

I understand the concern in the South Wales coalfield.

When the NCB and the BSC have completed their discussions, the Government will be able to consider what action, if any, it should take.

Background Note

CONFIDENTIAL

The BSC have recently informed the NCB that their imports of coking coal in 1980 will be at least 2.4 million tonnes, that they have taken steps to secure a further 1.25 million tonnes and are contemplating importing additional tonnages beyond this.

Although discussions between BSC and NCB on the Corporation's future coking coal requirements and how these can be met are not completed, BSC have already told NCB South Wales (22 October) that from 29 October they would be reducing their purchases of South Wales and Staffordshire coals by 7,700 tonnes per week and 5,000 tonnes per week respectively. The reduction for South Wales would be increased from 1 January to 9,700 tonnes per week.

The NCB and NUM in South Wales have reacted strongly to the BSC decision. There have been reports in the South Wales press of the NUM concern about BSC's intention to increase their imports of coking coal (copy of article in Western Mail attached) and Mr Emlyn Williams, South Wales NUM President has spoken of the possibility of industrial action. Almost certainly the NUM will have raised the matter with the Wales TUC and have briefed them to broach the subject at their meeting with the Prime Minister.

The Welsh area of the NCB say the loss of market for a half a million tonnes of coking coal (against an estimated coal field production of deep mined coking coal this year of about 3½ million tonnes) will inevitably add to already high stocks of coal (which would be opposed by environmental lobby who have opposed such stocking in the past) or lead to colliery closures if alternative markets cannot be found. (The NCB area Director has said some profitable pits might be put at risk).

Following discussion in E(EA) Committee on 25 July the Secretaries of State for Energy and Industry informed the NCB and BSC that the Government was prepared in principle to provide support on a declining basis for sales of NCB coking coal while the NCB took steps to adjust their output to BSC's lower demand level. BSC and NCB are still in discussion on the connected questions of demand and price and the NCB were reporting to the Secretary of State for Energy shortly.

PRESS CUTTINGS SERVICE

Name of Paper

Guardian

Date

26/10/79

CSP 8801552

Government 'ready' for import controls

By Keith Harper,
Labour Editor

The Government has raised the spirits of some union leaders by indicating that it is prepared to introduce selective import controls where an industry is under threat from competition abroad and jobs are at risk.

This apparent shift in emphasis has been revealed to leaders of the Wales TUC in a letter from the Government, and will be one of the questions on which they tackle the Prime Minister Mrs Margaret Thatcher when they meet her at Downing Street on Monday.

Mrs Thatcher has a long-

standing engagement to meet Welsh union leaders, who are extremely concerned about high unemployment and the increasing threat to more jobs in basic industries.

Mr George Wright, general secretary of the Wales TUC, said last night that he was not particularly surprised at the letter, and thought that the Conservatives might be better disposed to selective import controls than the last Government.

The letter is from Mr Nicholas Edwards, Secretary for Wales, and was sent in response to a motion supporting import controls backed by the

Transport and General Workers' Union biennial conference earlier this year.

The letter points out that while the Government does not regard the introduction of import controls "as likely to solve our economic problems," it would be prepared to consider selective controls "of a temporary nature."

The letter goes on to declare that the Government recognises that there may be instances "where competition, particularly from low cost sources, increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace

without unacceptable disruption and loss of jobs."

The Department of Trade pointed out last night that the letter did not amount to any change in philosophy, but that specific cases of help would always be considered.

It was also being pointed out that the Government was committed to fair trading and was therefore reluctant to set up barriers which would upset Britain's trading partners.

Ministers have nevertheless been anxious to investigate complaints of dumping and have held meetings with Common Market ministers to discuss the problem.



26 OCT 1979

PRESS CUTTINGS SERVICE

Name of Paper

Western Mail

Date

25:10:79

CSP 8901552

TUC seeks import controls on steel

WALES TUC leaders will ask the Government on Monday to consider the introduction of temporary import controls to delay the scheduled closure of Shotton Steelworks.

The Welsh trade unionists — who are due to meet Mrs. Thatcher at Downing Street are pinning their hopes on a statement made by the Government to the Welsh union movement earlier this year.

Despite the basic Conservative philosophy of free competition, the Wales TUC was told that the Government recognised there could be a case for temporary steel import restrictions.

The statement, from the Welsh Secretary's office, declared, "There may be instances where competition,

By ANDY PHILLIPS,
Labour Correspondent

particularly from low-cost sources, increases at such a rate that a normally viable industry does not have time to adjust at a reasonable pace without unacceptable disruption.

"Under such circumstances, the Government would be prepared to consider selective import measures of a temporary nature."

On Monday, the Wales TUC delegation hopes to persuade Mrs. Thatcher that the planned closure of Shotton, with more than 6,000 redundancies, falls into the special category defined by the policy statement.

A TUC spokesman said, "Some 41

per cent. of the market for the type of steel produced at Shotton is supplied by imports.

"Temporary protection measures would give Shotton a breathing-space to look at ways of retaining steelmaking, and increased demand for its products would ease the crisis situation it now faces."

Government officials confirmed that the earlier response to the Wales TUC remains official policy.

"As a general rule the Government is of course against restrictions on trade, but does recognise that special circumstances can exist," said a Whitehall spokesman.

"In the case of the steel industry, there are existing agreements on trade regulation but any proposals put forward by the Wales TUC will be carefully considered."

Name of Paper

Date

CSP 8501552

Coalfield wants £200m. of Government cash

By JOHN OSMOND,
Welsh Affairs Correspondent

THE NEXT few months will be critical for the South Wales coalfield for its future depends on whether the Government can be persuaded to commit itself to investing a fresh £200m.

Two major projects need the go-ahead by early next year if the coalfield is to be set firmly on its feet with the prospect of becoming profitable by the end of the 1980s.

But the change of Government this year has presented the Coal Board with the task of beginning again a new campaign to persuade the Department

of Energy and the Treasury to give them the cash.

Between last November and March this year, an unprecedented series of talks took place on the coalfield's future, between the board, the National Union of Mineworkers and the Government, with the Energy Minister, Mr. Tony Benn, in the chair.

The director of the South Wales area of the Coal Board, Mr. Philip Weekes, believes the report from those meetings make the case for investment. But he is worried that the publicity

which surrounded the report's publication — which placed the emphasis on possible pit closures — may have led the Conservative Government to believe that the outlook for the South Wales coalfield is far from favourable.

Earlier this year, in a House of Commons debate on the coal industry, the present Secretary of State for Wales, Mr. Nicholas Edwards, said the report on the South Wales coalfield made "depressing reading."

But Mr. Weekes believes that if the coalfield receives the investment he is

advocating, it will become profitable by the mid to late 1980s and secure vital coal reserves for Britain.

The biggest project in need of Government aid is the proposed new mine at Margam, south of Mestree, which would require a capital outlay of £160m. spread over eight years before coming into full production.

But by then it would be employing 1,000 men and exploiting an estimated 100 million tons of prime coking coal (probably more) that represents 5 per cent. of Britain's reserves of this fuel.

The other project which needs backing is an investment of around £35m. in the Phurnacite plant at Aberaman in the Cynon Valley.

Miners may act over imports

by GARROD WHATLEY, Industrial Editor

SOUTH WALES pits could be crippled by industrial action over the row about importing coking coal — if talks over the next three weeks fail to resolve the issue.

Leaders of the coalfield's 30,000 miners yesterday decided to recommend industrial action unless the British Steel Corporation dropped its import plans.

Mr. Emlyn Williams, South Wales area National Union of Mineworkers president, told me: "We are hopeful that our discussions will be fruitful. But if they are not we will recommend at a conference on November 14 that there should be industrial action."

He was speaking after a meeting of the South Wales NUM area executive, which discussed the coking coal issue for about two hours.

The miners are angry, and worried, about BSC plans to reduce its purchases of coking coal from the National Coal Board while increasing its imports.

Unless the matter is resolved during the next three weeks, the miners appear likely to seek support from other unions to block the handling of imports of coking coal.

This could involve action by train drivers, railwaymen, dockers and possi-

bly steelworkers.

The round of talks planned for the next few months will include approaches to the TUC Steel Committee to get its members to persuade the BSC to change plans.

The Wales TUC will also be asked to take part in efforts at local and national level to prevent the cut-back on orders of Welsh coking coal at a time when it is already being stockpiled.

Next month's conference was originally arranged to discuss progress on the NUM's national pay claim. It will be attended by delegates from all South

Wales mines, and now the coking coal controversy will be added to the agenda.

On the day before the conference the NUM's South Wales area executive meets — and if the BSC has not backed down it will recommend to the conference that the miners plan industrial action.

Earlier this year the miners agreed to imports of power station coal into Britain, because of a shortfall in supplies from British pits. But Mr. Williams said yesterday, "That is an entirely different situation from the coking coal issue."

There are grave job consequences for the South Wales coalfield if its coking coal market drops, and the NCB has also said that the steel corporation's plans were a "stunning blow."

AN INDUSTRIAL STRATEGY FOR WALES: THE T.U.C. PROPOSALS

INTRODUCTION

From its inception the Wales T.U.C. has campaigned for a vigorous and participative system of economic planning for Wales. This pressure has been exerted against the knowledge that the only governmental attempt to provide any form of economic plan for Wales was that made in 1967 with the publication of "Wales: The Way Ahead". In the intervening years at central government and Welsh Office level something of a planning 'vacuum' seems to have developed. Yet, it is abundantly clear that the face of the economy in Wales has undergone major changes since 1967.

It may be argued that because many of these changes were brought about by external events, notably the increase in oil prices and the slump (coincidental with increased worldwide steelmaking capacity) in world demand for steel, that even the most sophisticated of economic plans (and prescient economic analysts) were found to be incapable of predicting either the events or prescribing their cure, and that in such circumstances the absence of an economic plan presented no real disadvantage.

However, such arguments tend to obscure the issue. In Wales it is not so much the lack of a plan as the absence of a planning process which should be recognised as a major obstacle to the regeneration of our commercial and industrial sectors. Moreover, the solution does not simply lie in a "one-off" up-date of "Wales: the Way Ahead" by the Welsh Office. The sort of plan and planning process that is urgently required must be continuous, participative and sensitive to the changed circumstances and forces which are now uppermost in influencing economic development in Wales.

We should guard against giving the impression that Wales languishes untouched by economic and industrial planners, for this is not the case. The structure planning exercise currently being brought to some sort of conclusion by the county councils is an example of economic planning of a kind. Neither should we ignore or belittle the efforts of either the Welsh Development Agency (WDA) or the Development Board for Rural Wales (DBRW) to formulate and implement plans for their individual operations. However, a central focus which would draw together, shape and co-ordinate these disparate efforts into a coherent planning process whereby the linkages between agencies and their relationships with overall economic goals could be understood, remains to be found.

Further factors which suggest that the setting up of an economic planning system in Wales with an industrial strategy as its cornerstone cannot be avoided for much longer are: firstly, the increased responsibilities devolved to the Welsh Office - the Manpower Services Commission and Education being the latest additions, secondly, the proximity of an elected assembly in Wales whose work will be dominated by the need to improve economic performance and thirdly, the singular failure so far of the central government's industrial strategy and its Sector Working Parties (SWPs) to specify or consider in any depth regional needs.

This paper does not purport to offer the definitive plan for the regeneration of industry in Wales, what it does do is to indicate the general principles and objectives which an economic planning process should aim to satisfy. To this end we have reworked some of the ideas and suggestions developed by the Wales TUC in the last four years to form a set of draft proposals for both an industrial strategy and a planning mechanism whereby such a strategy may be developed and implemented.

Employment needs: job security and job creation

Central objectives of any industrial strategy must be the consolidation of existing employment in Wales and the development of sufficient employment opportunities to meet the demand for additional jobs likely to arise from demographic factors. The following section examines current and potential job needs in Wales. Table 1 below shows the projected population change in Wales between 1976 and 2001.

Table 1 Projected population change in Wales

	<u>000's</u>			
	1976	1981	1991	2001
working age	1,612	1,659	1,724	1,760
All ages	2,773	2,790	2,893	2,978

Source: Government Actuary's Department

It can be seen from Table 1 that the working population in Wales is projected to increase by 47,000 in the 5 years 1976-81 and by 112,000 in the 15 years 1976-1991. Other Welsh Office estimates put the increase in working population to 1991 at 107,000. Allowing for the fact that population predictions are subject to errors (although the shorter the time scale considered, the more accurate the projection is likely to be) and that the rate at which women will be participating in the labour force by 1991 may be higher than 40% activity rate currently projected, it is reasonable to assume that at least 107,000 extra workers will have arrived on the labour market in Wales by 1991.

If we add to this potential increase in demand for jobs the current unsatisfied demand the true scale of the problem begins to emerge. Table 2 shows aggregated seasonally adjusted unemployment in Wales.

Table 2 Current unemployment in Wales - Seasonally adjusted
excluding school leavers

	<u>Unemployed</u> <u>total 000's</u>	<u>%</u> <u>rate</u>	<u>Vacancies notified to</u> <u>Employment officers/job centres</u>
Aug 1970	72.9	6.8	5,400
Aug 1977	80.9	7.0	5,900
Aug 1978	86.2	8.0	8,000

Source Department of Employment

The unadjusted total unemployed including school leavers in August was running at 101,000 a rate of 9.4%. If we returned to our immediate post-war aims of full employment, which in reality might mean the tolerance of an unemployment level of around 3% then from table 1 it can be seen that we currently need to create in the order of 50,000 jobs to reduce seasonally adjusted unemployment to this level.

In addition to those currently out of work in Wales some 65,851 jobs have been, and are being, supported by the operation of the government's programme of special measures. It is difficult to estimate how many jobs these measures are supporting at any one point in time, and it should be remembered that the figure given above refers to the total number supported from the time since the various measures were introduced. However, if we conservatively assumed that half of the figure represented the current level of support, then a further 33,000 jobs need to be added to the current level of job provision needed to reduce unemployment in Wales to 3%.

In the short term then to achieve full employment currently requires the creation and consolidation of at least 83,000 jobs in the longer term the minimum requirement would appear to be an additional 180, - 200,000 jobs, or a rate of new job creation between now and 1991 of around 12,500 jobs per year.

Table 3 shows the broad characteristics and nature of the changes which have taken place in the key sectors of the economy in Wales.

Table 3 Changes in Employees in Employment in Wales 1971-76

<u>Sector</u>	1971	1972	1973	1974	1975	1976	Net Change	Redundancy Declared
							1971-76	1971-76
Extractive	77,700	74,300	73,200	69,900	68,400	67,400	-10,300	5,158
Manufacturing	324,200	318,700	329,400	335,500	317,000	302,700	-21,500	75,975
Construction	68,800	73,600	73,300	67,000	65,600	69,100	+ 300	9,049
Services	491,100	506,000	524,500	519,400	546,400	555,800	+64,700	9,016
Total	962,000	973,000	1,000,000	992,000	998,000	995,000	+33,000	99,196

Source Welsh Economic Trends 1978

(* prior to 1976 these estimates are not reliable particularly for construction.)

As Table 3 shows jobs have leaked out of the old staple sectors of extractive and manufacturing industries during the period 1971-76, neither has this process slowed up more recently, indeed the early closures of steel making at Ebbw Vale and East Moors will further significantly reduce employment in manufacturing in 1977, 1978 and 1979. However, the fact that the number of employees in employment grew by 33,000 between 1971-76 shows that new jobs were created although not at a sufficiently rapid rate to reduce the increase in registered unemployed which also took place during the period (registered unemployed in 1971 averaged 40,000 in 1976: 74,000). Moreover, the employment growth was almost entirely concentrated in the service sector, and within this to those areas heavily reliant upon the growth of public expenditure. In the light of current public expenditure policy it is unlikely that this employment growth will have continued in 1977 and 1978

We should also note that type of employment has been growing recently. Broadly speaking Wales has reflected overall Great Britain trends, that is male employment has contracted, whilst female employment expanded. In addition, part time employment has grown rapidly. Table 4 provides details of these changes.

Table 4 Employment in employment full time and part time in Wales
All industries and Services 1971-76

	1971	1972	1973	1974	1975	1976	% change 71-76
<u>Males</u>							
			000's				
Full time	608	608	611	597	592	585	-3.8
Part time	22	23	25	24	26	27	+22.7
<u>Females</u>							
Full time	229	232	239	240	240	242	+5.7
part time	104	111	125	132	139	142	+36.5
Total (M+F)	962	973	1,000	992	998	995	+3.4

Source Welsh Economic Trends 1978

The prospects for the creation of 12,500 new jobs each year between now and 1991 are truly daunting. The Rhodes and Moore Study of the effects of regional policy in Wales* showed that at no time in the post war period has our regional policy had an effect of this order of magnitude. The best medium term estimate we have on jobs in the pipeline as a result of state assistance in Wales (including WDA) suggests around 24,000 jobs in the next 4-5 years.

Thus, whilst we are firmly convinced that an industrial strategy is necessary in order to consolidate and secure increased employment opportunities in Wales, we remain equally convinced that such a strategy would have to be operated in parallel with an increasing commitment to work sharing measures (see our document "Unemployment: The Way Out A Ten Year Strategy") and a significant boost to public expenditure programmes in Wales.

* "Regional Policy and the Economy of Wales" Welsh Office, 1975

On the employment front the strategy would aim at achieving and maintaining a level of unemployment no higher than 3%. It would also aim to bring the activity rates of women in employment in Wales in line with the Great Britain average.

Structural Objectives

Wales, like other peripheral regions of Europe has suffered from an over-reliance on a small number of dominant industries. In our case on Coal and Steel. The failure to diversify our economic base particularly to attract a wider spread of manufacturing industry is apparent and the consequences can be measured by the persistence of significantly higher rates of unemployment in Wales compared to the United Kingdom average and in the damaging flow of workers migrating from Wales to seek work elsewhere. Clearly, an industrial strategy must aim to restore the economic fabric and encourage and foster balanced growth, but it must also be bold enough to bid for high growth industries with longer term prospects than has perhaps hitherto been the case with the largely undifferentiated approach taken by regional policy. It is important, therefore to be able to spot "winners" both in a Welsh and British economic context and have the means available to channel developments in these sectors into Wales and other peripheral areas of the United Kingdom.

A review of industrial performance in Wales provides some clues to those sectors which are in need of bolstering and those where growth prospects appear good but whose presence in Wales is not particularly significant. Table 5 shows how industrial output has moved in Wales over the period 1971-77. We have adapted index of industrial production data for Wales and grouped industries according to whether they have shown 'high' 'moderate' or 'negative' growth in production over the period. We have also included the relative 'weight' of the industry this measures the individual contribution that particular industries make to that part of Welsh gross domestic product accounted for by the industrial production

- 8 -

e 5 Growth in industrial production in Wales 1971-77

1970 = 100

	1971	1977	'weight' (out of 1000)
<u>High growth:</u>			
Food, Drinks Tobacco	106	116	40
Chemicals & Allied industries	112	160	47
Electrical Engineering	104	168	56
Timber & Furniture	109	139	13
other manf. not elsewhere specified	103	158	32
Gas, Electricity & Water	92	147	68
<u>Moderate growth:</u>			
Non-Ferrous metal manf.	94	106	33
Mechanical & Instrument Engineering	97	106	61
Vehicles	104	111	65
Bricks, pottery Glass & Cement	127	132	20
<u>Negative growth:</u>			
Mining & Quarrying	101	62	85
Coal & Petroleum Products	103	89	37
Ferrous Metal manf.	94	69	167
Metal Goods not elsewhere specified	97	97	39
Textiles, leather and clothing	104	91	59
Paper, printing & publishing	86	86	31
Construction	99	80	146

Source Welsh Economic Trends 1978

Of the six high growth sectors shown in Table 5 four: Chemicals & Allied Industries; Electrical Engineering; Motor and Furniture and other manufacturing not elsewhere specified, also showed some employment growth over the period 1971-76. By the middle of 1976 these high growth sectors accounted for approximately 115,000 employees. In the moderate growth sector both Mechanical and Instrument Engineering and Vehicles showed some employment growth, whilst this overall growth category accounted for 72,000 employees by mid-1976. As may be expected in the negative growth category no significant increases in employment were shown it should also be noted that this category accounted for the largest number of employees, some 244,000 by mid year 1976.

The planning questions that can be deduced from Table 5 are complex and it is not our intention at this stage, in this paper, to enter into a debate as to which sectors should receive priority and what type of assistance would be the most appropriate. What can be said, however, is that a policy of undifferentiated assistance will do little for the real problem areas in our industrial structure. We favour a far more specifically "tailored" approach and would advocate that an industrial strategy for Wales should 'target' certain industries and shape the assistance available accordingly. This targetting approach would not just apply to the negative growth sectors but would apply equally to high growth industries. For example Electrical Engineering might be 'targetted' to ensure that companies operating in this field in Wales had every opportunity and assistance available to them to develop micro-circuitry and micro miniaturisation capacity at their establishments in Wales.

* this sector includes: Rubber; Linoleum and plastic floor coverings etc; Brushes and Brooms; Toys, games and sports equipment; Plastic products, metal and miscellaneous manufacturing industries.

A Tri-partite planning mechanism

The most important recent development in industrial planning is clearly the defining of the government's industrial strategy and the formation through NEDO of 10 individual sector Working Parties (SWP's) to develop and apply the strategy at company level. A major omission is, however, the absence of any regional considerations specified as part of the SWP's scope and function. At one level this can be rectified by insisting that SWP's carry out a thorough analysis of the regional aspects of their particular industry and that subsequent SWP decisions are mindful of specific regional needs. More desirable, however, would be the achievement of a NEDO and council for Wales. The establishment of such a body would provide a tri-partite forum whereby specifically Welsh industrial and economic planning could be carried out. Whilst providing the Welsh Office with an important forum a Welsh NEDO would be invaluable as an aide to the deliberations of a Welsh Assembly on economic policy and industrial strategy. Moreover if a differentiated approach to industrial assistance is adopted then an NEDO in Wales could prove the ideal agency through which such a strategy could be developed and implemented.

This paper and the suggestions contained in it should be seen as a preliminary indication of our general thinking on the appropriate strategy and planning mechanism to secure the industrial sector in Wales. Whilst we have concentrated here on securing the wealth producing component of our economy, we would emphasise our equal commitment to the implementation of a strategy of work sharing together with the progressive expansion of public expenditure in Wales, necessary in our view to form the essential strands of an overall economic plan for Wales.



10 DOWNING STREET

From the Private Secretary

19 October 1979

Thank you for your letter of 18 October about the Prime Minister's meeting with the Wales TUC on 29 October.

As I told you on the telephone, I do not think that the Prime Minister will wish to make an opening statement setting out the Government's overall strategy. Rather, she will ask the Wales TUC to present their views on the various issues which they want to raise. It will not therefore be necessary for a draft general statement to be prepared.

I understand that you will be sending me next week a co-ordinated brief, particularly on issues affecting Wales. The Prime Minister will no doubt look to the Chancellor to respond to the delegation on general economic issues.

Trade union legislation does not feature amongst the issues which the Wales TUC have provisionally said that they will wish to raise. However, it seems that they will be writing to us formally about this. If, in the event, it emerges that they do wish to raise trade union reform as one of the issues for discussion, the Prime Minister may want to invite an Employment Minister to attend the meeting.

I am copying this letter to Stuart Hampson (Department of Trade), Ian Fair (Department of Employment), Ian Ellison (Department of Industry), Bill Burroughs (Department of Energy) and Martin Hall (H.M. Treasury).

T. P. LANKESTER

KRB

G.C.G. Craig, Esq.,
Welsh Office.

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Linell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
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01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

18 October 1979

Dear Tim,

PRIME MINISTER'S MEETING WITH WALES TUC: 29 OCTOBER 1979

We are putting in hand the necessary arrangements for the briefing for the Prime Minister's meeting with the Wales TUC on 29 October. I understand the Chancellor and Ministers from the Departments of Industry and Employment have also been invited to be present.

At the meeting my Secretary of State had with the Wales TUC on 23 July discussion concentrated on the effects of the Budget, public expenditure cuts, changes in regional assistance, dispersal of Government offices and the future of the Shotton steelworks. We have been in touch with Wales TUC whose officials say they will wish to pursue the same points with the Prime Minister, under three headings - the effects of the public expenditure cuts in Wales; the position of the nationalised industries in Wales, particularly the proposed Shotton closure; and the recent regional policy changes, all of which, they will argue, bear disproportionately hard on the Principality. I understand they will be contacting you formally.

On past form, however, the deputation may seek to range more widely, on both general economic policy and other current issues, not necessarily wholly economic in Wales. We, therefore, hope that Treasury and the Departments of Industry, Employment and Energy will be ready to provide general background briefing on national issues which we will then co-ordinate with briefing on detailed points of particular relevance to Wales. We will, of course, make the notes as brief as possible but I fear a fair amount of paper is likely to be involved.

/It would be

T P Lankester Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1



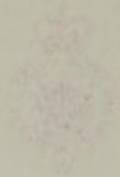
It would be helpful if you would let me know whether the Prime Minister has any views on the shape of the meeting. Perhaps it would be better to let the Wales TUC state their case on the main items and then offer a response although there may be something to be said for opening the meeting with a general statement of the Government's overall strategy to which the TUC arguments could be related. If the latter, could we have a word about the form of such a statement?

...
/ I am sending copies of this to the Private Secretaries of Trade, Employment, Industry and Energy (and enclosing as an additional guide copies of two policy documents published by the Wales TUC last year which sets out their views on the way unemployment could be reduced and the strategy necessary for industrial regeneration in the Principality).

Johns on

Georgina

G-C-G CRAIG
Private Secretary



[Faint, illegible text, possibly a title or header]

18 OCT 1979

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JS



10 DOWNING STREET

From the Private Secretary

17 October 1979

Regarding the meeting with the Prime Minister on Monday 29 October, I hope it will be convenient for this to be put back fifteen minutes and for it to be held at 1100 as the Prime Minister has a further engagement at 1200.

CAROLINE STEPHENS

David Jenkins, Esq.

CPM



10 DOWNING STREET

From the Private Secretary

17 October 1979

This is just to let you know that the meeting with the Wales TUC is now going to take place at 1100 instead of 1115 on Monday 29 October.

I am sending copies of this letter to Martin Hall (HM Treasury) and Tom Jaffray (Department of Industry).

CAROLINE STEPHENS

G.C.G. Craig, Esq.,
Welsh Office.

A handwritten signature in cursive script, likely belonging to G.C.G. Craig.



10 DOWNING STREET

From the Private Secretary

4 October, 1979.

Further to our conversation today, I am writing to confirm that the Wales TUC are coming to see the Prime Minister at 1115 on Monday, 29 October. The Chancellor of the Exchequer and Mr. Adam Butler will also be present at the meeting. I would be most grateful if you could prepare a brief for the Prime Minister to reach this office no later than Monday, 22 October.

I am sending copies of this letter to Martin Hall (HM Treasury) and Tom Jaffray (Department of Industry).

CAROLINE STEPHENS

G.C.G. Craig, Esq.,
Welsh Office.

Alkm

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HIT*

B-22/10/79



10 DOWNING STREET

From the Private Secretary

4 October, 1979.

I am writing to confirm our message on the telephone this afternoon that the Prime Minister is looking forward to seeing you and other members of the Wales TUC on Monday, 29 October at 1115 at No.10.

The Chancellor of the Exchequer, the Secretary of State for Wales, and Mr. Adam Butler, Minister of State at the Department of Industry, will also be present.

CAROLINE STEPHENS

David Jenkins, Esq.

A handwritten signature in cursive script, likely belonging to the sender, Caroline Stephens.

PRIME MINISTER

Some time ago, you agreed in principle that you would be willing to meet the Welsh TUC from time to time. We have now had a request from the Welsh TUC for a meeting in October. The Secretary of State for Wales has advised that you should meet them sometime. My own view is that we could put this off until your trip to Wales - which is provisionally scheduled for early January.

Shall I write to the Welsh TUC saying that you cannot meet them this autumn, but would be glad to do so when you visit Wales in the new year?

It is simpler to meet them when they want to meet.

28 September 1979 Have in

any days left
in October?
not

26 OCT
16 NOV.

Caroline - I will put
over to you.
R 22/10

Ind Rd

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Tel. 01-233 3000 (Switsfwrdd)
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Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

12
26/9

24 September 1979

Dear Mr. Lankester,

My Secretary of State is on leave at the present time but we were able to consult him before he left the office about the request by the Wales TUC for a meeting with the Prime Minister.

Since the Wales TUC have been told that the Prime Minister is prepared to meet them from time to time it would be difficult to turn down their request outright. While there is no pressing reason for an early meeting, my Secretary of State sees no objection to a meeting in October, subject of course to finding time in the Prime Minister's diary. Mr Edwards has indicated that he would wish to be present at the meeting.

You asked in your letter of 14 September for a brief indication of the main issues which the Wales TUC are likely to raise. Recent meetings with Mr Edwards suggest that they will want to concentrate on the Government's economic policies and the proposed reductions in public expenditure. You will be aware that Wales is more heavily dependent on public expenditure than most parts of the United Kingdom and there is particular sensitivity about the cuts.

However, you should know that Sir Keith Joseph is proposing to visit South Wales in early November, and it is hoped to include in his timetable a meeting with the Wales TUC at which the recent review of regional policy and the threatened closure of BSC Shotton will undoubtedly be among the subjects raised.

Whether the Prime Minister would wish her meeting with the Wales TUC to precede or follow Sir Keith's meeting is a matter for her decision. In either case, the Prime Minister will not wish to go into industrial issues in detail and the Wales TUC understand this from meetings they have had with previous Prime Ministers.

*Yours sincerely
P. J. Morgan*

T P Lankester Esq
Private Secretary
10 Downing Street
LONDON SW 1

pp. R J T WILLIAMS
Private Secretary



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SEP 24 1979
7 00 00

24 SEP 1979

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

14 September 1979

Mr. George.

I spoke to Bob Williams today about the enclosed letter from the Wales TUC, which asks for a meeting this autumn with the Prime Minister. Although the Prime Minister did agree in principle that she would be prepared to meet the Wales TUC, I would regard it as a low priority on her time. I would be grateful for your early advice on how we should proceed. If your advice is that the Prime Minister should meet them, perhaps you could indicate very briefly the main issues which they would be likely to raise.

George Craig, Esq.,
Welsh Office.

Incl Post.

JS

~~19.9.79~~

Mr. George
T. L.



10 DOWNING STREET

From the Private Secretary

13 September 1979

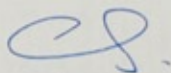
I am writing to thank you for your letter of 5 September in which you seek a meeting between the General Council of the TUC and the Prime Minister. Your letter is receiving attention and a reply will be sent to you as soon as possible.

T. P. LANKESTER

David Jenkins, Esq.

MR. LANKESTER

The Welsh TUC have now written requesting an appointment to see the Prime Minister. This follows your note to George Craig of 23 July. I think the reply to this letter needs fairly careful handling. I suppose we will have to do it, as the Prime Minister did say she would, but frankly I am not really at all happy about it. Could we please discuss on Monday.



7 September, 1979.



WALES-T.U.C.
Cyngor Undebau Llafur Cymru

TRANSPORT HOUSE
1, CATHEDRAL ROAD
CARDIFF CF1 9SD
Telephone : 0222 371495

Your Ref.

WALES SECRETARY

GEORGE WRIGHT M.B.E

Our Ref. GHW/DJ/ES/62

5 September, 1979

Please quote Ref.No in reply

The Prime Ministers
Private Secretary's Office,
10 Downing Street,
LONDON.

Dear Sir,

At our last meeting with Rt. Hon. Nicholas Edwards M.P. Secretary of State for Wales, we were informed that the Prime Minister, along with her senior economic Ministers, had agreed in principle to meet with representatives of the General Council of the Wales T.U.C.

Further to us receiving that information it has now been agreed that I should write to you formally requesting that such a meeting takes place during the Autumn months.

It would be our intention for a delegation comprising of about 10 people from the Wales T.U.C. General Council to meet with the Prime Minister along with the Chancellor of the Exchequer and the Secretary of State for Industry in London on a mutually convenient date.

Perhaps you would be so good as to confirm the willingness of the Prime Minister for such a meeting to take place and to suggest subsequently a date convenient to her.

Whilst appreciating the many demands upon the time of the Prime Minister and her senior colleagues, it would be my wish for consideration to be given to a date in the latter part of October.

Thanking you for your assistance in this regard.

Yours sincerely,

David Jenkins
RESEARCH & ADMINISTRATIVE OFFICER

CONFIDENTIAL



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10 DOWNING STREET

From the Private Secretary

24 August 1979

Your Secretary of State spoke on the telephone to the Prime Minister yesterday. Mr. Prior gave the Prime Minister an indication of the atmosphere of his meeting with the TUC Economic Committee. He indicated that it had been difficult and unproductive and that the consultations with the TUC seemed likely to follow these lines throughout.

He raised with the Prime Minister the preparations for legislation and said that he had it in mind to bring forward two Bills, with the first one narrowly defined to limit the scope for amendment and for obstruction at the Committee Stage. The Prime Minister said that she doubted the wisdom of this approach. Even a short Bill could easily be delayed by the tabling of numerous amendments and by other means, and it would therefore be preferable to include all measures in a single Bill. Mr. Prior said that he would want to discuss this further with the Prime Minister in due course.

The Prime Minister later mentioned this to the Chancellor of the Duchy of Lancaster, during a conversation about the legislative programme. She asked Mr. St. John-Stevas to be in touch with your Secretary of State on the trade union legislation. I am therefore sending a copy of this letter to John Stevens in the Chancellor of the Duchy of Lancaster's Office.

M. A. PATTISON

I.A.W. Fair, Esq.,
Department of Employment.

CONFIDENTIAL

tw



Thal RD
cc Press office

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10 DOWNING STREET

THE PRIME MINISTER

13 August 1979

Thank you for your letter of 31 July about your recent conversation with Len Murray and his colleagues. I was glad to hear a little of what had happened. I look forward to more contact with the TUC. There is a lot more work to be done in exchanging views and securing a better understanding of what we are trying to do before embarking on the course suggested in your letter.

We must not forget that 90 per cent of the Labour Party's finances come from the Unions. The Unions also control the great majority of the votes at the Labour Party Conference and therefore the National Executive of the Labour Party. That makes the position of a Conservative Prime Minister relative to the TUC very different from that of a Labour Prime Minister.

John Browne, Esq., M.P.

5



10 DOWNING STREET

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13 August 1979

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SGN MT

Christopher Murphy, Esq., M.P.



10 DOWNING STREET

PRIME MINISTER

Here is another letter from a
Government backbencher who was
present at the meeting with Len Murray
on 30 July. I attach a draft reply.

MS

3 August 1979

3 August- 1979

I am writing on behalf of the Prime Minister to thank you for your letter of 31 July about the meeting which you and other Members had with Mr. Len Murray on 30 July.

I will of course place your letter before the Prime Minister as soon as she returns from the Commonwealth Heads of Government Meeting in Lusaka and you will be sent a reply as soon as possible.

NJS

John Browne, Esq., M.P.



10 DOWNING STREET

From the Private Secretary

1 August 1979

I am writing on behalf of the Prime Minister to thank you for your letter of 31 July about your recent meeting with Mr. Len Murray and his colleagues. I will place your letter before the Prime Minister as soon as she returns from the Commonwealth Heads of Government meeting in Lusaka.

N. J. SANDERS

Christopher Murphy, Esq., M.P.



10 DOWNING STREET

PRIME MINISTER

This letter from Christopher Murphy seems to suggest that you might speak at the Trade Union Congress. This is not exactly helpful. I attach a draft reply.

MS

1 August 1979

Suggest my offer to
be for
Richard Gordon
who is in
what I have
written. Can
you meet
see it.



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt. Hon. Margaret Thatcher M.P.,
10, Downing Street,
London SW1.

31.7.79 *Pl. 8*

Dear Prime Minister,

A number of new Conservative Members recently had the opportunity of meeting Len Murray and his colleagues at the TUC.

In the course of the discussions I raised the subject of pro-Labour Party bias. Mr. Murray claimed that Socialist Prime Ministers came to the Trade Union Congress only because they had indicated a willingness to speak.

He gave me to understand that he would treat such a suggestion from a Conservative Prime Minister in the same way.

*Yours,
Christopher*

Christopher Murphy,
Member of Parliament for Welwyn & Hatfield.



From *JOHN BROWNE*, MSc, MBA, MP

HOUSE OF COMMONS
LONDON SW1A 0AA

31st July 1979

R-18

The Rt. Hon. Mrs Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London SW1.

Dear Prime Minister,

TUC Conference

At a meeting yesterday, Mr Len Murray responded to a question as to why only Labour Prime Ministers were allowed to address the TUC Conference by saying, "Invitations are only issued to Prime Ministers who have themselves indicated a wish to address the Conference."

You may well already know of this situation, but I thought it worthwhile mentioning it just in case you were unaware of this fact.

Yours sincerely,
John Browne.

JOHN BROWNE



Ind ZBL
PRIME MINISTER

Worth going through
the meeting note.

MS
30/7/79

NOTE OF A MEETING WITH THE TUC ECONOMIC COMMITTEE HELD
IN ROOM 29/2, HM TREASURY ON THURSDAY, 26TH JULY, 1979

Murray

The Chancellor accompanied by the Secretary of State for Industry and the Chief Secretary received members of the TUC Economic Committee at the Treasury yesterday at their request. Annex 1 lists those present at the meeting. Annex 2 contains a TUC press release issued by Mr. Murray at the end of the meeting.

The Chancellor welcomed the Economic Committee. He hoped they would feel free to ask for a meeting whenever they had views to offer the Government. Lord Allen thanked the Chancellor for seeing them. He had to say that the trade union movement felt deep concern at the direction of Government policies. Mr. Murray would elaborate.

In an opening statement Mr. Murray recalled that the General Council had met the previous day in an atmosphere of genuine concern and depression. Their unanimous conclusion was that the direction of Government policies endangered public expenditure, living standards and jobs. Concern had been expressed also about the inadequacy of consultation with the trade union movement. After the Budget the Chancellor had indicated his readiness to consult the TUC about economic policy. Yet major decisions had been announced without consultation of any kind.

Mr. Murray went on to express the TUC's concern at the savage attack on the public sector and public services. The Government were rumoured to be cutting public expenditure by another £4 billion. The Chancellor had spoken of selling assets worth £1 billion. Cuts on this scale were certain to



reduce demand on the private sector as well as gravely damaging the public sector. Against this the income tax reductions in the Budget benefited only a small minority of people. The TUC were unconvinced of the improvements to incentives. The Government's actions would reduce output and consumer spending by 1 per cent; cut private sector investment by 1½ per cent; and further depress the economy. Ministers were digging a hole in the public sector which it was impossible for the private sector to fill. What were the Chancellor's estimates of the likely loss of public sector jobs? How soon would the figure of 2 million unemployed be reached? Would the figure go even higher? Public services were an important component of living standards. Cuts in direct taxes accompanied by cuts in public services did not represent an improvement in living standards. The TUC were opposed to suggestions of a new cost of living index if this did not reflect changes in the standard of public services.

The Government could not blame falling living standards on OPEC. As an oil producer rising energy costs would not harm our terms of trade. Any diminution of living standards in the next twelve months would be due entirely to the deflationary effect of the Budget. The only direct effect would come from inflated profits for the multinational oil companies; these should be dealt with by introducing a windfall profits tax. The Government were mistaken in their economic analysis. The people would come to recognise this as living standards fell. It was time for frank speaking.

The Chancellor replied that the Government shared with the TUC a common objective in securing better economic performance and better prospects for the British people. They were not in office to try strange new experimental theories on the economy. Government policy was the product of close analysis of the economy in Opposition. But, as he had plainly said the previous day in a speech at Alnwick, the outlook for output was



"frighteningly bad".

In reply to Mr. Murray's detailed points, the Chancellor denied that the UK could be insulated from the effects of the general oil price increase. As a trading nation we suffered externally from the reduced prospect for world growth and international trade, because of the burden on the oil consuming countries. Internally, living standards suffered because the higher relative price of oil meant less to spend on other things.

The Government shared the TUC's wish to see rising standards of public services. By international standards, the quality of our public services was falling. Ministers were not theologically opposed to public expenditure. The first priority was to get the economy back on course. It was wrong to talk of savage cuts in expenditure. As the Chief Secretary had explained in the House of Commons the previous day the Government's aim was to stabilise the level of public expenditure. The country could not afford the increases planned by the last Government. Public expenditure this year had to be contained to the level in 1978/79.

As for sales of public assets, a sensible disposals policy had two advantages. First, it enabled the reduction in other public expenditure to be smaller. Second, it enabled our public corporations to benefit from access to private capital. The Chancellor went on to reject talk of "digging a hole" in public expenditure. His own PSBR target for 1979/80 was only £1 billion less than his predecessor's target. Before the Budget measures, this year's PSBR was running at around £11 billion. That was unsustainable and everyone agreed it had to be reduced. This could have been achieved by reducing public expenditure or raising taxes. The Government, like the



TUC, wanted to get taxes down. Sensible cuts in public expenditure were the only alternative. That was the first half of the equation: the other half involved measures to improve the supply side of the economy. This would take time to come through. Meanwhile, the poor outlook for growth was undeniable whilst public spending and inflation were brought under control. Improvement in living standards would have to be deferred. Nor would he deny the possibility of higher unemployment, though the prospects here turned decisively on the outlook for pay settlements in the public and private sectors. But the fact remained that there was no alternative if the Government were to make room for manoeuvre in the economy.

Mr. Murray made four points in reply. First, the TUC could not accept a small improvement in living standards than other countries at a time when North Sea oil equipped the UK better than its competitors to sustain higher investment and growth. We had an obligation not to add to the prospect for world recession, to increase the likelihood of "slumpflation". Second, the TUC were convinced that improved productivity and performance depended critically on high capital utilisation; this was true e.g. in chemicals, in steel and in glass. We should be increasing economic activity, not reducing it. Third, the Treasury computer must be providing Ministers with unemployment forecasts. What were they? Fourth, the Chancellor had spoken of reducing the PSBR, but lower growth, reduced incomes and higher unemployment would surely increase the need for public borrowing.

The Chancellor did not deny that the short term prospects for growth were gloomy. But with money supply tightly controlled, he repeated that the level of pay settlements would critically influence the outlook for jobs. He remained puzzled by the TUC's insistence on higher growth at all costs. To



the extent this came from improved efficiency and productivity they were on common ground. But the TUC seemed to be looking for higher growth from higher demand. How did Mr. Murray suggest the Government could sustain a higher level of public sector borrowing without forcing up interest rates, an excessive growth in money supply and accelerated inflation? Is that what the TUC were advocating? As for the world economy an underlying trade deficit of £2 billion for the first half of the year was hardly indicative of a country not playing its part in maintaining world trade.

Mr. Murray thought Ministers were approaching the matter in too static and mechanistic a way. The PSBR had to be looked at dynamically. By generating extra resources higher growth would not inflate the PSBR by as much as low growth and high unemployment. The Government should be ready to take risks to maintain jobs. The Chancellor said that with interest rates already standing at 14 per cent such risks were not acceptable. The Secretary of State for Industry emphasised that jobs would be threatened just as much by a combination of high interest rates, crowding out of the private sector and accelerating inflation.

Lord Allen said he was confused by the Government's apparent belief that cuts in public expenditure could improve growth. The Chancellor said that the belief that one could generate growth and employment by expanding the money supply was no longer valid. We now knew that the result would be faster inflation, higher interest rates, fewer jobs and less growth. By controlling public spending, interest rates could be reduced, the economy put into better balance and the foundations laid for resuming growth again. Mr. Murray replied that the Government's policies seemed to him to be a recipe for bankruptcies and unemployment.

THIS PAGE WAS OMITTED FROM THE
NOTE OF A MEETING WITH THE
TUC ECONOMIC COMMITTEE HELD
IN ROOM 29/2 HM TREASURY ON
THURSDAY, 26 - JULY - 1979.



It all sounded very odd. The Chancellor strongly contested this; the experience of 1974/1976 demonstrated that bankruptcies and unemployment would be more likely to follow from an unsustainable level of public sector borrowing. Mr. Murray thought that preoccupation with the money supply was leading the Government to undervalue other equally important factors.

Mr. Murray then made some remarks about the nationalised industries and public corporations. Alone of major industrialised countries, we were diminishing our ability to control energy sources. Current US experience was particularly relevant. To strip BNOC of its powers of initiative and management was totally backward looking. The TUC were also concerned to learn of major changes planned in the structure and financing of some key nationalised industries. Decisions had been announced which threatened to weaken British Airways and British Aerospace. This was also true of the Post Office. And there were doubts about the long-term prospects for steel and shipbuilding, with damaging consequences for job prospects at Shotton and Corby. The Government had embarked upon a policy of creaming off to private enterprise all the profitable parts of the nationalised industries without giving any opportunity for the other side of the case to be argued by the TUC or the workers involved. The Government should know of the bitter resentment felt by workers in those industries. This was nowhere more true than in the steel industry where workers and management had co-operated over a long period to tackle major structural problems and reduce capacity. The TUC could not understand the argument for selling the seed corn to pay medium term debts. Workers were bound to defend their jobs against decisions which they did not understand. The TUC were particularly alarmed at the threats to BNOC and the loss of control over our national oil supply.

The Chief Secretary questioned Mr. Murray's use of the United States as an example of a more enlightened approach to these problems

30 JUL 1973

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On the contrary, recent US experience illustrated the difficulty of adopting realistic oil-pricing after too long a period of over-regulation. Adjustment to market conditions in those circumstances was bound to be more painful. Mr. Murray's fears about losing control of North Sea oil were misplaced. The guarantee of security of oil supplies lay in BNOC's 51 per cent participation agreements. The Government had no proposals in mind to amend those. Control of UK oil was therefore secure. The Chancellor added, in reply to a question from Mr. Murray, that there was no intention of future changes in control.

The Secretary of State for Industry said the Government wished to see less political decision-making in the nationalised industries. He distinguished between the public utilities and public corporations which were really international trading concerns. Prosperity and job prospects in the latter depended on both vigorous management and continued access to additional capital. The Government believed that private shareholders injecting private capital would help to secure better prospects for the workers in those industries than continued management by public boards. Where monopoly public utilities were providing an inadequate service the choice was either between asking the corporation to pull itself together or to expose it to greater competition. The steel industry demonstrated all too clearly how continued delay in tackling fundamental problems made more painful the ultimate adjustment required. Security of jobs depended on how quickly major public corporations could be made internationally competitive. As for the changes in regional policy, he had been careful to keep the same level of support for the worst hit areas, whilst making long-needed adjustments in the boundaries of the relatively more prosperous parts of the country. He had also recognised the need to phase changes over a sufficiently long period - despite criticism from some of his own supporters.



Mr. Chapple, speaking for the TUC nationalised industries committee, echoed TUC fears about the effects on jobs at Shotton. The Chancellor had said that tax cuts would lead to more jobs, but he feared that these would be jobs in Japan, not at home. The Secretary of State for Industry said the TUC should remember that money saved on public spending would increase consumer expenditure, so creating and supporting extra jobs. Mr. Chapple was right to think that some of the extra demand would go on imports until British industry became more competitive. It was not given to politicians or to the TUC to say where the extra jobs would be found. Mr. Chapple replied that this seemed a simple-minded approach to running an economy. He feared the Government's policy could put civilised behaviour at risk. He did not accept that the Government had a mandate to dispose of national assets. He wanted to know the Government's intentions regarding disposal of BP shares. Were the employees of BP to participate? And what assurances could the Government offer if employees did not take up their shares?

Replying, the Chancellor said that in his Budget statement he had made clear the Government's intention to raise £1 billion this year by disposing of public sector assets, including a tranche of BP shares. The aim was to spread the burden of financing the public and private sectors, both to reduce demands for Government finance, and to enable our public corporations to compete more successfully in the market place. He deprecated as much as the TUC the shadow which overlay Shotton: this was something which the workforce might well have been spared if Shotton had stayed in the hands of John Summers rather than become part of British Steel. Mr. Chapple said he could not see the logic of taking this kind of action at a time when the world was facing growing recession. It did not seem consistent with the aim of reducing the PSBR to sell of the most profitable parts of our nationalised industries. The Chancellor replied that, to stay successful, these needed more development capital which could



be best provided by the private sector. But, as had been explained, there was no question of threatening control of our oil supply.

Mr. Gill then spoke about British Aerospace and British Shipbuilders. British Aerospace was a profitable enterprise, which had been conspicuously successful under public ownership. It had a world-wide reputation as a highly efficient organisation. As a high technology enterprise it provided a valuable fall-out for the rest of industry. He very much deprecated proposals to sell off shares to private enterprise. He was particularly unhappy about any option to sell of Dynamics, in the event of difficulty in disposing of a block of shares in the main company: this would make the industry unbalanced. As for British Shipbuilders, there was no immediate prospect of finding a purchaser, but it did the Government no credit to contemplate disposal when they did become profitable. Replying, the Secretary of State for Industry said that the Government would far prefer to sell a balanced part of the British Aerospace operation. He could not accept Mr. Gill's criticism of the Government's attitude to British Shipbuilders. He believed that the injection of private capital and management could only benefit the workers involved.

At this point, Lord Allen intervened to say that he hoped the Government recognised that consultation did not mean that the Government talked to the TUC only about fait accompli. Mr. Murray said this was illustrated by developments on the National Health Service. The Government had earlier indicated that there was no intention to cut back the NHS. The TUC had since heard that Ministers were not planning to raise the Health Service cash limits for inflation or the increase in VAT. They had the impression of a real cut-back in Health Service expenditure of £100 million next year, despite an ageing population. The Health Service needed more not less money. There had been no opportunity for consultation with the Government in advance of decisions. The TUC had no answers to the fears expressed by those working in the Health Service. And cuts were



threatened in the Civil Service, in local authorities and in quangos. Mr. Murray thought the Government were also mistaken to throw away the Energy Commission. Ministers should come clean with the TUC. Either there must be proper consultation or not. Ministers could not take unilateral decisions and then expect the TUC to help minimise the damage. With proper consultation the TUC would expect to share the responsibility for the consequences of decisions.

The Chancellor commented that the Government were involved in a continuous process of decision-making; not all decisions could be the subject of consultation. Some issues were more properly discussed with Departmental Ministers than centrally with the TUC's main committees. Civil Service staff questions probably came into this category. So did consultations about expenditure about the Health Service. The Chancellor assured Mr. Murray that Ministers were ready at all times to hear representations from the TUC either at departmental level or through meetings with the Economic Committee.

Mr. Murray said that the TUC had reached a broad agreement with the Labour Government on arrangements for discussing public expenditure priorities. They would like the same sort of involvement with the present Government. With the Chancellor's agreement, they would like to offer some procedural suggestions. The Chancellor said he would be glad to receive any TUC views.

The meeting ended with brief exchanges on the handling of the press.

Ab
(A.M.W. BATTISHILL)

27th July, 1979



Those present at the meeting:

Chancellor of the Exchequer	<u>TUC Economic Committee</u>
Secretary of State for Industry	Lord Allen
Chief Secretary	Mr. Basnett
Mr. Ian Stewart, MP	Mr. Chapple
Sir Lawrence Airey	Mr. Christopher
Sir Anthony Rawlinson	Mr. Drain
Mr. J.B. Unwin	Mr. Duffy
Mr. Mower	Mr. Evans
	Mr. Fisher
Mr. Lippitt (Dept. of Industry)	Mr. Gill
	Mr. Parry
	Mr. Murray
	Mr. Willis
	Mr. Lea
	Mr. Callaghan
	Mr. Pursey
	Mr. Barber
	Miss Hughes

Circulation:

PS/Secretary of State for Industry	Mr. Lippitt Dept. of Industry
PS/Chief Secretary	
Sir Lawrence Airey	
Sir Anthony Rawlinson	Mr. Lankester, No. 10
Mr. Bailey	
Mr. Littler	
Mr. F. Jones	
Mr. P. Dixon	
Mr. Unwin	
Mr. F.E.R. Butler	
Mr. Ridley	

Private and ConfidentialMeeting Note
July 26 1979T R A D E S U N I O N C O N G R E S SPUBLIC EXPENDITURE, LIVING STANDARDS AND EMPLOYMENTNote for Meeting between the Economic Committee
and the Chancellor of the Exchequer and
the Chief Secretary to the TreasuryThe Effect on the Private Sector and the Economy as a Whole

1 The TUC Economic Committee, and trade unionists as a whole, are increasingly alarmed at the Governments' savage attacks on public services and the public sector as a whole. The Government has cut public spending by £2½ billion this year and has announced plans to sell £1 billion of public assets. It has also stated its intention to make more radical cuts in the 1980-81, and these are still being discussed by Departments. A figure of £4 billion has been frequently mentioned in the press.

2 No part of the Government's policy will have bigger effects on both employment levels and living standards than its decisions on public expenditure. These effects will be felt not only in the public sector but in the private sector too. The reduction in demand, the decline in public sector orders and the drop in the provision of public services will affect all sections of the community, except those who in no way rely on public services, the groups who have at the same time been given the biggest tax cuts in memory.

3 The Chancellor has claimed that the income tax cuts will create incentives for the private sector. But the Chancellor's own economic forecasts reveal that following the Budget there will be a 1 per cent fall in national

output between the first half of 1979 and the first half of 1980, and that in the same period consumer spending will fall by 1 per cent and investment in the private sector will fall by 1½ per cent. The Chancellor's own forecasts predict not a buoyant private sector, but a depressed one.

4 There is no evidence that the hole the Chancellor is digging in the economy by public spending cuts will be filled by the private sector. The ban on recruitment in many parts of the public sector will deprive many of this year's school and college leavers of employment. The British people have the right to know what the Chancellor is now forecasting for the level of unemployment and his estimate of the jobs that will be lost in the public sector.

Public Spending and the Standard of Living

5 Public spending is a central part of the standard of living. Committees of the General Council and TUC Industrial Committees are engaged in an intensive programme of meetings with Ministers to emphasise the total role of public spending in such key areas as education, health, pensions and social security, local government, construction, and transport.

6 It is misleading for the Government to try to give the impression that tax cuts combined with public service cuts increase living standards. The trade union Movement would be totally opposed to any so-called index of living costs which only included half of this equation. In any event it would be totally counter-productive for the Government unilaterally to introduce another index when for many years one of the great strengths of the Retail Prices Index (in contrast to those in some other countries) is that it has the support of all sections of the community.

Any attempt to describe living standards must include the public services. Any suggestion for a new index must be referred to a properly constituted advisory body such as the Retail Prices Index Advisory Committee.

It is Not True that Living Standards Must Fall

7 There is no doubt that the UK economy, in common with other industrialised countries, faces great problems in the wake of the recent oil price increases. But many of the problems that will be felt first hand by workpeople and their families will derive not from this but from the Government's own policies. We do not accept that external circumstances demand that we have reduced living standards in Britain, and we deal with this point below. The fundamental fact is that it is the Budget, with its deliberate deflationary impact, which has led the Government into a position that they clearly wish to explain away.

8 The proposition that living standards in Britain must fall because of the rise in energy prices is mistaken, since they should not lead to a deterioration of Britain's terms of trade. Indeed, given Britain's very strong position as an energy producer there will be no reduction in the real national income as a result of changes in energy prices.

9 Since increased energy prices will not in themselves lead to a reduction in the nation's real income. Personal living standards will only fall if the profits of the oil companies increase. This should be dealt with directly by a windfall profits tax. Increases in domestic energy prices could be compatible with general price stability if the Chancellor were to reduce other expenditure taxes, rather than to increase them.

10 Nowhere is the need for greater public accountability and control more apparent than in the energy sector. At a time when every other major country is trying to extend control over the energy sector, in particular the multi-national companies, the British Government seems to be committed to going in the opposite direction by stripping BNOC of its powers. BNOC has been a major success story, establishing itself as a major oil company within a period of 4 years.

Nationalised Industries

11 Another major threat to the public sector would be to restrict the activities of public corporations, for example by removing the Post Office's monopoly of letter carrying or allowing private air transport operators to undercut British Airways on domestic air services. The Post Office has major public service obligations in all parts of the country, so its monopoly status is vital. It would be irresponsible economically and socially to allow private operators to cream off the lucrative parts of the existing publicly owned networks leaving the public sector the most difficult and unprofitable parts.

12 The Government has recently announced major changes in the structure and financing of some key nationalised industries. Decisions to sell off shares in British Airways and British Aerospace have already been made without consultation with the TUC. This is a short-sighted and doctrinaire policy. Selling off shares in these industries to finance tax cuts is a misguided approach which will not help the long term future of the companies and will reduce total investment in the economy. One of the main arguments for nationalisation of BAe is that the aircraft industry has had a continuing need for public financial assistance in order to develop and produce aircraft required by the

defence forces and the national carrier. Selling off shares is unlikely to reduce this need. Furthermore the aerospace industry has a very long planning timescale whereas private investors will be looking for relatively quick returns. Relying on private capital for up to 50 per cent of its resources may distort BAe's planning and investment process and long term projects would not be able to obtain finance. Similarly British Airways is the national air carrier and has wider obligations in terms of national transport policy than that of a purely commercial enterprise. Furthermore from time to time British Airways has required public assistance to replace its aircraft fleet. British Shipbuilders requires Government support to create a long term future for itself during a period of severe recession. The cutback in aid over the next two years and the doubt cast by the Government's statement on its long term future can only make it more difficult for the company to readjust and will aggravate the unemployment problems of some of the country's most deprived regions.

13 British Steel is also facing severe problems of adjustment during a period of world recession. The Government's restrictive attitude to cash limits for BSC has exacerbated the problems facing the Corporation and has led to the acceleration of proposals to close the Shotton and Corby works. These closure proposals and other measures stemming from the rigorous application of cash limits could result in over 20,000 redundancies. The narrow financial objectives of the Government are preventing the constructive consideration of proposals by unions for alternative solutions and may well therefore result in severe unemployment problems in areas where the steel industry is the dominant employer and centre of the local economy. It would be wrong to insist on British Steel breaking even in a recession. The only way this can

be done, within the timescale set by the current cash limits is by a drastic reduction in capacity. This would leave the British market wide open to imports in future years, as there will not be the capacity in the UK.

Regional and Industrial Assistance

14 Private firms will not be stimulated to further activity by a cut in their regional grants, a cut in their employment subsidies, difficulties in raising finance privately because of the high interest rates, and inability to raise money from the public sector because of the cut-back in Section 8 aid and the restrictions on the NEB. Firms will lose orders because of the cut-back in public sector investment; and they will find it less easy to find skilled manpower because of the cut-back in training programmes. However international bodies such as the OECD are seriously concerned at the prospects of a serious slump, and are increasingly positive towards active regional industrial and manpower policies. The Chancellor will need to come clean on how many jobs will be put at risk in the private sector by the cut-backs in regional, industrial and employment assistance. Risk taking, enterprise and initiative are not and cannot be the sole prerogative of the private sector. Particularly in the fields of high technology there must be a combination of action by both the private and public sectors.

Health Service

15 In the Budget speech the Chancellor said that there would be no reduction in the public expenditure programme for the NHS. However, because cash limits have not been revised to allow for higher inflation and also because health authorities will as a result of the Budget have to

pay increased VAT, real expenditure will in fact be cut back by at least £100 million in 1979/80. This is a 1½ per cent cut in the NHS budget. In order to maintain levels of care for an ageing population an increase of at least 1 per cent per year in NHS expenditure is needed. The Secretary of State for Health and Social Services has stated that the cut in expenditure will result in unfilled vacancies and a decline in health care. The NHS should be improved not cutback. A high quality health service available as of right to all members of the population is an essential part of the standard of living.

Public Sector Borrowing Requirement

16 The Chancellor has announced that one of the reasons for the cuts in public spending is the need to reduce the Public Sector Borrowing Requirement. The TUC, along with independent commentators, would argue that deflation is no way to achieve this. A deflationary budget will increase the PSBR unless the Government also plan to return to pre-war policies of savage cuts in Supplementary Benefit and other benefits.

Future Government Plans

17 Beyond the plans already announced by the Government are those for 1980/81 and beyond. On July 23 it was announced that the level of public spending in 1980/81 would be £4 billion below the plan announced in the last White Paper. Few details have yet been given. However the Lord Privy Seal has talked of cuts in civil service manpower of 10, 15 or 20 per cent, and the Secretary of State for the Environment has talked of cuts in local authority manpower of 5, 7½ or 10 per cent. A widespread attack on so-called fringe bodies or quangos has been announced. Contrary to the opinions loudly expressed by the Conservative Party, this category of body, which

includes the MSC and the HSC, is part of a participatory economy and their staff are playing a vital role in the public welfare; many people from all walks of life, including trade unionists, give up their time, often for no payment at all, to make their contribution. The Government are planning massive cuts in the volume of public spending for 1980/81 and the years beyond. But there has been no consultation with the TUC despite the claims made by Government Ministers that they are consulting the TUC. If the Chancellor and the Chief Secretary want real consultation with the TUC they must discuss their plans before decisions are taken. A £4 billion cut in public expenditure will put many essential public services at risk. Charges may have to be imposed and services will be reduced. Some services may have to disappear altogether. The TUC can see no justification for such a sweeping attack on the public sector.

DL/BC/CB
July 24 1979

Ind Pd



10 DOWNING STREET

From the Private Secretary

23 July 1979

Dear Geoff.

The Prime Minister has read your letter of 18 July, and is prepared in principle to meet the Wales TUC from time to time on the basis that you have indicated.

I am copying this letter to Martin Hall (Treasury), Andrew Duguid (Industry), Ian Fair (Employment) and for information to Kenneth MacKenzie (Scottish Office).

Am. wv.

T. L. L.

G. C. G. Craig, Esq.,
Welsh Office.

JS

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Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

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From The Secretary of State for Wales

Dain Aisick
Are you willing, in principle, to meet the Wales TUC? 18 July 1979

Ian Tin

Agreed no.

*They met
M. Callaghan
in 1976
and 1978.
R..*

I copied to you my letter of 4 June about the request we had had from the Wales TUC for a continuation of the arrangements under which they had come to expect that roughly once a year they could have a meeting with the Prime Minister, and that from time to time they should also have access to other senior Ministers than the Secretary of State for Wales, for a general talk about their views on current issues. As I indicated in that letter at their last meeting with my Secretary of State the WTUC asked whether they could have a formal indication whether these arrangements would be available to them.

I have now had a response from the Treasury, Department of Employment and Department of Industry, indicating that their Secretaries of State would be happy to have occasional meetings with the WTUC. I would be very grateful to know now whether the Prime Minister is prepared to consider meeting the Wales TUC on the basis described above.

Copies of this go to Martin Hall (Treasury), Andrew Duguid (Industry), Ian Fair (Employment) and for information to Kenneth MacKenzie (Scottish Office).

John [unclear]
Geoff [unclear]
G C G CRAIG
Private Secretary

T Lankester Esq
10 Downing Street
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18 JUL 1979





Ind M.
JD
cc Hunt

10 DOWNING STREET

THE PRIME MINISTER

12 July 1979

Dear Mr. Murray,

Thank you for your letter of 27 June, with which you enclosed copies of the General Council's statement on the Government's economic policy and a motion for submission to this year's Trades Union Congress.

I welcome the public expression of the TUC's concern to play a constructive role in the economy. As I said when we met on 25 June, we clearly share common aims in seeking higher output and employment, improved living standards and better public services. The scope for making progress in any of these areas depends crucially on bringing inflation under control.

I was interested to hear the TUC's views on the direction of economic policy at that meeting, and valued the opportunity it gave me to explain in more detail the Government's own philosophy. I hope it will be the first of a number of useful discussions between us.

Yours sincerely
Margaret Thatcher

The Rt. Hon. Lionel Murray, O.B.E.

—
LW

PRIME MINISTER

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The Treasury have now advised that you should not reply in detail to Mr. Murray's letter at Flag A. Instead, they have suggested the attached draft, which I agree would be suitable.

12

10 July, 1979.



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

5 July 1979

Tim Lankester Esq
10 Downing Street
London
SW1

Dear Tim

12 6/7

I have seen your letter of 28 June to Tony Battishill about Len Murray's letter to the Prime Minister with which he enclosed a copy of the General Council's statement on the Government's Economic Policy.

I have discussed this matter with the Paymaster General and his advice is that in view of the contents of Mr Murray's letter a short non-committal reply is called for or alternatively if a more substantive reply is thought appropriate this should merely reiterate the Government's general economic strategy. No attempt should be made to answer any of the matters raised in the policy statement.

I am sending copies of this letter to the Private Secretaries to Members of 'E' Committee and to Tony Battishill (Treasury) and Martin Vile (Cabinet Office).

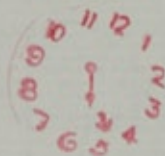
*Yours ever
Richard*

R E S PRESCOTT
Private Secretary

British Council Office
WILTON PLACE, LONDON, SW1A 2DQ



E-5 JUL 1979





Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

9th July 1979

Dear Sir, R

In your letter of 28th June, you asked for advice on how the Prime Minister should reply to Mr. Murray's letter of 27th June.

..... We would recommend against a detailed reply, and would suggest that the Prime Minister write to Mr. Murray on the lines of the attached draft.

I am copying this letter to the Private Secretaries to the members of E Committee and to Richard Prescott (Paymaster General's office) and Martin Vile (Cabinet Office).

Yours aw,

(M.A. HALL)

Tim Lankester, Esq.,
No.10 Downing Street

DRAFT LETTER FROM THE PRIME MINISTER

TO: The Rt. Hon. Lionel Murray, OBE

Thank you for your letter of 27th June, with which you enclosed copies of the General Council's statement on the Government's economic policy and a motion for submission to this year's Trades Union Congress.

I welcome the public expression of the TUC's concern to play a constructive role in the British economy. As I said when we met on 25th June, we clearly share common aims in seeking higher output and employment, improved living standards and better public services. The scope for making progress in any of these areas depends crucially on bringing inflation under control.

I was interested to hear the TUC's views on the direction of economic policy at that meeting and valued the opportunity it gave me to explain in more detail the Government's own philosophy. I hope it will be the first of a number of useful discussions between us.

110 JUL 1979

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VLS

10 DOWNING STREET

From the Private Secretary

28 June 1979

I am writing in the Prime Minister's absence in Tokyo to thank you for your letter of 27 June and the enclosed statement by the General Council and motion for submission to the 1979 Trades Union Congress. I will of course place this before the Prime Minister.

T. P. LANKESTER

The Rt. Hon. Lionel Murray, O.B.E.

LCKm

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Rt. Hon Margaret Thatcher, MP
Prime Minister,
10, Downing Street,
London SW1.

DEPT Secretary's

OUR REF LM/DL/AW

YOUR REF

June 27, 1979.

Prime Minister

Dear Prime Minister,

Economic Policy

At their meeting today the General Council adopted a statement on the Government's Economic Policy and a motion for submission to the 1979 Trades Union Congress, and I am enclosing copies of these.

Yours sincerely

Lionel Murray

General Secretary

LM

*This all follows
very closely the
presentation which the
Murray made at
Monday's
meeting.*

*I have
circulated to
E Committee,
and have asked
for advice on
whether you
should reply
substantively.*

TL

28/6

THE ECONOMIC POLICY OF THE GOVERNMENT

Statement by the General Council

The General Council today received a report from their Economic Committee on their assessment of the Government's economic measures announced in the Budget together with a report of the meeting with the Prime Minister on June 25.

The trade union movement has been, and always will be, anxious to play a constructive role in the economy of the country. The TUC has for many years played such a role both in NEDC and in relations with Governments, and all post-war Governments have come to recognise that the management of the economy requires it to have a constructive working relationship with both sides of industry.

A vital element in this understanding is the need for agreement on the central objective of a high level of employment. Ever since the 1944 White Paper on Employment Policy, all Governments have accepted that they have responsibility to play a major part in achieving this. A return to crude concepts of financial orthodoxy in regard to public finance, which was also characteristic of the pre-war period, would mean a return to pre-war levels of unemployment. We must build on the advances of the past 35 years, not demolish them.

Yet, on the Chancellor's own figures, there will as a result of the Budget now be an absolute decline in economic activity, and therefore employment and living standards, in the coming year: this is an indefensible waste of our nation's resources.

Trade unionists among others will find it impossible to believe the Chancellor's claim that his Budget will "squeeze inflation out of the system". A Government Minister has now quoted the figure of 17½ per cent as the inflation forecast for November 1979, over double the rate a year earlier. Trade unionists always have regard to the level of inflation at the time they negotiate. The Government has deliberately increased prices at a stroke, in particular but not only by the swingeing increase in VAT. This can only feed inflation in a disastrous way, and the Government must take the full responsibility for its actions and their inevitable consequences.

To this has been added a highly regressive redistribution of the tax burden, the wealthiest receiving the lion's share of the benefits. This shows signs of becoming a general pattern, as is illustrated by the decision to postpone the rating revaluation; this will mean that rates will become increasingly regressive with commercial properties escaping their proper contribution. As regards the supposed "incentive" effects of a switch to indirect

taxation, the weight of the evidence is heavily against the Government's contention. At the same time the average family will have to pay far higher prices for virtually all the goods and services on which the extra income might be spent. The claim made by Ministers that this switch widens people's freedom of choice is thus seen to be completely false. And even when the Chancellor has reduced the tax burden on lower paid workers through a substantial increase in tax thresholds, he has cancelled this out by the increases in prices and the cut in the quality of public services: because this is the inevitable result of the major cuts in public expenditure.

The "social wage" - in other words the benefits and services financed by public expenditure - must be seen as much a part of living standards as money in the pay packet. The coming year will demonstrate to many millions of people - including many trade unionists - that cuts in public services are not only inconvenient and damaging to social advance but exacerbate problems of unemployment both in the public sector and consequently in the private sector and actually involve greater expense to the public. The decline of public transport at a time of severe energy shortage and rising petrol prices is but one of many examples of this.

The General Council are entitled to be proud of the part they played in support of the great steps forward on pensions and child benefit, setting out principles for improving these in line with earnings or prices, whichever were the higher; they will press vigorously for these principles to be reasserted and indeed improved upon in the future. They will also press vigorously for further progress in relation to the under-fives and 16-18 groups, which should be part of a comprehensive programme of social and educational advance.

Many social advances constitute economic and industrial advances for the nation as well. The opportunities for the school-leaver are perhaps the single most clear cut case. Their chances of finding a job this summer have now been reduced both by cuts in youth opportunities programmes and by the threat to severely curtail recruitment in many public services this year.

Yet it is against this background that the Government are urging a transformation of attitudes and practices in industry in the direction of greater efficiency, productivity, and the acceptance of new technology. The General Council have taken a constructive part in finding positive policies on these issues, but they have emphasised and re-emphasised that the crucial ingredient is confidence on the part of workers in industrial change.

Successful adaptation to industrial change equally requires a major role for Government in tackling many of our industrial problems, notably import penetration, lack of modern investment and the tendency of UK transnational corporations to place their major emphasis overseas. The General Council reject the Chancellor's conclusion, based on selective evidence, that the disproportionate growth of direct investment overseas will have no adverse effects on British industry. This is at a time when the need for greater control of transnational corporations is being increasingly recognised by Governments of many different political complexions around the world.

The General Council will be carrying out a major programme to demonstrate to the public the great contribution made by the public services, and the positive role which public expenditure plays in the regeneration of industry, they will also be underlining the indispensable role of the nationalised industries in the nation's industrial effort both at home and abroad. Nowhere is this better illustrated than by the contribution made by the publicly owned energy corporations in coal, oil, gas and electricity, including the nuclear programme. The timing of the decision to dispense with majority control in British Petroleum defies rational explanation. It shows a political inflexibility which is the most disturbing feature of this Government's actions so far. The General Council are completely opposed to any reduction in the public control over the energy sector.

The General Council accept that there is a role for effective private enterprise side by side with effective public enterprise in a mixed economy. The National Enterprise Board, in the relatively short time since its inception, has got to grips remarkably well with a number of critical industrial problems; it would be extremely damaging at this time to diminish its powers of initiative or in other ways remove the creative and enterprising dimension to its work.

The General Council believe that the period ahead will demonstrate the validity of their approach. There is no other way to achieve social and industrial understanding.

The General Council believe that the Government's economic policy will damage the nation's economic and social development, particularly in relation to prospects for employment. They will continue to make forceful representations to the Government on this whole range of issues. They will also be putting a motion before the 1979 Congress pinpointing the major themes of this statement, as a major element in a wider trade union campaign for economic and social advance.

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CAMPAIGN FOR ECONOMIC AND SOCIAL ADVANCE

Motion by the General Council for the 1979 Congress

Recognising that economic stability and progress require certain key principles to be accepted by both Government and the trade union movement, Congress expresses its gravest concern at the repudiation of this approach by the present Government. It endorses the General Council's statement setting out the reasons for their opposition to the economic policy of the Government, and affirms the need for a positive alternative strategy, as follows:

- (i) a balanced growth of employment and output in both the public and private sectors entailing measures to strengthen the economic base including the strategic use of North Sea oil and gas revenues and effective policies against increasing import penetration;
- (ii) the planned development of technological change coupled with measures to increase workers' confidence in this process, including reductions in working hours, major advances in industrial democracy and a strengthening of the effectiveness of the industrial strategy at sector, company and local level;

- (iii) taxation policies which promote the achievement of stable prices and a national consensus on the distribution of income and wealth, as opposed to regressive fiscal policies on rates and taxes, relying heavily on a high rate of VAT, which has disastrous effects on the cost of living;
- (iv) a recognition of the indispensable part which pensions, child benefits and the education, health and other public services play in the "social wage" which increases equality of opportunity, the quality of life and the generation of economic activity, investment and employment opportunities throughout the community; a recognition also of the massive social tasks which today have to be undertaken by public authorities, having regard to regional and manpower imbalances and trends in the age structure of the population;
- (v) recognition of the increasingly vital role of public enterprise and public investment; this requires defending the powers of initiative of the National Enterprise Board, and strengthening the contribution of the publicly-owned industries, as opposed to the sales of assets contemplated by the present Government.

Congress believes that it is of the greatest importance that the British people should understand how all the above points relate to their jobs, living standards and general welfare; and that collective bargaining strategies should be pursued which maintain and improve employment levels and living standards.



hd
Re JS

10 DOWNING STREET

From the Private Secretary

26 June 1979

I enclose a copy of the record of the Prime Minister's meeting with the TUC Economic Committee yesterday.

I am sending copies of this letter, and enclosure, to Ian Fair (Department of Employment), Andrew Duguid (Department of Industry), Bill Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

T. P. LANKESTER

A.M.W. Battishill, Esq.,
HM Treasury.

M. Wignier- Market Ind.

- Diff. view. on economy.
- Job report programmes.
- Young unemployment programmes.
- Worke - Skills - Training.

Discipline of work

1. Shotton ^{Soc. Prod.} _{- Economic}
2. Input Control
3. Carnarvon Bay Power Station
 - Fuelled Red Rider Exp. -
 - Room, Silo, Furnace.

Did we not
have a new plant -
at Hlawern which was
not worked for a time?

Mr. Jones. -

Mr. Wheeler. - Shotton -

Mr. Gregory. - PubExp. - 60%.

Mr. Griffiths. Rep. -

Mr. M.

Open - book

Gregory

- NHS

- Real resources

- S. G. Langer

£1.2..

Rechnitz last limit

L.A. Spending

R.S.G. →

Sp. on 1.1.
Lop.

Chgd.

Vol. 32
1%

Personnel

Total

is the same


2 1/2% - L.A. workforce

England would really flourish
if we were done!

① Mr. Murray.

LEN MURPHY

(i) Constructive role
NEDDY etc.

(ii) Financial structures of the
1930's.

- Budget. this year.

- decline in employment
during standards

- Budget has budgeted expenses
- inflation etc.

- Index - R.P. → 17 $\frac{1}{2}$ %

Letter prices rise.

Index of Retail Prices.

- Repressive redistribution of
income.

Septent - omilchwi -

Heta mes - new the swallo-
vs.

PM's Notes from Meeting with the Tuc
on 25.6.79.

● Rating Penetration

- More of them on money in
than on products
- All levels.

~~the~~ Library, revenue.

Person.

Individuals (shaky) →
being with the new
same as new → Dislike

Inputs

Investment

↓

(1) - use .

(2) - lack of investment .

selective input

- output -

- produce more vehicles
agreed in these :

- selective input output .

Separate - Account .

(Vennball
budget)

CONFIDENTIAL

Copied to
Master Set
Econ Pol: Strategy

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE TUC
ECONOMIC COMMITTEE AT NO. 10 AT 1500 HOURS ON MONDAY 25 JUNE 1979

PRESENT

The Prime Minister	Lord Allen
Chancellor of the Exchequer	Mr. David Basnett
Secretary of State for Employment	Mr. Frank Chapple
Mr. Ian Gow	Mr. Tony Christopher
Mr. David Wolfson	Mr. Geoffrey Drain
Mr. Clive Whitmore	Mr. Moss Evans
Mr. Henry James	Mr. Alan Fisher
Mr. Tim Lankester	Mr. Joe Gormley
	Mr. Tom Jackson
	Mr. Clive Jenkins
	Mr. T. Parry
	Mr. Harry Urwin
	Mr. Len Murray
	Mr. Norman Willis
	Mr. David Lea
	Mr. Bill Callaghan
	Mr. Cumming
	Mr. Percy
	Mr. Barber

* * * * *

Lord Allen said that the Economic Committee much appreciated the Prime Minister's willingness to meet them. Mr. Murray's letter of 13 June set out the main points which they wished to discuss, and they would welcome the Prime Minister's comments.

The Prime Minister said that she was delighted to receive the TUC Economic Committee, and she hoped that they would come back again when they wished. She believed that the aims of the Government were the same as the aims of the TUC, even though there might be some disagreement on the means. The principal objective must be to raise standards of living, but the Government could not achieve this on its own. This had to be done on the shop floor. The Government's role would be to create the right environment. The second aim must be to reduce unemployment. But genuine jobs must be created, and this could only be done if the jobs in question were profitable. She did not like low wages, but this could only

/be overcome

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- 2 -

be overcome by increasing output. As she had said many times, if the people wanted a German standard of living, then they must have a German standard of output. There was no shortage of demand in the economy, as evidenced by the import figures for the past year. For example, car imports had increased very rapidly, while UK output had stagnated. The problem was that industry was not producing to meet the demand that was there.

Thus, it was vital to raise standards of living and to create more jobs. The Government could help with this by improving incentives, and that was what the Budget had set out to do. Better incentives were badly needed; for it was only reasonable that people should want to work for a higher standard of living/^{for their families} Furthermore, it was essential that the "market sector" should be successful if we were to have expanding public services.

Mr. Murray welcomed the Prime Minister's opening comments. He said there was a fair amount of agreement amongst the TUC on the aims of the Government, but there was argument about the methods. However, whatever their disagreements with the Government, they were anxious to play an active role in solving the country's basic problems - for example in NEDC, through MSC and ACAS, and more directly by consulting with government. Successive governments had recognised the need for close consultations with the TUC, and they hoped this would continue.

As regards aims, creating more jobs and improving the standard of living were high on their list of priorities. But they were bound to say that the Government's proposed methods would not, in their view, meet these aims. In their view, the Government's approach represented a retreat to the financial orthodoxy of the 1930's. The TUC had hoped that the Government would continue to build on the policies set out in the 1944 White Paper but instead, the Government's approach would simply

/mean a

mean a decline in output, employment and living standards over the next year. Moreover, they could not see how the Budget would squeeze out inflation. Inflation was a major worry; and although there were arguments about the merits of the RPI as an inflation indicator, this was still the measure which trade union members looked at. The Budget and other recent price increases were incompatible with the struggle to keep inflation down.

Mr. Murray went on to say that if the TUC fears were realised, the country would be heading towards a situation of "dynamism" rather than a situation which needed "de-dynamising". The Government would inevitably have to account for this.

The TUC were concerned about the regressive nature of the tax cuts in the Budget. They were, moreover, sceptical of the incentive argument. The studies on this subject did not support the proposition that there would be a significant supply side response. Moreover, it seemed all too likely that inflation would more than take up the reduction in taxation. The cut in the social wage, which the public expenditure reductions implied, was also a matter of concern.

The TUC also had reservations about the decision to end the rating revaluation. This would mean the continuation of inequities in the rating system, and they hoped that the Government would reconsider the decision.

As for the public services, the TUC did not wish to defend waste and they were keen to see improvements in efficiency in the public services. But cuts of an arbitrary kind would inconvenience people and damage the services in question; and they could involve a net cost - for example, cuts in bus services could mean increased costs for the economy as a whole. Moreover, cuts in public services would have employment implications for the private sector as well.

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- 4 -

The TUC welcomed the pensions increase which had been announced for November, but they were apprehensive about the change to a simple prices basis. They were also concerned about the failure to uprate child benefit. The TUC understood that increased social security benefits must involve a re-distribution of income, and they had challenged their members to accept this.

Mr. Murray then reiterated the TUC's endorsement for the Prime Minister's view that the first essential was to have a more competitive economy. One aspect of this was the application and exploitation of new technology. The TUC were committed to this, but trade union members needed to be confident that they would not lose their jobs; and public expenditure in support of industry helped to provide that confidence. The present outlook for school leavers was particularly grim, given the cuts in the Youth Opportunities Programme and in the public services generally.

Mr. Murray continued that the Election had not changed the basic economic arithmetic. In particular, imports continued to rise. However, much of industry's equipment was obsolescent, and it would only be able to compete if given the necessary time to change. The Government's proposed "pull-back" from industry would make this more difficult.

The TUC were concerned about the proposed sale of the BP shares. In view of the current oil situation, it would be much better to retain our equity interests in oil.

They believed there was a role for the private and public sectors in the economy. But this required a flexible approach from government. The decision to cut back the NEB was not conducive to this.

The TUC claimed a right to advise and consult with government; and they hoped that the present Government would

/take advantage

take advantage of this. The quality of the trade union relationship with government would be determined very much by the Government's own initiatives. The trade unions had their own responsibilities, for example in protecting jobs, just as the Government had its responsibilities. In advising their members, they would have to take into account the way in which the Government responded to their concerns. The Government had to take responsibility for its actions, and one of the purposes of the present meeting was to draw to the Prime Minister's attention the likely consequences of the Government's approach to economic policy.

The Prime Minister said that she agreed that the economic arithmetic had not changed. The fact was that the UK had not been living within its means - as evidenced, for example, by the massive increase in external indebtedness over the past five years. It was essential that our means should now be increased. This involved stimulating people so that the economy would expand. She had found in her visits around the country a general desire that the proportion of gross pay taken in taxation should be reduced - so that individuals would keep more of the fruits of their own labour. The Government believed that when the tax cuts came through, some people at least would respond positively - and especially so in the small business sector. It was clear that small businesses would have to provide the jobs of the future. Large-scale industry would continue to expand, but on the basis of improved efficiency rather than by creating new jobs.

The Prime Minister then turned to Mr. Murray's criticisms of the Budget, which she felt were rather unfair. In the first place, there were very few people who would not be helped by the Budget. The numbers who were not paying any tax before the Budget were very small, and many people would now pay no tax at all thanks to the Budget; and families which had not been helped by the tax cuts would stand to benefit from the 17½ per cent increase in Family Income Supplement.

/Secondly,

Secondly, she doubted what Mr. Murray had said about incentives. In the Government's view, the reduction in taxation would make a significant difference to the way people worked. By the same token, there was a limit to the extent to which social security benefits could be increased; for such increases had to be paid for out of tax.

Thirdly, as regards higher rates of tax, top management deserved to keep a fair proportion of their income. If the economy was to improve, management performance must improve, too; and managers must be persuaded to stay in the UK. It was necessary, moreover, that pay differentials be "pulled out" in order adequately to reward skills in general.

Fourthly, she admitted that inflation was accelerating. But this was partly due to price increases which had already been in the pipeline before the Election, and to recent oil price rises. The increase in VAT to 15 per cent would also have its own impact. However, this was a once-and-for-all increase; other countries in Europe had higher rates of VAT; and 50 per cent of household expenditure was not subject to VAT. One of the purposes of switching from direct to indirect taxation was to give people a greater choice - so that they could decide whether to spend and on what, or whether to save. This was what democracy was all about, and many trade union members supported it. The tax tables showed that at every level of income individuals would be better off as a result of the Budget. It would be highly desirable for there to be a new index which included tax as part of the RPI so as to provide a measure of the standard of living. It was only logical for taxes to be included in the index since they paid for government services and such an index would make it clear what were the true effects of the Budget.

The Prime Minister then turned to industrial strategy. She said that it was vital to create more wealth in industry

/and to find

and to find a way through the current problems which beset British industry. The Government wanted the trade unions' help in improving output per head. UK productivity was woefully low by international standards, as shown by a number of recent studies. Key problems appeared to be overmanning, restrictive practices, and failure to use equipment properly; but these could only be put right on the shop floor. If only industry were more productive, real earnings could go up; and the public services could be expanded again, too. But this required action by government, management, trade unions and shareholders. There was no point in talking about more pay unless there was more output. Otherwise higher pay for one group could only mean taking it away from other groups. The Prime Minister said that she was appalled by the capacity of people in Britain to injure one another through pay leap-frogging.

The Prime Minister then said that higher pensions could only come out of higher output. But the Government had improved the position of war widows; in addition, improvements in the earnings rule would benefit pensioners.

Mr. Murray replied that the basic issue was whether people would respond as the Government hoped. In his view, the Government were taking a big gamble. Just as workers showed their pay cheques to the Prime Minister to show how much tax was being taken away, so they also pointed out to trade union negotiators how much was being taken away in higher prices. The TUC could only express their apprehension on this matter. They agreed that society needed more choice but they were worried about the timing of the present approach. For the standard of living over the next year was bound to decline. Mr. Murray went on to say that the Committee very much welcomed what the Prime Minister had said about industrial strategy. This was most constructive, and they agreed that all parties must work together to produce an adequate response in industry.

/Lord Allen

Lord Allen said that the Committee now understood the Government's aims and the way in which they intended to achieve them; but only in general terms. There still remained serious questions about the "nuts and bolts". He could not see that people would respond to the tax cuts if their standard of living was falling. The Prime Minister interjected that 50 per cent of goods were not VATable, and that the Government had no intention whatever of imposing VAT on them. Lord Allen said that a small proportion of the population would benefit from the Budget; therefore the approach was divisive, and would lead to the existence of two nations. The Prime Minister said that she could not accept this charge. Moreover, it would only be possible to help those at the bottom of the income ladder if the economy produced more.

The Prime Minister added that we should try to return to the era of steady growth of the 1950's. Although this had been called a period of "stop-go", we had achieved growth in every year and at an average of nearly 3 per cent. This had been achieved by reducing the bureaucracy and by de-control measures, and by allowing the people to keep more of their gross pay. As a result of this, expenditure on social services had been enabled to rise. The Germans had pursued policies of this kind, and we ought to emulate them. Lord Allen interjected that the trade unions were interested not only in wealth creation but wealth distribution as well.

Mr. Evans said that he was interested in the Prime Minister's proposition that there was no shortage of demand in the economy. But it did not follow that the Government's policies would solve our difficulties. Lack of investment was one reason for the increase in imports; and even if people did respond to the Budget as the Government hoped, productivity would not change overnight. In these circumstances, there was a need for selective import controls while the necessary changes took place. If it were not practical to impose import controls on Japanese goods, we should at least try to

/negotiate

negotiate a minimum UK content in imports. Rising import penetration was worrying and something must be done about it now. The Prime Minister referred to studies of the car industry. One of these had shown that with identical equipment in the UK and Germany, producing the same vehicle, productivity in the UK was only half. She had also visited a car plant in Japan where they were unable to work three shifts because of the restriction on exports to Europe. By contrast, she had found on a visit to Haléwood that the workforce there was only working one shift - and this despite a waiting list for their cars. On a visit to Cowley, she had been told by individual workers that they were sick and tired of interruptions; but stoppages still continued. Mr. Evans commented that, in his experience, shift working did take place at Haléwood. As regards the comparative studies of UK and European plants, one reason why European plants did better was that they worked "back to back" shifts with no stopping of the production line throughout the day.

Mr. Jenkins said that, in his view, the economic arithmetic had changed. This was because of the recent developments in the energy market. He was surprised that the Government were contemplating selling off their equity in oil and gas. The Government's interest in oil and gas, through BGC, BNOC and BP would produce huge revenues for the Exchequer in the years ahead. Moreover, the greater security of supply which ownership provided was an important factor. The physical control of our energy resources would become increasingly important: there was likely to be a shortfall of heating oil in the coming winter, and a Saudi collapse could not be ruled out.

The Chancellor said that it was possible to control the disposal of our energy resources without owning them. As regards revenue, the important issue was how it was used, whether in public or private hands, to improve the performance of the economy. The Government's view was that investing

/ the resources

the resources from North Sea oil in small- and medium-scale businesses was more likely to succeed than investing through the public sector. The Government were not doctrinaire about this - simply practical. Mr. Murray then pointed out that the NEB was investing in small businesses.

Mr. Jenkins reiterated that the Government must have control over the disposal of oil supplies. At present, too much oil was being diverted overseas. The Prime Minister commented that she, too, was very concerned about having adequate security of supply. But state ownership did not necessarily solve the problem: BNOCs were presently selling substantial amounts of oil abroad on the basis of contracts taken out last year without conditions which would have enabled them to secure corresponding amounts of crude for UK use. Security of supply would only be assured through co-operation with other countries. Asked to comment, Mr. Gormley said he did not wish to, since members of the Committee had not followed the procedure which they had agreed before the meeting.

Summing up, the Prime Minister said that the Government had a passionate belief in its methods and its approach. She hoped that the trade unions and others would judge the Government by its results over the whole period of Office. The Government were anxious to succeed, but could not do so in isolation. They needed to mobilise with others, including the trade unions. She hoped that the Economic Committee would come back for further meetings as and when they desired; and if they wished, she would willingly see a smaller group.

Lord Allen thanked the Prime Minister for the meeting. He hoped that it had helped to provide the Government with a better understanding of the TUC's views; it had certainly helped them to understand the Government's position better.

25 June 1979

Distribution:

Private Secretary to the Chancellor of the Exchequer
Secretary of State for Employment
Secretary of State for Industry
Secretary of State for Energy
Sir John Hunt

TL

Speaking Note of 25.6.79

I hope we can have a constructive discussion this afternoon. I am sure we can because all of us round this table are dedicated to improving real earnings in Britain and creating more jobs. We are also agreed that the only way of achieving these objectives is to make the British economy more competitive. As I have said repeatedly, what we have to do is to concentrate on output - "output policies" rather than any other kind of policies.

All of our policies on the economic front are going to be dedicated to this primary aim. The Budget was a first, important step. I know that some of you disagree with our approach. But let me remind you that the policies of the past five years - or indeed of the past fifteen years - have not worked. Governments have tinkered with the demand side of the economy with the hope that the supply side would respond. That has failed. Governments have tinkered with the supply side by spending more and more on propping up jobs and by more and more bureaucratic intervention. That has failed, too.

The evidence is all too decisive: manufacturing production is still lower than it was in 1973. Employment in manufacturing is down, and unemployment

/has doubled.

has doubled. Our trade performance, if you exclude oil, has deteriorated appallingly and real earnings have hardly increased, even though money earnings have more than doubled.

Britain has the skills; we have the management talent; we even have the equipment - if only all these can be used properly. Our approach is a radical one designed to ensure that this happens.

What are we doing?

- We are giving everyone the incentive to work harder by the reductions in marginal tax rates and the increases in personal allowances.
- We are giving much higher priority to industry by holding back the "non-market" public sector and by creating an environment in which small businesses can expand; for it is small businesses which will have to provide the bulk of the new jobs.
- We are trying to improve labour mobility by, for example, greatly increasing council house sales.

/ - We will

- We will not return to rigid pay norms; instead we will leave pay to be negotiated freely so that skills and effort are properly rewarded; and so that those who bargain irresponsibly take the consequences through fewer jobs.

I am sure you will want to comment on our strategy. But I hope you will also say how you think the trade unions can contribute to making it a success. There is much that needs to be done that only trade unions and their members can help with - for example:

- getting rid of restrictive practices which can only mean lower real wealth for employees and the nation alike;
- ^{the absence of} greater continuity of production/which is one of the main reasons why so much of our industry is uncompetitive;
- an end to stoppages which are in breach of agreements, though I well understand that managements have a key part to play here, too;
- encouraging, rather than holding back, the introduction of new technology. Other countries are moving ahead all the time and we cannot afford to hold back.

I would like your views.

TL.

PRIME MINISTER

c. Mr. James

Meeting with the TUC Economic Committee - 1500 hours
on Monday 25 June

I attach at Flag A the Treasury's brief for your meeting with the TUC Economic Committee. I think this covers the ground very well. The Department of Employment have also provided briefing (Flag B) on our proposals for industrial relations legislation, and on current industrial disputes; but I doubt whether these will come up since they are more a matter for the TUC's Employment Policy Committee. You should be aware, however, that Mr. Prior has begun consultations with Mr. Murray and with Mr. Urwin, the Chairman of the Employment Policy Committee, on the legislative proposals. At Flag C is a record of the TUC's Economic Committee meeting with the Chancellor before the Budget.

As requested, I have arranged for the Chancellor and Mr. Prior to join you 15 minutes before the meeting.

Attached to this minute is a list of the members of the Economic Committee and of the TUC Secretariat who will be attending.

Len Murray has said that he will be giving a press conference after the meeting. Henry James will be letting you have a separate note on how we should handle the press.

12.

22 June 1979

TUC ECONOMIC COMMITTEE

Lord Allen (USDAW)	Chairman
Mr. David Basnett (GMWU)	
Mr. Frank Chapple (EEPTU)	
Mr. Tony Christopher (Inland Revenue Staff Federation)	
Mr. Geoffrey Drain (NALGO)	
Mr. Moss Evans (TGWU)	
Mr. Alan Fisher (NUPE)	
Mr. Joe Gormley (NUM)	
Mr. Tom Jackson (Union of Post Office Workers)	
Mr. Clive Jenkins (ASTMS)	
Mr. T. Parry (Fire Brigades Union)	
Mr. Harry Urwin (TGWU)	

TUC SECRETARIAT

Mr. Len Murray	General Secretary
Mr. Norman Willis	Deputy General Secretary
Mr. David Lea	Assistant General Secretary
Mr. Bill Callaghan	Secretary of the Economic Committee
Mr. Cumming } Mr. Percy }	Note takers
Mr. Barber	Press Secretary

- Coed
- shet
- *Abraham*

- ① Shaded M. Cup.
- ② Robt.
- ③ Not shortage of demand.

TUC GENERAL COUNCIL

David Basnett	National Union of General and Municipal Workers
Mr. Len Murray	
Mr. Norman Willis	
Mr. David Lea	
Mr. Ken Graham	
Lord Allen	Union of Shop, Distributive and Allied Workers
Mr. F. A. Baker	National Union of General and Municipal Workers
Mr. R. Birch	Amalgamated Union of Engineering Workers
Mr. J. R. Boddy	National Union of Agricultural and Allied Workers
Mr. J. M. Boyd	Amalgamated Union of Engineering Workers
Mr. R. W. Buckton	Associated Society of Locomotive Engineers and Firemen
Mr. F. J. Chapple	Electrical Electronic Telecommunication and Plumbing Union
Mr. A. M. G. Christopher	Inland Revenue Staff Federation
Mr. L. Daly	National Union of Mineworkers
Mr. G. A. Drain	National and Local Government Officers' Association
Mr. T. Duffy	Amalgamated Union of Engineering Workers
Mr. F. Dyson	National Union of Dyers, Bleachers and Textile Workers
Mr. J. F. Eccles	National Union of General and Municipal Workers
Mr. A. M. Evans	Transport and General Workers Union
Mr. A. W. Fisher	National Union of Public Employees
Mr. K. Gill	Amalgamated Union of Engineering Workers
Mr. W. Greendale	Transport and General Workers' Union
Mr. C. D. Grieve	The Tobacco Workers' Union
Mr. L. G. Guy	National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
Mr. F. F. Jarvis	National Union of Teachers
Mr. C. Jenkins	Association of Scientific, Technical and Managerial Staffs
Mr. W. H. Keys	Society of Graphical and Allied Trades
Mr. G. Lloyd	Union of Construction, Allied Trades and Technicians
Mr. J. MacGougan	National Union of Tailors and Garment Workers
Miss A. W. Maddocks	National and Local Government Officers' Association

Mr. J. T. Morton	Musicians' Union
Mr. T. Parry	The Fire Brigades' Union
Mrs. C. M. Patterson	Transport and General Workers' Union
Mr. S. Pemberton	Transport and General Workers' Union
Mr. A. L. Sapper	The Association of Cinematograph, Television and Allied Technicians
Mr. W. Sirs	Iron and Steel Trades Confederation
Mr. J. H. Slater	National Union of Seamen
Mr. E. A. G. Spanswick	Confederation of Health Service Employees
Mr. K. R. Thomas	Civil and Public Services Association
Mr. C. H. Urwin	Transport and General Workers' Union
Mr. S. Weighell	National Union of Railwaymen

and

John Monks

Bill Callaghan

Colin Cummings

Brendan Barber

Bob Hartwell

R. Jackson

P. Jacques

PRIME MINISTER

12

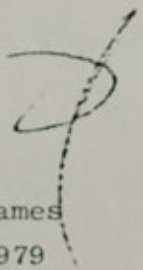
MEETING WITH TUC: GUIDANCE

On present plans you meet the TUC Economic Committee on Monday 25 June at 3 pm for up to 90 minutes.

The General Secretary of the TUC (Mr Murray) has arranged an on-the-record press conference at 5.30 pm.

We have discussed how the Government might handle this - to balance the picture - and the Department of Employment agrees with me that clearly you should not be fielded, but that the Secretary of State for Employment might meet the Industrial Group.

When we discussed this last week you made it plain that you wanted to follow through your forthright answers to questions on Tuesday last and agreed that I should "brief heavily" after this meeting. I propose to do this anyway, but it seems to me that we must not in the circumstances miss the opportunity of pressing the Government's version of these discussions (not of course in any sense of confrontation); but if you agree I will arrange this with the Secretary of State for Employment. We can, of course, arrange a short discussion with him after your meeting to plan tactics.



Henry L James
22 June 1979

COVERING CONFIDENTIAL



12.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

22nd June, 1979

Dear Tim,

TUC ECONOMIC COMMITTEE

.....

I enclose briefing, as requested in
your letter of 19th June to Tony Battishill.

Copies go to Ian Fair and Martin Vile.

Yours ever,

MA

(M.A. HALL)
Private Secretary

T.P. Lankester, Esq.,
Private Secretary,
10, Downing Street

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22 JUN 1979



BRIEF FOR PRIME MINISTER'S MEETING WITH TUC ECONOMIC COMMITTEE
ON 25 JUNE

THE BUDGET AND THE GOVERNMENT'S ECONOMIC STRATEGY

The TUC will do doubt complain that the Budget takes little account of their own representations, which they will regard as having been ignored. The Prime Minister might therefore wish to open the discussion with a brief description of the main thrust of the Budget and its place in the Government's overall economic strategy.

Line to take

2. Although there is understandable disagreement about the means, the Government and the TUC agree on many of the main objectives for the economy and the Government's intentions were clearly foreshadowed in their Manifesto. The main objectives underlying the Budget may be summarised as :-

(i) Providing a means of easing the supply constraints which have hampered our industrial performance for years. There is no single solution to these deep-seated problems - they must be tackled by a variety of measures including:-

(a) to raise productivity, strengthening incentives at all income levels by a switch from tax on incomes to tax on spending;

(b) preventing an excessively large public sector borrowing requirement from pre-empting the financial requirements of industry;

(ii) ensuring that an excessive growth of money supply does not fuel inflation and so discourage investment and the growth of employment;

(iii) reducing the role of the State so as to give greater freedom of choice to individuals in the way they spend their money;

(iv) ensuring that those who take part in collective bargaining have to face the consequences of their actions - excessive pay means fewer jobs;

(v) in addition - though not part of the Budget itself - promoting competition policy and reducing subsidies for inefficient firms.

ECONOMIC EFFECTS OF THE BUDGET

3. The TUC will doubtless argue that the Budget is excessively deflationary, drawing attention to the Government forecast of a 1% fall in GDP and a 2½% drop in manufacturing production this year. In their annual Economic Review the TUC argued for a Government commitment to 3% growth this year.

Line to take

4. The following points could be made in reply:-

(a) By conventional standards the Budget does imply some initial costs in terms of lower output and employment. The Government have never sought to disguise this. But conventional forecasting models cannot take account of the effects of such a major step change in policy on general confidence and expectations; nor can they fully reflect the way in which the Government are confident the Budget will improve supply side relationships in the economy;

(b) [if pressed] for this reason it makes no sense to try to quantify the effect of the Budget on unemployment, although in the short-term unemployment may well rise;

(c) no alternative policy offers a brighter prospect. Last year's experience shows that to inject a fiscal stimulus at present would simply mean higher inflation - with little prospect of reversing the trend - and even more imports. Indeed, the previous Government were well aware of this - with their own commitment to a £8.5 billion PSBR this year they clearly had no more intention of introducing a expansionary Budget than the present Chancellor.

(d) This does not mean the Government do not see the need for more growth in the economy - far from it. They only wish they could achieve the TUC's 3% growth target. But what is needed is sustained growth, not a succession of "stop go" policies; and the foundations for this cannot be laid overnight or without some pain in the short term.

(e) The slow down in output growth has in any case been apparent for some time, with the end of the mini-consumer boom last year, the slow down in the world economy, and the adverse effects of higher inflation. This is what the Government inherited - not the consequence of the Budget which is designed to lay the foundations for sustainable output growth in the longer-term.

DISTRIBUTIONAL EFFECTS OF THE BUDGET

5. Union leaders have predictably criticised the Budget for favouring those on higher incomes and giving insufficient relief to the low paid.

Line to take

6. Points in reply include:-

(a) it is only natural for the Government and the TUC to have different priorities within the tax field, but the Budget measures were those on which the Government were elected.

(b) Nevertheless, the long overdue relief given at the top end of the income scale should not blind the TUC to the very substantial help given by the Budget to those on lower incomes. The TUC themselves attach first priority to raising the tax thresholds. This the Government has done by doubling the increases in personal allowances provided for in the April Finance Act - taking 1.3 million people out of tax altogether.

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(c) Of course this does not directly help those not paying tax before the Finance Act was passed. But the November Social Security uprating will cover about 60% of this group. Of the rest, those in employment must generally have been earning about £30 to £40 a week if married (or less than £20 if single) to have escaped tax last year. Few such people can be supporting families or be the principal breadwinner in their household. Where they are, they may well be entitled to Family Income Supplement which will also be substantially increased in the autumn.

(d) To finance such large reductions in income tax increases in indirect taxation are unavoidable (and the previous Government also accepted the need for such a switch). In considering which of the indirect taxes to raise, the Government deliberately chose VAT which, unlike the specific duties, is not regressive in its impact on households. The Government also deliberately decided not to increase NIS, which would directly affect employment; nor to raise the duties on drink and tobacco.

(e) The indirect tax increases will of course increase the RPI. But this will be a once and for all effect and the underlying rate of inflation will begin to come down next year (the Government's forecast for the third quarter of 1980 is 13½%). Moreover, during the rest of this year the fact is that almost all households will be better off when the effects of the direct and indirect tax changes and the social security uprating are taken together.

(f) [If this is raised] the effects of the VAT increase on Motability (an organisation set up by the last Government to help disabled people) is under study.

SPECIFIC BUDGET MEASURES

(a) Exchange Control

7. The TUC may argue that the exchange control relaxations announced in the Budget will encourage investment abroad at the expense of

investment and jobs at home and so export jobs at a time when UK unemployment is in any case likely to be rising.

Line to take

8. The Prime Minister can reply that the evidence does not support this view. On the contrary, it shows that much of the additional overseas investment is likely to be in the creation of distribution outlets overseas and other export-promoting sectors. This will by its very nature create demand abroad for other UK products, so increasing employment at home.

(b) Public Expenditure: General

9. The TUC will no doubt attack the Government's decision to cut public expenditure this year by a total of £4 billion in current prices, suggesting that this will have a disproportionate impact on employment. They will probably focus attention on the reductions in industrial and employment subsidies.

Line to take

10. Points to make include:

(a) some expenditure cuts were inevitable whichever party was returned to power (the previous Prime Minister made this clear) given the common desire to make substantial reductions in the income tax burden and keep inflation under control by offsetting the effects of excessive pay awards and so limiting the size of the PSBR.

(b) In deciding which areas of expenditure to cut Ministers are concentrating on the elimination of waste and inefficiency and, by reducing subsidies to industry and employment, the provision of resources for creating more lasting jobs. Increases in charges have also been kept to a minimum: prescription and dental charges (two-thirds of which are already dispensed free) may be up, but the cost of school meals will remain as planned by the previous Government and the fuel industries have been asked to avoid further price

and this lower in real terms than when originally set in 1971.

increases as far as possible. Most of the Nationalised Industry price increases in prospect were already in the pipeline as a result of the cash limits policy laid down by the previous Government.

(c) A substantial proportion of the public expenditure savings (£1 billion) will be achieved through asset disposals. While the TUC may not favour this ideologically, they must accept that it will have a negligible effect on activity and employment.

(d) The Government are not interested in cuts in public expenditure for their own sake. They too want to see improvements in public services; but these simply cannot be sustained until the economy itself is back on its feet.

(e) [If the TUC ^{renew} their request to participate in the medium term public ^{expenditure} discussions] the Chancellor is always ready to listen to the TUC's ideas about public expenditure as about other things and would have no objection to putting public expenditure on the agenda for one of his meetings with them.

(c) Social Security

11. The TUC will criticise the Government's decision to break the link with earnings in uprating long-term benefits, as also the decision not to increase child benefit in the autumn.

Line to take

12. Points in reply include:

(a) This will be the biggest ever increase in pensions - £3.80 for the single person and £6.10 for the married couple. The uprating will not only fully protect pensioners and other beneficiaries against the rise in prices since last year's uprating, but also take account of the amount by which that uprating underestimated the actual movement in earnings in the year before.

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(b) Changing the uprating rule does not rule out further real improvements in future. The Government hopes these will be possible. But they have to be paid for by those in work and therefore must depend on the strength of the economy.

(c) A Christmas bonus will be paid again this year and the Government are taking powers to make it a permanent feature.

(d) Many pensioners will also be helped by the increase in the threshold of the investment income surcharge and by the Government's decision to exempt war widows' pensions from tax entirely. These changes have been widely welcomed by the various pensioner organisations.

(e) Child benefit: It was increased by £1 in April and 70p last November. The Government have concluded that another increase this autumn simply cannot be afforded. The amount and timing of any future increase in child benefit will have to be considered in the light of what we can afford. In this autumn's uprating we have concentrated help on the poorest families through the increases in child additions to benefits and the 50p increase in the lone parent premium.

A NATIONAL ECONOMIC FORUM

13. The TUC will have noted the Prime Minister's remarks in the House on 19 June that the Government proposed to set up a national forum "wider than the TUC and CBI" to discuss economic issues. This will have helped to correct the impression given by an earlier F.T. report that the Government had dismissed the idea of any forum.

14. No decisions have been taken and Ministers will be considering the subject on the basis of a paper by the Chancellor at a meeting of E Committee next month. While, therefore, it is important to keep options open and not to give the TUC any impression of a "brush-off", there is little more that the Prime Minister can say at this stage. It is probably better, therefore, not to take the initiative in raising the subject at this meeting but to leave it to the TUC to raise it themselves if they wish to do so. If so, the Prime Minister

could refer to her statements but indicate that Ministers had not yet been able to consider together the appropriate form that any forum might take. If the TUC themselves have any views, she would, of course, be glad to have them.

UNION ATTITUDES ON PAY

(a) Private Sector

15. Trade unions are firmly committed to free collective bargaining. In particular, Mr Moss Evans has stressed the need for pay settlements to be based on what companies can afford. But union negotiators have a very different idea of 'what firms can afford' from that of the employers (or indeed the Government): they look only to the short-term position of the company, in particular the profits made in the immediately preceding year: they are in general unwilling to admit any relationship between excessive pay settlements and price increases.

Line to take

16. The following points could be made:

(a) Pay bargaining in the private sector is a matter for employers and union negotiators. The Government's role is to set the economic and financial climate - and the Budget has made a start on this. But bargaining must be responsible. Given the Government's commitment to strict monetary and fiscal policies excessive settlements can only lead to lost jobs - either through redundancies, as the financial consequences of settlements come home, or through lost opportunities for creating new jobs, if profits, and thus investment, are squeezed.

(b) Our productivity record and our international competitiveness is lamentable. If we are to revitalise the economy and create the higher standard of living we all want, we must improve our productivity and efficiency. This alone can create real increases in wages.

(b) Public sector

17. Union leaders believe that recent pay policies have discriminated against the public sector, and in particular the public services, because of the direct influence Government can bring to bear. The figures support this belief. Hence the pressure for 'comparability' or restoration of position in the 'earnings league' (normally on the basis of the most favourable comparison). The Government's firm stand on financial realism and cash limits is seen as yet further discrimination against the public sector.

Line to take

18. The following points could be made:-

(a) The Government will not discriminate unfairly against the public sector in pay matters. Indeed, public sector pay and conditions, taken together, must remain broadly competitive if the public sector is to recruit and retain capable staff.

(b) But where comparisons are used to determine public services pay they must be genuine and up-to-date, based on a proper evaluation of all terms and conditions - not a blind restoration of past relativities.

(c) The public sector cannot be insulated from financial and economic pressures - cash limits are simply a reflection of this. In reaching settlements, negotiators will have to trade off pay increases for increased efficiency (including reductions in job numbers), just as in the private sector.

d) The Government are committed to accepting the Uggs
 (c) Effect of recent pay awards recommendations on the existing structure, five increases due for completion in August.

19. Union leaders have argued that recent pay awards for the police, armed forces, and particularly doctors and dentists and groups covered by the Top Salaries Review Body, have set a new going rate. (They will no doubt emphasise the effect of the recommendations on Ministers' and MPs' pay.)

Line to take

20. The following points could be made:-

(a) Independent review has found that the pay of all these groups has fallen far below what is justified. Increases required to make good the increases that other groups have already had cannot be used as a justification for yet further increases for those groups. If the 'catching-up' element is deducted, the increases recommended for doctors and dentists and TSRB groups at 1 April (about 12% and 11.7% respectively) were below the level of increase in the average earnings index at the time (14.9% for March).

(b) Such arguments are a version of the 'going rate' argument. The Joint Statement by the TUC and the previous Administration, issued last February, said:

'But we do accept that there are dangers inherent in the concept of a "going rate" for the year; this does not, in our view, form a proper part of real collective bargaining, which should have regard to the merits of the particular situation. The "going rate" concept can be highly ambiguous and destabilising - it has the disadvantages from the trade union standpoint of a pay norm, coupled with the inflationary effect of successive groups building a higher "going rate" on the basis of settlements previously made.'

(d) Effect of Budget on pay bargaining

21. Union leaders have reacted strongly to the Budget increases in indirect taxation and the resulting increases in the Retail Price Index.

Line to take

22. The following points could be made:-

(a) The Budget changes have not affected the underlying rate of inflation which will come down next year (paragraph 6(e) above);

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(b) Pay negotiations must take account of the full Budget package including the effect of the income tax cuts, which result in a net improvement in take home pay for the great majority of people (paragraph 6(e) above);

(c) The Government are determined to use fiscal and monetary policies to reduce inflation. Against that background excessive pay claims can only lead to loss of jobs and no real advantage in the longer-term. The faster earnings growth comes down, the sooner output growth will be resumed.

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R

8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

22 June 1979

Dear Tim

TUC ECONOMIC COMMITTEE

I enclose briefing as requested in your letter of 19 June.

Copies go to Martin Hall and Martin Vile.

Yours sincerely
I A W FAIR

I A W FAIR
Private Secretary

B

Prime Minister's Meeting with TUC on Monday 25 June

Covering Note

1. The meeting is with the Economic Committee of the TUC. Its purpose is to discuss economic policy. Industrial relations and employment issues are the responsibility of the TUC's Employment Policy Committee. The Secretary of State for Employment has begun informal consultations with Mr Murray and the Chairman of the Employment Policy Committee (Mr Urwin) about the Government's proposals for legislation on picketing, the closed shop etc. These issues are, therefore, unlikely to be raised at the Prime Minister's meeting.

2. Attached is background briefing on

- (1) the Government's legislative proposals
- (2) current industrial disputes

as

Prime Minister's Meeting with TUC on Monday 25 June
Background Brief on Industrial Relations Legislation

1. In the debate on the Queen's Speech (15 May Hansard Col. 83) the Prime Minister announced the Government's intention to bring forward legislative proposals before Christmas 1979

(i) to limit the right to picket to those in dispute picketing at their own place of work;

(ii) to amend the law on the closed shop so that those arbitrarily excluded or expelled from a union have a right to appeal to a court of law, existing employees and those with personal convictions against joining any union are protected and those who lose their job as a result of a closed shop agreement are entitled to compensation;

(iii) to provide public funds for postal ballots for union elections and other important decisions.

2. The Secretary of State for Employment has begun informal consultations with TUC leaders (and the CBI) on these issues. The next meeting with the TUC is to be held on Wednesday 27 June. Working papers setting out details of the Government's proposals as a basis for consultation are in preparation. These will be sent to the TUC, CBI and other organisations to be consulted but it is not intended to publish formal consultative document. The consultative period is expected to continue ~~into~~ September.

3. In addition to the proposals listed ⁱⁿ para 1 the Government are committed to reviewing

(i) the provisions of the Employment Protection Acts, particularly in the light of the burden they impose on employers

(ii) the law on immunities with a view to possible amendments in the law to limit secondary action of all kinds (ie not only picketing).

4. On (i) the Secretary of State for Employment has already written to the TUC (and CBI) to say that he proposes to increase the qualifying period of service for complaints of unfair dismissal from 26 to 52 weeks (and possibly from 26 to 104 weeks in the case of young people under 18) and to reduce from 60 to 30 days the period of consultation and notification required for redundancies of fewer than 100 people. It is proposed to make both these changes by order before the summer adjournment. Comments have been asked for by the end of June.

5. Other issues under (i) on which the Secretary of State will be consulting the TUC in the coming months include

(a) recognition: the TUC will be asked for their views on the future of these provisions without commitment on the Government's side. The TUC is thought to be divided on this issue. Some unions favour repeal; others would oppose it strongly.

(b) terms of reference of ACAS: some modification of that part of the terms of reference relating to the "extension of collective bargaining" is desirable to remove fears that this imports bias into the work of ACAS. This is a sensitive issue for the TUC.

(c) Schedule 11 of the Employment Protection Act 1975: the Government is intending to consult the TUC on the basis of its intention to review the operation of Schedule 11 and the Fair Wages Resolution with the aim of restricting their application to claims based on terms and conditions established by national agreements.

6. On (ii) (review of immunities) the Government are not likely to be in a position to consult before the autumn. There is an important case (*Express Newspapers v. McShane*) pending in the House of Lords: judgement is not expected until towards the end of the year but it could materially affect the need for a change in the law.

Form of Legislation

It is possible that all these changes in the law will be covered by a single bill rather than (as originally envisaged) 2 separate bills covering the topics listed in (respectively) paras 1 and 4.

BRIEFING FOR PRIME MINISTER'S MEETING WITH TUC

MAJOR DISPUTES

BACKGROUND NOTES

London Transport Executive

Following joint talks held by ACAS, on 15 June the NUR called off the strike by its 15,000 London Underground members due to take place on 18 June. The NUR, together with the two other unions involved ASLEF and TSSA, have agreed to refer their pay claim to arbitration. The ad hoc arbitration panel set up by ACAS and chaired by Mr Ian Buchanan took evidence on 17 and 19 June and will produce an award today. Neither LTE nor the unions have agreed to bound by the award. The NUR executive will consider it tomorrow.

Grosvenor House Hotel - London

29 chambermaids were dismissed and given money in lieu of their live-in accommodation on 1 June for holding a meeting during working hours in support of their shop steward who had been sacked for refusing to work on another floor. They picketed the Trust House Forte-owned hotel and their picket line was made official by their union (UFTAT). 100 other members of the union at the hotel - chefs, porters, electricians etc - were called out on strike on 6 June in support of the unions demand for reinstatement of the chambermaids and about 100 members of other unions, who are employed by the hotel, decided not to cross the picket lines from 7 June. In addition, some 80 UCAAT members employed an erecting stands for the hotel's annual antiques fair (a £40-million event due to be opened by the Duke of Edinburgh on 13 June) refused to cross the picket lines and the fair has now been cancelled. ACAS is in touch with the parties.

Post Office

About 450 clerical and computer staff, members of the CPSA, in the telecommunications sector of the Post Office, have been taking industrial

action since 2 April. 10,000 London based members of the CPSA staged a one day strike on 1 June in support of 200 employees who have been suspended for refusing to carry out duties of those on strike. The dispute concerns a pay claim for the 37,000 CPSA members and 6,000 SCPS members (supervisors) in telecommunications. Negotiations are continuing.

Members of the Post Office Management Association staged a one day strike on 14 June in support of their pay claim. The Post Office Engineering Union (120,000 members) is reported to be considering taking industrial action unless their pay claim is resolved in the next fortnight.

Engineering Industry

Industrial action in the engineering industry over the terms of the National Engineering Agreement has become more likely following a decision on 12 June by the AUEW national committee. Negotiators have been instructed to continue to press the Engineering Employers Federation for the full claim - £80 per week for craftsmen. Failing this, the national executive is instructed to, in consultation with other members of the Confederation of Shipbuilding and Engineering Unions, call a national overtime ban and a series of one day strikes. The national delegate conference of the engineering section of the TGWU (the second largest union in CSEU) decided on 19 June to support the AUEW line. The CSEU delegate conference will decide whether to take action when it meets next week.

British Steel Corporation - Hunterston

BSC's new £100 million iron ore terminal on the Clyde - it has the biggest deep water jetty in Europe - was formally opened on 5 June but remains inactive. It should have been operational a month earlier but a demarcation dispute has kept it closed. BSC says it has an agreement that the 100 jobs at the terminal should be carried out by steelworker members of the Iron and Steel Trades Confederation but TGWU maintains that all the jobs should go to registered dockers. Following ACAS discussions, TUC are attempting to find a solution to the dispute.

Nottingham Evening Post

The 28 journalists sacked for taking part in the official NUJ strike earlier this year have been refused reinstatement. The Post is continuing to appear with the help of the 22 NUJ members who carried on working during the strike, 10 IOJ members and 31 non-union staff. ACAS has discussed the situation with the NUJ and has offered its services to the employer. Press Association NUJ members recently blacked a story contributed by a Post reporter concerning the rejection of an unfair dismissal that-case claim by one of the 28. A further mass rally by print workers and journalists took place in Nottingham on 16 June. Partly in support of the journalists but mainly in support of their own recognition dispute, NGA and SLADE are blacking work for T Bailey Forman (TBF), the owners of the Post. For a while the two unions were engaged in a 'secondary boycott' campaign against the company but 12 national and provincial newspaper groups and a number of advertisers obtained an injunction ordering the unions to stop blacking advertisements in other papers by companies who continued to advertise in TBF publications. Meanwhile, ACAS is unable, in the face of management's attitude, to make much headway on NGA's recognition reference under Section 11 of the Employment Protection Act.

Times Newspapers Ltd

In the absence of full agreement on continuity of production, efficient manning levels, general wage restructuring and the introduction of new technology, publication of the Times, Sunday Times and the 3 Supplements was suspended from 30 November 1978. Some 3,100 employees who had not reached agreements by that date were dismissed in stages between January and mid-March; about 1,200 management staff, maintenance workers and journalists who had signed agreements were and still are retained. ACAS the TUC are among those who have tried to help in bringing about a settlement of the dispute. At talks in March chaired by the then Secretary of State

for Employment, agreement was reached on a formula for renewed negotiations with a view to resumption of publication by 17 April and all dismissed employees were temporarily re-engaged. Talks broke down, however, on 12 April and those temporarily re-employed were again dismissed. Times Newspapers produced several thousand copies of a special overseas edition of the Times in Germany but there was opposition from the West German print union and threats of violence and the venture has not so far been repeated. There were reports recently of fresh bids from abroad for printing an international edition but management has said that plans for such an edition have been dropped. Meanwhile resumed talks between management and NGA on new technology have again broken down but NGA has continued discussions with NUJ on the subject. The TUC was reported to be planning a fresh initiative but we understand this has now petered out. The chairman and senior executives of the TNL met the Fathers of the Chapels of the Unions, at their request, on 11 June. No new initiative is reported. The NUJ has submitted a 61 per cent pay claim for the Times Journalist staff.



22 JUN 1979



10 DOWNING STREET

From the Private Secretary

B/F 22.6.79

19 June 1979

*ind. PS JS
cc D/M
CO*

The Prime Minister has now agreed to meet the TUC Economic Committee at 1500 hours on Monday, 25 June. She would be grateful if the Chancellor and the Secretary of State for Employment would also attend.

Please could you let me have briefing for this meeting by 1600 hours on Friday, 22 June. This should cover the Budget, the Government's economic strategy and position on pay. I should also be grateful if the Department of Employment would let me have briefing on industrial relations matters, and the proposed trade union legislation.

I am sending copies of this letter to Ian Fair (Department of Employment) and Martin Vile (Cabinet Office).

T. P. LANKESTER

BC

A.M.W. Battishill, Esq.,
HM Treasury.



10 DOWNING STREET

From the Private Secretary

15 June 1979

Dear Tony,

I enclose copies of the recent correspondence between the Prime Minister and Mr. Len Murray about the arrangements for consultation with trade unions. This should be self-explanatory. Mr. Murray's letter of 23 May refers to TUC Committees, and I attach a complete list of them for information.

If Departments need advice on consultation arrangements, they can of course refer to the Department of Employment.

I am sending copies of this letter and enclosures to Private Secretaries to members of the Cabinet including the Minister of Transport and to Martin Vile (Cabinet Office).

Tony Battishill, Esq.,
HM Treasury.

Len Murray.

Tim Latham.

DS

PRIME MINISTER

1
April 25th June

Len Murray's office
has not been meeting
since Mon. 25th June,
at 3 p.m.

John

18th

TUC Economic Committee - Request for Meeting

I have spoken to Len Murray again about the date on which you might see the Economic Committee. I explained your commitments and he of course fully understood that they were asking a lot to expect you to see them at short notice.

I suggested that the right course would be for you to see them on Wednesday 4 July at say 1500 (there is a NEDC meeting in the morning and over lunch so this would be the earliest that they could do it but this also happens to fit in with your diary because you have a free afternoon). He was himself disposed to go along with this but on reflection, and after talking to Lord Allen who is Chairman of the Economic Committee, he came back to me and asked whether it was possible to fit in a meeting before the General Council of the TUC met on Wednesday 27 June. The point they had in mind was that, as he put it, they are both engaged in a containing exercise and would like to be able to say that the Economic Committee had made its points about the Budget to you before the General Council met and before some of the more difficult members had the opportunity to heighten the tension. They foresaw that there would be real issues of substance dividing the TUC and the Government no doubt in due course and it would be helpful in dealing with these not to have passions inflamed on issues of general policy. So they asked whether you could fit them in for an hour before you went to Tokyo on 26 June. This would in fact be possible at 1500 on Monday 25 June.

I told Mr. Murray that of course I would consult you again about this and would then arrange for him to have a reply to his letter so that he could circulate it to his Economic members.

You would want to have the Chancellor with you for this meeting and he is available on both the dates suggested. I have

/not

not checked up on Mr. Prior's engagements but obviously he would have to give this meeting higher priority if you wanted him to be there. Given that this is a meeting which you will not need to prepare for in depth, since you will be listening and not negotiating, I would see some merit in going for the earlier date so that the meeting has taken place before the General Council meets on 27 June since that is the preferred judgement of Mr. Murray and Lord Allen. In practice, it will not make much difference, I don't suppose, to the noises which the General Council will make on 27 June but you will not have to listen to them repeated at a later meeting with you. What do you think - 25 June or 4 July?

11

KES.

25th June

15 June 1979

Tell L.M's secy: agree: will
consult about dates: Telling Lobby. !

PRIME MINISTER

Mr. Murray has now written (letter attached) asking you to receive the TUC Economic Committee.

I suggest that in considering your response you want to take account of:

- a. the implications of such a meeting in relation to the Government's economic strategy and its policies towards trade unions; and
- b. the wider context of consultation which you and your colleagues will be undertaking in the coming months in pursuit of that strategy.

This leads me to conclude that it would be sensible to see the Economic Committee but after (a) the vote on the Budget Resolutions on Monday 19 June and (b) the meeting with the CBI leaders which you have said you would undertake at an early date. It would also be helpful - and circumstances will compel this anyway - to have had your meeting with Ministerial colleagues in E Committee to discuss the policy and programme for legislation on industrial relations so that you have that clear in your mind when you see the Committee, for discussion is all too likely to get on to that subject.

A meeting with the Economic Committee will take some preparation if it is to be turned into something useful and it can hardly take less than an hour; I do not see how you can reasonably fit this in before you go to Strasbourg. It is perhaps possible to do it on the afternoon of Monday 25 June, on the eve of your departure for Tokyo. After that it would mean waiting until the beginning of the second week in July. You have a major speech on your mind at the end of the first week.

This suggests that the tactic for dealing with the TUC letter would be to reply expressing your willingness to see them, explaining the burdens on your diary pre-Tokyo, indicating willingness

/to see them

to see them in July but offering - if that is leaving the
discussion too late in their view - to arrange for the Chancellor
(or Mr. Whitelaw?) to see them in your place.

Mr. Prior, and Sir G. Howe's office,
would support his approach.

KRS

(anti- or just anti- saying
res response - date in early July)

TRADES UNION CONGRESS

GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams TRADUNIC LONDON WC1

June 13 1979

DEPT Secretary's

OUR REF LM/DL/MV

YOUR REF

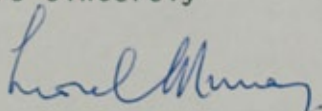
The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister

After examining the Government's Budget proposals, the Economic Committee at their meeting today decided to seek an early meeting with you to emphasise the concern they feel at the implications of Government policy.

The points which they would in particular wish to discuss with you are economic growth and employment; prices; taxation; the public services and the social wage; industrial policy; and the role of the nationalised industries.

Yours sincerely



General Secretary

113 JUN 1979





PS/ Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

G C G Craig Esq
Private Secretary to the
Secretary of State for Wales
Gwydyr House
Whitehall
London SW1A 2ER

Handwritten initials: R, 15th
12 June 1979

Dear George

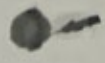
Thank you for a copy of your letter to Ian Fair
of 1 June.

Sir Keith would be happy to be involved in
Ministerial meetings with the Welsh TUC, and
has suggested that similar meetings should
be arranged with the Scottish TUC, if they are
agreeable.

I am copying this letter to the recipients of
yours.

Yours sincerely
B.C. Dodwell

B C DODWELL
Private Secretary



13 JUN 1979

10 11 12 1
9 8 7 6 5 4



10 DOWNING STREET

PRIME MINISTER

This letter from Len Murray completes the correspondence on consultation procedures (the earlier correspondence is at Flags A and B). I am sending copies of the correspondence to all Private Secretaries to members of the Cabinet.

TL

[Handwritten signature]

15 June 1979

TRADES UNION CONGRESS

GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE

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June 11 1979

DEPT Secretary's

OUR REF LM/DL/MV

YOUR REF

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister

Thank you for your helpful letter dated June 5 in which you indicate that you have asked your colleagues to have regard to the points made in my letter of May 23 about the procedures for consultation.

I am drawing your letter to the attention of TUC Committees.

May I also register the point that it is important that all meetings between TUC Committees - including industrial committees - and Ministers should be arranged through Congress House rather than direct with the chairman of the Committee or particular unions on the Committee; it is one of the functions of the TUC office to coordinate dates of such meetings.

Yours sincerely

General Secretary

TRADES UNION CONGRESS

GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams TRADUNIC LONDON WCI

A

Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

DEPT Secretary's
OUR REF LM/DL/AMZ
YOUR REF

May 23, 1979

226/5

Dear Prime Minister

Procedures for Consultation

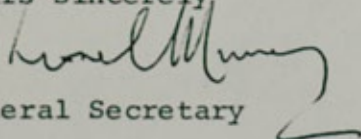
The General Council at their meeting today expressed some concern about arrangements for consultation between the TUC and trade unions and Ministers.

There has of course been a long-standing practice of consultation both between the General Council and their Committees and Ministers, and between Ministers and individual unions or recognised groups of unions in particular sectors where the subject matter requires.

The General Council are anxious that proper procedures should be maintained, and emphasised the need for Ministers and Departments to give adequate notice of proposed meetings and to provide adequate information to allow a proper exchange of views before decisions affecting trade union members are irrevocably taken.

They therefore asked me to write to you suggesting that it would be helpful if you would remind Ministers of these points. Where TUC Committees - including Industry Committees - are involved, they should of course approach us: where the matters for discussion affect particular unions or groups of unions Departments will of course wish to approach them direct, but where there is doubt we shall of course be willing to advise.

Yours sincerely,



General Secretary



21 SHP
W
L

B
Ind Pol.

10 DOWNING STREET

THE PRIME MINISTER

5 June 1979

Dear Mr. Murray

Thank you for your letter of 23 May about arrangements for consultation. We touched on this matter when we met.

It has been a long standing practice for Ministers to undertake appropriate consultations with your General Council and individual unions, or groups of unions, about matters of concern to their members. We certainly propose to continue that practice, and I am asking my colleagues to have regard to your points about the procedures for consultation. It will certainly be our intention to give good time for it wherever practicable.

I hope this will meet with your approval

Yours sincerely

M T

The Rt. Hon. Lionel Murray, O.B.E.



Incl B57

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11th June 1979

R

Mr Benn,

Thank you for copying to me your letter of
1st June to Ian Fair.

The Chancellor of the Exchequer would of course
be happy to meet the Wales TUC from time to time - he
hopes that it will be possible before too long to do
so on their - and his - native soil.

I am copying this letter to the recipients of
yours.

Yours,

MA

M A HALL
Private Secretary

G C G Craig

11 2 JUN 1978



Dunni Augusti

A quick glance

contents but - mm

of this is good.

cc for information
Sir Derek Rayner
Mr Allen

Mr LANKESTER

R 2/6

MR CHAPPLE'S ADDRESS "TRADES UNIONS AT THE CROSSROAD", ROYAL INSTITUTION, 24 MAY 1979

1. I mentioned that Sir Marcus Sieff had given Sir Derek Rayner a copy of the full text of this address for transmission to the Prime Minister. You told me that she had not seen a copy and I undertook to send it to you, with a digest.
2. I have side- or underlined parts of the address which may be of particular interest. Much of the text is a usefully astriugent view, from the trade union perspective, of its own history and the response of employers and management.
3. But the main thrusts of the address, from page 35 onwards, have to do with closing the gap between the two "sides" in British industry and also the gap which has opened between the trades unions and society, including the elected Government of the day as the representative of all.
4. The address is timely and attractive because it restates some of the basic principles which should inform the citizen's thinking about his place in a democratic society and also, very firmly, some of the principles which should inform the thinking of trade union leaders and members if they too value democracy. Mr Chapple quotes on page 42 a 19th century trade union slogan, "United to support, not combined to injure". There is a strong and welcome overtone in this part of the address of the hackneyed but nonetheless powerful principle that "no man is an island".
5. Coming to brass tacks, and some important ones, Mr Chapple suggests:
 - a. an early meeting with the new Government in order to negotiate an industrial relations agreement in return for a guarantee (sic) to reduce unemployment and create new worthwhile jobs;
 - b. getting the targets for administrative retrenchment right (page 39);
 - c. setting the trade union house in order, eg secret ballots (page 40), independent appeals machineries and participation, (page 41);
 - d. avoiding "annual pay disasters" which damage trade unionists more than anyone else (page 42);

e. support for the proposal that there should be synchronised bargaining and an annual meeting of the TUC, CBI and Government to discuss wage guidelines (page 43);

f. a "hippocratic oath" for trade unionists (pages 43 and 44).

6. One of the most interesting points appears at the foot of page 45, where Mr Chappell talks about the need to remove "deeply held suspicions and mistrust" so as to provide a lasting base on which to build the future. There must be many people who feel that the rhetoric of the "two sides" in society is shabby and unworthy; but he brings out the point that one has to work at this.

Cp

C PRIESTLEY
7 June 1979

DISCOURSE : "TRADE UNIONS AT THE CROSSROADS"

Given by Frank Chapple at The Royal Institution on 24 May 1979

*note
read
Chapple*

I HAVE BEEN AN ACTIVE TRADE UNIONIST FOR MORE
THAN FORTY YEARS. DURING THAT TIME I HAVE HELD,
THOUGH NOT ALL AT THE SAME TIME, NEARLY EVERY
POST POSSIBLE IN THE TRADE UNION MOVEMENT. I
HAVE BEEN A SHOP STEWARD, A BRANCH CHAIRMAN,
SECRETARY AND TREASURER. I HAVE TAKEN MINUTES
AND COLLECTED SUBSCRIPTIONS. I HAVE BEEN A
DOOR STEWARD, A TELLER AND A TRUSTEE. I HAVE
BEEN A MEMBER OF BRANCH COMMITTEES, A CONFERENCE
DELEGATE AND AN EXECUTIVE COUNCILLOR. I HAVE
SERVED AS ASSISTANT GENERAL SECRETARY AND ^{Now} GENERAL
OF MY UNION SECRETARY. I HAVE SAT ON THE T.U.C. GENERAL
COUNCIL SINCE 1971 AND THE LABOUR PARTY NATIONAL
EXECUTIVE BEFORE THAT.

DURING THESE LAST FORTY TWO YEARS, I HAVE FELT
MANY DISAPPOINTMENTS. SOMETIMES, I HAVE ~~BEEN~~
ASHAMED OF WHAT HAS HAPPENED WITHIN INDIVIDUAL UNIONS
AND AT THE WAY CERTAIN TRADE UNIONISTS ^{MEMBERS} HAVE
BEHAVED. NOTWITHSTANDING THESE EVENTS, HOWEVER,
I HAVE ALWAYS REMAINED A COMMITTED TRADE UNIONIST.

IF I HAD TO LEAD MY LIFE OVER AGAIN, I WOULD NOT CHOOSE A DIFFERENT PATH. I DO NOT APOLOGISE FOR WHAT I AM, OR WHAT I BELIEVE.

IN RECENT YEARS IT HAS BECOME FASHIONABLE TO SUGGEST THAT THE PRACTICE OF TRADE UNIONISM IS SOMEWHAT SORDID AND SHABBY. AN IMPRESSION IS ABROAD THAT TRADE UNIONISM IS NO MORE THAN BACK-DOOR DEALS, WHEELING AND DEALING AND THE CALLOUS EXERCISE OF POWER. IF I THOUGHT THAT WERE TRUE, I WOULD NOT HAVE REMAINED A COMMITTED TRADE UNIONIST.

ON THE CONTRARY, I BELIEVE THAT TRADE UNIONISM - DESPITE ALL ITS FAULTS - HAS SIGNIFICANTLY IMPROVED THE STATUS OF LABOUR, HAS SUCCESSFULLY OVERCOME THE NOTION THAT A WORKER IS NO MORE THAN A COMMODITY AND, FINALLY, HAS BEEN, AND STILL IS, A POWERFUL FORCE FOR DEMOCRACY.

IN THIS LECTURE I SHALL ARGUE THAT TRADE UNIONS
 HAVE PERFORMED A NECESSARY ROLE IN DEFENDING THE
 INTERESTS OF WORKING PEOPLE AND THAT THEY ARE
 ESSENTIAL ELEMENTS OF A DEMOCRATIC SOCIETY.

I SHALL BEGIN BY REVIEWING AND ANSWERING SOME
 COMMONLY-HELD CRITICISMS OF OUR ACTIVITIES AND THEN
 TURN TO THE QUESTION OF OUR FUTURE DEVELOPMENT.

ALTHOUGH IT MAY APPEAR TO SOME THAT THE CONTROVERSY
 ABOUT THE ROLE AND BEHAVIOUR OF TRADE UNIONISM IS NEW
 AND ONLY THE RESULT OF CERTAIN EVENTS IN THE LAST
 FEW YEARS, THE TRUTH IS QUITE DIFFERENT.

THE EVIDENCE FOR THIS CONCLUSION IS PARTICULARLY WELL
 DOCUMENTED IN THE WEBBS' CLASSIC STUDY OF TRADE
 UNIONISM. THEY ADVISE US THAT AS EARLY AS 1383
 THE CORPORATION OF THE CITY OF LONDON WERE PROHIBITING
 ALL "CONGREGATIONS, COVINS, AND CONSPIRACIES OF

3:
 & B Webb,
History of
Unionism
 - 1920,
 on, 1926

p.2,
 p.3,
 p.31

(1a)
 WORKMEN". AND IN 1538 THE BISHOP OF ELY REPORTED TO
 CROMWELL THAT TWENTY-ONE JOURNEYMEN SHOEMAKERS OF
 WISBECH WERE SUMMONSING MASTER SHOEMAKERS TO MEET
 (1b)
 THEM, TO INSIST UPON ADVANCING THEIR WAGES. AND

ALTHOUGH WEBBS CONCLUDE THAT THESE GUILDS COULD NOT
 BE REGARDED AS EMBRYONIC TRADE UNIONS, THEIR PURPOSES
 WERE CLEARLY THOSE OF TRADE UNIONS.

THEY TELL US FURTHER THAT IN 1720 THE MASTER
 TAILORS COMPLAINED TO PARLIAMENT THAT MORE THAN
 SEVEN THOUSAND WORKERS "HAVE LATELY ENTERED INTO
 A COMBINATION TO RAISE THEIR WAGES AND LEAVE
 OFF WORKING AN HOUR SOONER THAN THEY USED TO DO" (1c)

THEY CONTINUE
 AND ~~HOW~~ FOR THE FOLLOWING HUNDRED YEARS,
 MONARCH AND LEGISLATURE FUMED AGAINST THOSE /WHO
 CLUBBED TOGETHER TO CHALLENGE THEIR EMPLOYERS
 AND RESIST MODERN FACTORY METHODS AND MACHINERY.

THE PERIOD OF THE COMBINATION ACTS, THE FURORE
 OVER THE TRANSPORTATION OF THE GLASGOW SPINNERS
 AND DORCHESTER LABOURERS IS WELL KNOWN, AS
 IS THE FACT THAT THE ALLEGED PROBLEM OF TRADE
 UNIONISM AND THE LAW /SPAWNED FIVE ROYAL
 COMMISSIONS IN THE CENTURY BETWEEN 1868
 AND 1968.

TWO OTHER CONCLUSIONS CAN BE DRAWN FROM THE HISTORY OF OUR MOVEMENT.

THE FIRST IS THAT WE HAVE ENDURED; AND DESPITE OCCASIONAL REPRESSION, THE DESIRE OF WORKING PEOPLE TO COMBINE TOGETHER FOR THEIR MUTUAL PROTECTION HAS PROVED INDESTRUCTIBLE.

THE SECOND CONCLUSION IS THAT WE ARE NO STRANGERS TO CRITICISM. WE HAVE ALWAYS BEEN ACCUSED OF BEING HARMFUL AND TOO POWERFUL. TODAY IS NO EXCEPTION.

IF ONE REVIEWS THIS CRITICISM IN A HISTORICAL SENSE, TWO CONTRADICTORY BUT COMMON THEMES EMERGE AS CENTRAL.

THE FIRST CAN BE SAID TO BE THE LEFT WING VIEW: THE SECOND THAT MORE USUALLY ASSOCIATED WITH THE POLITICAL AND ECONOMIC RIGHT AND WHOSE PRIMARY CHARACTERISTIC IS ITS CONSTANT EMPHASIS ON THE CONCEPT OF SO-CALLED RESPONSIBLE TRADE UNIONISM.

THE LEFT WING VIEW HOLDS THAT WE ARE NOT
 REVOLUTIONARY ENOUGH, OR TO QUOTE THE ITALIAN
 MARXIST, GRAMSCI, THAT WE ONLY EXPRESS THE
 CONTOURS OF CAPITALIST SOCIETY RATHER THAN
 ENDEAVOURING TO TRANSCEND THEM.⁽²⁾ IT LIKENS
 OUR EFFORTS TO THE LABOURS OF THE LEGENDARY
 TITAN, SISIPHUS, WHO WAS FOREVER CONDEMNED TO
 PUSH A LARGE BOULDER TO THE TOP OF A HILL, ONLY
 FOR IT THEN TO ROLL DOWN AND THE PROCESS BE
 INEXORABLY FORCED TO BEGIN AGAIN. IT CLAIMS
 THAT WE ARE MANAGERS OF DISCONTENT WHO SIDETRACK
 AND OBSTRUCT AN OTHERWISE UNSTOPPABLE MOVEMENT
 TOWARDS REVOLUTION.

AS A RESULT OF THIS ANALYSIS, IT URGES THAT
 MARXISTS SHOULD, IN TARIQ ALI'S WORDS,

"THOROUGHLY INFILTRATE AND CONTROL CERTAIN KEY
 UNIONS"⁽³⁾. THE PURPOSE OF THIS STRATAGEM IS CLEAR.
 IT IS TO USE US AS A BATTERING RAM FOR
 FUNDAMENTAL POLITICAL CHANGE: TO SHARPEN
 DIVISIONS IN SOCIETY: TO PROMOTE CONFRONTATION.

9:

A. Gramsci, Il socialismo e il
 fascismo, 1919.
 Cited in R. Hyman, Marxism and the
 Sociology of Trade
 Unions, Pluto,
 London 1971, P.12.

Ali, 'The
British
 Situation',
 Pluto, 1972,

*Marxist view of
TU function
submitted.*

THIS VIEW HAS MANY FAULTS. IT IS ALSO
INCREDIBLY CONCEITED. IT IGNORES THE FACT THAT
WE ARE NOT POLITICAL PARTIES AND DEFILES OUR
WHOLE TRADITION. IT DESPISES THE WAY IN WHICH
WORKING PEOPLE REGARD US AND SEEKS TO IMPOSE
ITS OWN MINORITY VIEW ON THE ORGANIC PROPERTY
OF GENERATIONS OF TRADE UNIONISTS. IT IS A
THREAT TO OUR CONTINUED EXISTENCE.

THE SECOND VIEW - THAT USUALLY ASSOCIATED WITH
THE POLITICAL AND ECONOMIC RIGHT - HAS ALWAYS
BEEN THE MORE INFLUENTIAL AND HENCE DESERVES
OR NEEDS MORE ATTENTION. THIS VIEW HOLDS
THAT WE ARE POLITICALLY TOO POWERFUL AND THAT
WE ARE A MONOPSONY WHICH BESTRIDES THE
LABOUR MARKET, CAUSING DISTORTIONS WHEREVER
WE INTERFERE. IT ALLEGES THAT WE ORCHESTRATE
RESISTANCE TO CHANGE AND TECHNICAL
INNOVATION. IT BELIEVES THAT WE DAMAGE THE
ECONOMY.

*Monopoly =
poly supplier
of labour.*

THE ALLEGATIONS THAT WE ARE TOO POWERFUL ARE AS OLD AS THEY ARE FAMILIAR. THEY ARE ALSO FREQUENTLY IMPRECISE AND ILL-FOUNDED. THE INSTANCES THAT ARE CITED TO SUPPORT THEM TEND TO BE THE SAME WELL-KNOWN FEW AND MOST OF THE ACCUSATIONS ARE HEAVILY VALUE LADEN. FURTHERMORE, MANY OF OUR CRITICS SEEM TO BE UNABLE TO DISTINGUISH BETWEEN IMPORTANCE AND INFLUENCE AND POWER AS WELL AS BETWEEN ITS DIFFERENT TYPES AND SOURCES. INDEED, A LARGE NUMBER SEEM TO REGARD POWER AS VIRTUALLY AN ATTRIBUTE IN ITSELF RATHER THAN THE BALANCE OF A RELATIONSHIP UNDER PARTICULAR CIRCUMSTANCES AT A SPECIFIC TIME.

BEFORE CONSIDERING SOME OF THE MORE SERIOUS ALLEGATIONS MADE AGAINST US, THREE GENERAL COMMENTS ARE NECESSARY. THE FIRST CONCERNS OUR STYLE. THE TRADE UNION MOVEMENT HAS A TRADITION OF PROTEST AND AN OPENNESS WHICH IS NOT SHARED BY MULTI-NATIONAL CORPORATIONS AND MAJOR FINANCIAL INSTITUTIONS. WHEREAS WE MARCH AND DEMONSTRATE, SEND DEPUTATIONS TO WHITEHALL AND HAVE OUR AFFAIRS DAILY REPORTED BY THE PRESS, OTHER IMPORTANT INTEREST GROUPS PREFER QUIET LOBBYING AND GENERALLY CONDUCT THEIR BUSINESS IN A FAR MORE CLOSED MANNER.

IN MY VIEW MANY OF THE INACCURATE ASSESSMENTS ABOUT THE EXTENT OF OUR POWER SPRING FROM THESE DIFFERENCES IN STYLE. THEY ARE A REACTION TO THE WAY IN WHICH WE ARE SEEN, AS TRYING TO EXERCISE INFLUENCE WHILST THE COMPARABLE PRESSURE OF OTHERS REMAINS LARGELY UNKNOWN AND USUALLY UNSEEN.

IN THESE CIRCUMSTANCES, IT IS NOT SURPRISING THAT MANY BELIEVE - WRONGLY IN MY OPINION - THAT WE HAVE MORE POWER THAN OTHER GROUPS.

THE SECOND GENERAL OBSERVATION THAT I WANT TO MAKE ABOUT THE ALLEGATIONS OF EXCESSIVE TRADE UNION POWER, CONCERNS THE IDEOLOGICAL DOUBLE STANDARDS THAT ARE IMPLICIT IN MANY OF THE ATTITUDES AND CRITICISMS THAT SURROUND US.

THESE DOUBLE STANDARDS RANGE FROM THE CONVENTION THAT WHILST IT IS LEGITIMATE FOR MANAGERS TO SEEK INCENTIVES AND REWARD, IT IS GREEDY AND MATERIALISTIC FOR WORKERS TO PRESS FOR THE SAME.

ANOTHER AND POSSIBLY MORE SIGNIFICANT MYOPIA IS THAT WHICH ACCEPTS THAT IT IS QUITE REASONABLE AND UNDERSTANDABLE FOR COMPANIES AND INVESTORS TO EXPRESS A LACK OF CONFIDENCE IN LABOUR GOVERNMENTS, BUT QUITE INTOLERABLE AND UNDEMOCRATIC FOR TRADE UNIONISTS TO BEHAVE LIKEWISE TOWARDS CONSERVATIVE ADMINISTRATIONS.

APART FROM THE MATTER OF STYLE AND THE APPLICATION OF IDEOLOGICAL DOUBLE STANDARDS, THERE IS A THIRD AND FINAL COMMENT THAT I FEEL IS NECESSARY BY WAY OF INTRODUCTION.

THIS CONCERNS THE STRONG UNDERCURRENT OF BIAS OR POLITICAL PREJUDICE WHICH SEEMS TO INSPIRE MANY OF THE ALLEGATIONS MADE ABOUT US. IN MY EXPERIENCE THESE ARE OFTEN MOTIVATED BY PURE DISLIKE OF OUR PRESENCE; A FEELING OF OUTRAGE THAT WE HAVE BECOME TOO BIG FOR OUR BOOTS AND NO LONGER KEEP OUR PLACE.

IT IS THE RESPONSE OF THOSE WHO ARE ANGERED AT BEING QUESTIONED AND WHO ARE IRRITATED BY OUR INSISTANCE ON CONSULTATION AND AGREEMENT. IT IS THE PROTEST OF THOSE WHO FEEL THAT WE HAVE GROWN IN INFLUENCE AT THEIR EXPENSE.

THESE GENERAL COMMENTS ASIDE, THERE SEEMS TO BE TWO AREAS OF PARTICULAR CONCERN TO THOSE WHO COMPLAIN ABOUT OUR POWER. THE FIRST IS THE CLAIM THAT WE HAVE TOO MUCH POLITICAL POWER, THAT WE PARK OUR TANKS ON THE PRIME MINISTER'S LAWN; THE SECOND IS THAT THE EQUILIBRIUM OF COLLECTIVE BARGAINING HAS TIPPED IN OUR FAVOUR.

ALTHOUGH I BELIEVE THAT, IN EACH CASE, THESE CLAIMS ARE GROSSLY EXAGGERATED, I APPRECIATE THAT THIS IS A DIFFICULT CONCLUSION TO SUBSTANTIATE. THERE ARE A NUMBER OF REASONS FOR THIS. IN PART IT IS SIMPLY THAT THE DEBATE ABOUT TRADE UNION POWER IS VERY OFTEN JUST A MATTER OF OPINION: ANOTHER IS THAT THE TIME AVAILABLE TONIGHT IS SHORT AND A THIRD RELATES TO THE BREADTH OF ISSUES THAT ARE COMPLAINED ABOUT. MOREOVER, I ALSO RECOGNISE THAT THE LACK OF ANY SATISFACTORY METHOD OF MEASURING POWER COMPOUNDS THE PROBLEM OF TRYING TO DISPROVE THESE ALLEGATIONS.

DESPITE THESE DIFFICULTIES I NONETHELESS BELIEVE THAT THE ESSENCE OF MY CONCLUSION CAN BE ILLUSTRATED IN SEVERAL WAYS. THE FIRST CONCERNS SOME OF THE GENERAL LIMITATIONS AND CONSTRAINTS THAT EXIST. THE SECOND WILL FOCUS ON SOME OF THE IMPORTANT EXAMPLES OF WHERE OUR INFLUENCE HAS BEEN INEFFECTIVE OR MARGINAL: THAT IS TO SAY THAT I WILL LOOK AT SOME OF OUR FAILURES AND IN SO DOING HOPE TO BEND THE STICK IN THE OPPOSITE DIRECTION TO THAT OF OUR CRITICS.

TO BEGIN WITH, WE ARE CONSTRAINED BY A MULTITUDE OF SOCIAL VALUES AND CULTURAL PRESSURES. SOME OF THESE CONSTRAINTS ARE EXTERNAL, THE NORMS OR RULES OF SOCIETY, THE BEHAVIOUR OF OTHER GROUPS AND INDIVIDUALS, THE KIND OF ECONOMIC AND POLITICAL SYSTEM IN WHICH WE FUNCTION.

OTHERS ARE OUR OWN STANDARDS, THOSE THAT WE IMPOSE UPON OURSELVES OR CONCERNS THAT OUR MEMBERS DEVELOP AND EXPRESS. THUS, FOR EXAMPLE, WE CANNOT SOLELY BE WAGE MAXIMIZERS; OUR MEMBERS ARE ALSO CONCERNED ABOUT THEIR JOBS.

*But the events of
winter 1978-79
demonstrate that the
"norms and rules" of
society are not
universally perceived,
let alone accepted.
Re-affirming and re-
confirming seen in order:
"sectional solidarity",
like patriotism, is not
enough!*

NEXT, IT IS NOT THE CASE THAT OUR INFLUENCE IS UNIFORM: WE ARE NOT NORMALLY VERY INFLUENTIAL IN FOREIGN AFFAIRS AND THERE ARE MANY OTHER AREAS WHERE OUR INFLUENCE IS MINIMAL.

FINALLY, EVEN WHEN WE ARE CONCERNED ABOUT PROBLEMS CLOSE TO OUR HEART, WE ARE FREQUENTLY INEFFECTIVE.

THUS, ALTHOUGH THE STATE OF THE ECONOMY HAS PREOCCUPIED THE T.U.C. SINCE THE END OF THE LAST WAR, IT IS IMPORTANT TO NOTE THAT THE STUDIES BY (4) (5) MCCARTHY AND ALLEN IN THE NINETEEN SIXTIES BOTH CONCLUDED THAT WE ACTUALLY HAD VERY LITTLE INFLUENCE ON BUDGETARY POLICY.

3:
 . McCarthy,
Future of the
19s, Fabian
 t no.339,
 on 1962, p.23.

.L. Allen,
Trade Unions
Government,
 on, 1960.

RECENT EVENTS HAVE REINFORCED THESE FINDINGS. LEVELS OF UNEMPLOYMENT HAVE REMAINED INTOLERABLY HIGH, NOTWITHSTANDING SUCCESSIVE T.U.C. PROTESTS. WE HAVE FAILED TO PERSUADE GOVERNMENTS TO REINFLATE. INCOMES POLICIES ARE IMPOSED AGAINST OUR WILL. THE TAX SYSTEM IS NOT AS WE WOULD LIKE. IMPORT CONTROLS HAVE NOT BEEN ADOPTED, AND SO ON.

THE SAME IS TRUE OF WELFARE POLICIES. OUR
OPPOSITION TO SOCIAL SERVICE CUTS HAVE BEEN
IGNORED; OUR CALLS FOR UNIVERSAL NURSERY
EDUCATION HAVE REMAINED UNHEEDED.

IF ONE EXAMINES T.U.C. REPORTS TO CONGRESS
THEY INVARIABLY REPORT LITTLE OR NO PROGRESS
ON THE OVERWHELMING MAJORITY OF ITEMS THAT
WE HAVE DECIDED TO PURSUE.

OVERALL, OUR POLITICAL INFLUENCE IS MORE
NEGATIVE THAN POSITIVE - MORE ILLUSORY
THAN REAL. IT IS ALMOST ENTIRELY CONFINED
TO INDUSTRIAL RELATIONS AND LABOUR
MARKET MATTERS.

HOWEVER, IT HAS TO BE ADMITTED
THAT THE T.U.C. CAN PUT A
CONSIDERABLE PRESSURE ON THE
STRUCTURE OF THE LABOUR PARTY, NOT
ONLY BECAUSE IT PROVIDES THE BULK
OF ITS FINANCES, BUT THROUGH THE
STRENGTH OF ITS VOTES AT THE
LABOUR PARTY CONFERENCES.

WE ARE TOLD THAT IN PAY BARGAINING, POWER
HAS BEEN DECISIVELY TILTED IN OUR FAVOUR
- YET MANY BELIEVE THAT OUR ACHIEVEMENTS ARE
RARELY MORE THAN MARKET FORCES PERMIT,
AND AN OBJECTIVE EXAMINATION OF THE OUTCOME
OF MANY RECENT STRIKES WOULD FURTHER
UNDERMINE THIS POPULAR VIEW ABOUT OUR STRENGTH.

THE FIREMEN DID NOT WIN IN 1977, THE GRUNWICK
STRIKERS
~~WORKERS~~ DID NOT WIN, THE PUBLIC SECTOR WORKERS
DID NOT ACHIEVE THEIR TARGET OF A £60 PER WEEK
MINIMUM WAGE.

MOREOVER, AND IN GENERAL, WE HAVE NOT BEEN ABLE
TO PUSH UP PAY IN DECLINING INDUSTRIES; WE
HAVE BEEN DEPENDENT ON LEGISLATION TO ENFORCE
EQUAL PAY AND EVEN NOW WE CANNOT ABOLISH THE
UNJUSTIFIED DIFFERENCES THAT REMAIN BETWEEN
THE CONDITIONS OF EMPLOYMENT OF MANUAL AND STAFF
EMPLOYEES.

DESPITE ALL THE POWER THAT WE ARE SAID TO
POSSESS, WE HAVE BEEN UNABLE TO END A SYSTEM
WHERE A FORTY-FIVE YEAR OLD ELECTRICIAN WITH
A LIFE-TIME OF SERVICE IN AN INDUSTRY, WORKS
LONGER HOURS THAN HIS TEENAGE DAUGHTER EMPLOYED
IN AN OFFICE AT THE SAME FACTORY, HAS TO EAT
IN A SEPARATE CANTEEN AND IS NOT PAID WHENEVER
HE IS SICK. I CANNOT AVOID THE SUSPICION THAT
MANY EMPLOYERS REGARD THE EQUILIBRIUM OF
COLLECTIVE BARGAINING AS HAVING TIPPED IN OUR
FAVOUR / AS OFTEN / AND AS SIMPLY AS WHENEVER THEY
ARE UNABLE TO GET THEIR OWN WAY.

THE ALLEGATIONS THAT WE HAVE TOO MUCH POWER
ARE FREQUENTLY ACCOMPANIED BY ANOTHER SET
OF ALLEGATIONS CONCERNING OUR ROLE IN THE
LABOUR MARKET.

CLASSICAL AND NEO-CLASSICAL ECONOMISTS, SUCH AS
 (6)
 MARSHALL, HAVE LONG BELIEVED THAT TRADE UNIONISM
 DISFIGURES THE PURE MARKET. THEY BELIEVE THAT
 COMPETITIVE FORCES, SUPPLY AND DEMAND, PRODUCE
 LEVELS OF WAGES AND PRICES WHICH REFLECT THE REAL
 VALUE OF WORKERS, THEIR JOBS AND COMMODITIES IN THE
 ECONOMY. THUS, IF WAGES IN ONE FACTORY ARE TOO LOW
 THEN WORKERS WILL LEAVE AND THE EMPLOYER WILL BE
 COMPELLED TO RAISE WAGES IN ORDER TO RETAIN HIS
 WORKFORCE AND ATTRACT NEW RECRUITS.

CONVERSELY, IF WAGES ARE TOO HIGH UNEMPLOYMENT WILL
 FOLLOW. EQUALLY, IF THE EMPLOYER WISHES TO IMPROVE
 THE QUALITY OF HIS WORKFORCE HE SHOULD BE AT LIBERTY
 TO OFFER HIGHER WAGES AND TO PAY SOME INDIVIDUALS
 MORE THAN OTHERS.

IN THIS SCENARIO THE INTRODUCTION OF TRADE UNIONS
 IS CLEARLY AN UNALLOYED BAD BUT SO TOO, FOR *THIS VIEWS*
 MORE DOCTRINAIRE SUPPORTERS, WOULD BE SHAFTSBURY'S
 CHILD EMPLOYMENT LAWS AND THE CURRENT HEALTH AND
 SAFETY AT WORK LEGISLATION.

3:
 . Marshall,
 ciples of
 omics, London

THE

MORE SOPHISTICATED VIEWS ACKNOWLEDGE THAT IN THE REAL WORLD IT IS IMPOSSIBLE TO ENVISAGE SUCH A MARKET. THEY RECOGNISE THAT THERE IS INADEQUATE INFORMATION AND CHOICE. THEY APPRECIATE THAT MOVEMENT FROM ONE JOB TO ANOTHER IS NOT ENTIRELY COST FREE FOR THE WORKER CONCERNED / AND THAT FEW COMPANIES CAN BE DESCRIBED AS ATOMISTIC COMPETITORS WITHOUT INFLUENCE OVER LABOUR OR COMMODITY MARKETS. THIS SECOND GROUP OF ECONOMISTS UNDERSTAND THAT TRADE UNIONS NOT ONLY FIGHT FOR HIGHER WAGES AND JOB PROTECTION, BUT THAT INDIVIDUAL TRADE UNIONISTS ALSO LEAVE LOW PAYING JOBS AND THAT UNIONS CAN RARELY DEFY UNDERLYING MARKET TRENDS.

DESPITE THEIR PROBLEMS OF FITTING WHAT WE DO INTO THEIR THEORETICAL MODELS, THESE ECONOMISTS HAVE ALSO CONCLUDED THAT WE ARE STILL A PUBLIC BAD RATHER THAN A PUBLIC GOOD. THEIR REASONS FOR DOING SO ARE MANY, BUT I WILL ONLY MENTION A FEW.

FIRSTLY THEY ALLEGE THAT WE CAUSE DIFFERENCES BETWEEN THE PAY OF UNION AND NON-UNION WORKERS AND THAT THIS HAS SUBSEQUENT HARMFUL EFFECTS ON THE ALLOCATION OF LABOUR.

SECONDLY, THEY OBJECT TO OUR EMPHASIS ON THE RATE FOR THE JOB RATHER THAN THAT OF THE INDIVIDUAL WORKER AND FINALLY THEY BELIEVE THAT TRADE UNIONISM ENCOURAGES RESTRICTIVE PRACTICES.

THE PROBLEM WITH MOST OF THESE ARGUMENTS IS PROOF. THE EVIDENCE IS NOT CLEAR AND RIVAL ECONOMISTS DISPUTE THE FACTS. NO-ONE IS SURE WHETHER THE GENERAL TRUTH THAT UNIONISED WORKERS EARN MORE THAN NON-UNIONISED WORKERS IS BECAUSE WE PUSH THE EARNINGS OF OUR MEMBERS AHEAD OF THOSE OF OTHER WORKERS OR BECAUSE HIGHER PAID WORKERS MORE READILY JOIN TRADE UNIONS.

*How to explain the
difference between, say,
W. Germany and the UK?*

IT IS IMPOSSIBLE TO SATISFACTORILY RESOLVE WHO IS RIGHT WITHOUT ABOLISHING TRADE UNIONS AND COMPARING THE CONSEQUENCES. THE DIFFICULTY WITH THIS IS NOT ONLY THAT IT IS UNREALISTIC TO IMAGINE, BUT ALSO THAT ANY SUBSEQUENT FINDINGS COULD THEMSELVES BE DISMISSED ON THE GROUNDS THAT THE NON-UNION MARKET WAS NOT THE SAME AS THE ONE THAT PRECEDED IT.

ALTHOUGH BOTH SETS OF ECONOMISTS HAVE CONCLUDED THAT WE CAUSE HARMFUL IMPERFECTIONS IN THE LABOUR MARKET, THEY HAVE ALSO ACKNOWLEDGED THAT INDIVIDUAL WORKERS ARE AT A DISADVANTAGE VIS-A-VIS THEIR EMPLOYER. THIS WAS ADMITTED BY ADAM SMITH ⁽⁷⁾ AND ~~ALTHOUGH~~ CONVENIENTLY IGNORED BY MANY OF THOSE WHO SIEZED UPON HIS IDEAS AT THE TIME ~~IS~~ NOW WIDELY ACCEPTED.

1:
A. Smith,
Wealth of Nations, 1776,
1, Chap. 8.

THE PLIGHT AND WEAKNESS OF THE INDIVIDUAL WORKER IN THE MARKET ECONOMY HAS FIRED THE CAUSE OF TRADE UNIONISM IN EVERY CONTINENT. WE MIGHT WELL BE AN IMPERFECTION INSOFAR AS CLASSICAL FREE MARKETEERS ARE CONCERNED, BUT IT IS ONLY BECAUSE MILLIONS OF WORKING PEOPLE HAVE LEARNT THAT THE FREE MARKET ITSELF IS IMPERFECT THAT THEY HAVE SOUGHT TO COMBINE TOGETHER IRRESPECTIVE OF REPRESSIVE LAWS OR DIFFERENT SOCIAL SYSTEMS.

I DO NOT MAKE ANY GENERAL APOLOGY FOR THIS OR FOR THE ROLE OF TRADE UNIONS OR FOR ^{HAVING} IMPORTED SOCIAL VALUES AND SOME NON-MARKET PRIORITIES INTO THE ECONOMY.

INDEED, MANY OF OUR MORE POLITICAL CRITICS WHO APPLAUD THE FREE MARKET THEMSELVES IMPORT VALUES OF THEIR OWN

INTO THE MARKET. HENCE ~~NOTIONS~~ OF RESPONSIBLE BARGAINING AND PROPOSALS THAT WORKERS IN CERTAIN VITAL INDUSTRIES SHOULD BE RESTRAINED FROM UTILIZING THEIR MARKET STRENGTH TO ITS FULL.

I DO NOT ACCEPT THAT WE DISTORT THE MARKET TO THE EXTENT THAT IS CLAIMED, NEITHER DO I BELIEVE THAT MARKET FORCES CAN BE IGNORED OR SUPPRESSED BY TRADE UNION ACTIVITY.

This is less a matter of "free market" economics than of the idea of the "common good".

IT IS WITH

AS WITH THE MARXISTS, SO ALSO MANY OF THOSE ON
THE RIGHT WHO ARE FOREMOST IN THE ALLEGATIONS
ABOUT EXCESSIVE TRADE UNION POWER AND OUR EFFECT
ON THE ECONOMY ^{THEY} DO NOT REGARD THEMSELVES AS
PREJUDICED OR UNREASONABLE. THUS, WHILST THE
LEFT SOMETIMES ACKNOWLEDGE THAT WE MIGHT OCCASIONALLY
BE OF SOME BENEFIT TO WORKING PEOPLE, SO TOO OUR
OTHER CRITICS ARE RARELY INCLINED TO CLAIM THAT WE
HAVE NEVER BEEN OF ANY VALUE WHATSOEVER. HENCE
IT IS NOT UNUSUAL FOR US TO READ THAT WHILST
PROBABLY VERY USEFUL OR PROPER LONG AGO, TODAY WE
HAVE OUTLIVED OR EXCEEDED OUR ORIGINAL PURPOSE.
IT IS FORGOTTEN, OR NOT KNOWN, THAT MUCH THE
SAME WAS SAID A HUNDRED YEARS AGO. MOREOVER, IT
IS MY BELIEF THAT IF MANY OF THOSE WHO CURRENTLY
REPEAT THIS VIEW HAD THEMSELVES LIVED IN THOSE
EARLIER TIMES THEY WOULD HAVE BEEN DETERMINED TO
PREVENT US FROM FULFILLING THE VERY SAME PURPOSE
WHICH THEY NOW CONCEDE WAS ESSENTIAL.

APART FROM MY DOUBTS ABOUT THE VERACITY OF *THOSE*
COMMENTS APPROVING OF OUR PAST, WHILST
SIMULTANEOUSLY DAMNING US TODAY, THERE IS ALSO
ONE OTHER VIEWPOINT WHICH I SUSPECT IS AS POPULAR
AS IT IS HYPOCRITICAL. THIS IS THE VIEW THAT
WHILST NOT WRONG IN PRINCIPLE, IT IS ONLY THAT
WHICH WE DO WHICH IS OBJECTIONABLE. IT IS A
SENTIMENT WHICH IS AS OLD AS MOST OF THE OTHER
CRITICISMS OF TRADE UNIONS. IT WAS ONCE SUMMED
UP AS FOLLOWS - WHILST ALL ADMIT THAT IT IS THE
RIGHT OF MEN IN A FREE SOCIETY TO WITHDRAW THEIR
LABOUR, THE LINE MUST, OF COURSE, BE DRAWN AT STRIKES.

IT IS AN OPINION THAT WAS EXPRESSED IN THE LAST
CENTURY BY THE ENGINEERING EMPLOYERS WHO, ON THE
ONE HAND PROCLAIMED THEIR ACCEPTANCE OF LEGITIMATE
TRADE UNIONISM, AND ON THE OTHER, INSISTED THAT
OVERTIME WAS NOT A SUBJECT FOR DISCUSSION, NOR
WAS MANNING OF MACHINERY OR THE WAY THEY CHOSE
TO MANAGE THEIR ESTABLISHMENTS. (8)

ii
. Jefferys,
Story of the
years, London,
. p.145.

AS MICHAEL FRAYN ONCE POINTED OUT, THE CURRENT MANIFESTATION OF THIS VIEW TENDS TO TAKE THE FORM OF ARGUING THAT STRIKES FOR HIGHER WAGES ARE WRONG BECAUSE THEY ARE IPSO FACTO INFLATIONARY AND REFLECTIONS OF GREED AND OBSESSIVE MATERIALISM AND THAT STRIKES NOT ABOUT PAY ARE SIDE ISSUES AND WRONG BECAUSE THEY CONCERN TRIVIA. IT CONTINUES BY ARGUING THAT STRIKES WHICH DAMAGE PRODUCTION ARE WRONG BECAUSE THEY ARE ECONOMICALLY HARMFUL AND THAT STRIKES WHICH AFFECT THE PUBLIC ARE WRONG BECAUSE THEY ARE SOCIALLY HARMFUL. IT INSISTS THAT STRIKES ARE DISLOYAL AND CONTRARY TO THE NATIONAL INTEREST BECAUSE THEY DAMAGE THE COMPETITIVENESS OF BRITISH GOODS ABROAD OR ALLOW MARKET PENETRATION HERE BY FOREIGN IMPORTERS. STRIKES ARE WRONG UNDER CONSERVATIVE GOVERNMENTS BECAUSE THEY ARE POLITICALLY MOTIVATED AND WRONG UNDER LABOUR BECAUSE THEY ARE BACK-STABBING. UNOFFICIAL STRIKES ARE WRONG BECAUSE RESPONSIBLE UNION LEADERS WOULD SUPPORT THEM IF IT WERE NOT OTHERWISE AND WRONG IF DECLARED OFFICIAL BECAUSE THIS SHOWS THAT UNION LEADERS ARE WILD MILITANTS AND-OR EASY PUSH-OVERS FOR EXTREMISTS.

OVERALL WE CAN THUS CONCLUDE THAT WHILST STRIKES ARE
 QUITE PERMISSABLE THIS IS ONLY THE CASE SO LONG AS THEY
 AFFECT NO-ONE, ARE FOR LOWER WAGES, OCCUR IN A LUNCH-
 HOUR UNDER A LIBERAL GOVERNMENT AND ON A DAY WHEN
 WORKERS IN EVERY RIVAL COUNTRY ARE ALSO ON STRIKE,⁽⁹⁾

s:

. Frayn, The
 ect Strike, in
 lackburn and
 ockburn (Ed.),
Incompatibles,
 on 1967, p.160-

THE POLITICAL AND ECONOMIC RIGHT SEEM TO BELIEVE THAT
 TRADE UNIONS SHOULD ACT AS A KIND OF SOCIAL POLICEMAN,
 KEEPING THE WORKERS IN LINE, KNOCKING SOME SENSE INTO
 THEM AND SO ON. ACCORDING TO THIS VIEW THE JOB OF
 A TRADE UNION IS TO AGREE WITH GOVERNMENTS, MODERATE
 PAY DEMANDS, STOP STRIKES, ENCOURAGE HARDER WORK
 AND NOT OPPOSE THE DECISIONS OF EMPLOYERS AND
 POLITICIANS ALIKE.

ALTHOUGH POLITICALLY POLES APART, THESE CRITICS
 FROM THE LEFT AND RIGHT HAVE MUCH IN COMMON. THEY
 BOTH BELIEVE THAT THEY KNOW MORE ABOUT WHAT WE ARE
 FOR THAN WE DO; THEY BELIEVE THAT THEY KNOW MORE
 ABOUT WHAT IS GOOD FOR US THAN WE DO. THEY
 BELIEVE THAT WE SHOULD NOT BE AS WE ARE, DOING WHAT
 OUR MEMBERS EXPECT, BUT RATHER AS THEY WOULD LIKE
 US TO BE, DOING WHAT THEY WOULD PREFER INSTEAD.

IN EVERY CASE THEY MISUNDERSTAND OUR PURPOSE AND
 FAIL TO GIVE ANY REASONABLE EXPLANATION AS TO WHY
 MORE THAN 12 MILLION WORKING MEN AND WOMEN ARE
 AMONG OUR MEMBERS.

*Not entirely a matter of
 free will!*

OUR JOB IS NOT TO STRUGGLE FOR A SOVIET-TYPE
 STATE WHOSE FIRST ACT WOULD EITHER BE TO MILITARIZE
 US AS TROTSKY ADVOCATED OR CONVERT US INTO
 INSTRUMENTS OF FORCED LABOUR.

NEITHER, ON THE OTHER HAND, IS IT TO COMPLY WITH
 A CONCEPT OF TRADE UNION RESPONSIBILITY WHICH
 INSISTS THAT WE SHOULD BE RESPONSIBLE TO EVERYONE
 ELSE BUT OUR MEMBERS.

*But what is the nature
 of "responsibility" in TU
 leadership in 1979 -
 "shouts in the trough" or
 "family hold back"?*

IN REJECTING THESE VIEWS AND AFFIRMING THAT OUR
 PRIMARY LOYALTY IS TO OUR MEMBERS, I DO NOT INTEND
 TO IMPLY THAT THE ROLE OF TRADE UNION LEADERS IS
 TO BE THE SERVANTS OF WHOEVER SHOUTS THE LOUDEST
 OR THAT WE SHOULD IGNORE THE EFFECTS OF OUR POLICY
 ON THE ECONOMY AND GENERAL PUBLIC. THE FIRST
 WOULD BE ABDICATION, THE SECOND SUICIDE. NEITHER
 HAS VERY MUCH IN COMMON WITH OUR HISTORY.

TRADE UNION LEADERS HAVE ALWAYS ATTRACTED SPECIAL CRITICISM. THE LEFT HAS ACCUSED US OF IGNORING, OR EVEN BETRAYING, THE TRUE OR BEST INTERESTS OF OUR MEMBERS. NATURALLY, OF COURSE, THEY HAVE ALWAYS KNOWN WHAT THESE TRUE OR BEST INTERESTS OF OUR MEMBERS ARE! KNOWING THIS, TO PARAPHRASE KIPLING, HAS BEEN THE LEFT WING MAN'S BURDEN.

OTHERS HAVE SAID THAT TRADE UNION LEADERS ARE THE NEW BARONS, OR TO QUOTE FROM AN 1867 ADDRESS ON THE PROBLEM OF TRADE UNION POWER AND ITS ABUSES -

"A NUMBER OF UNSCRUPULOUS MEN, LEADING A HALF-IDLE LIFE AND FEEDING ON THE CONTRIBUTIONS OF THEIR DUPES." (10)

31

Frederick Hill,
 Resolutions for Putting
 an End to the Abuses
 of Trade Unions",
 National Proceedings
 of the National
 Association for the
 Advancement of Social
 Justice, 1867-68,

OUR JOB IS NEITHER TO ABANDON RESPONSIBILITY NOR TO FAIL TO PROPERLY REPRESENT THOSE WHO ENTER OUR RANKS. LEADERSHIP AND REPRESENTATION IS A DIFFICULT BALANCE TO ACHIEVE. WE HAVE TO LOOK AHEAD TO LEARN ABOUT THE FUTURE AND TO POINT OUT THE MORE FAR REACHING CONSEQUENCES OF DECISIONS WHICH MIGHT BE REGRETTED LATER, DESPITE THEIR SHORT-TERM ATTRACTION.

WE HAVE TO BRIDGE THE CONTRADICTION BETWEEN PRINCIPLES, POSSIBILITIES AND TACTICS. WE HAVE TO PROTECT OUR ORGANISATIONS FROM THREATS FROM THE RIGHT AND LEFT.

ABOVE ALL, HOWEVER, WE HAVE TO RESOLUTELY DEFEND OUR MEMBERS' INTERESTS WHILST, AT THE SAME TIME, BEING AWARE OF THE WIDER IMPLICATIONS OF WHAT WE DO.

I SUGGESTED EARLIER THAT MUCH OF THE CRITICISM THAT WE HAVE HAD TO ENDURE IN THE LAST HUNDRED ODD YEARS, HAS BEEN ILL-INFORMED AND POLITICALLY INSPIRED. IF IT DID NOT MISINTERPRET WHAT WE DO, IT CERTAINLY MISUNDERSTOOD IT.

I CANNOT LET THIS OPPORTUNITY GO BY WITHOUT MAKING REFERENCE TO THE MEDIA, SINCE A GREAT DEAL OF THE MISUNDERSTANDING THAT I HAVE REFERRED TO ARISES FROM THEIR TREATMENT OF OUR AFFAIRS.

PROBABLY OUR GREATEST DIFFICULTY IS OUR INABILITY TO COMMUNICATE WITH EACH OTHER; THIS IS DESPITE THE ENORMOUS GROWTH IN THE MEANS FOR DOING SO.

THE MASS COMMUNICATION MEDIA TENDS TO ADD TO THE
CONFUSION. IT EITHER OFFERS INSTANT SOLUTIONS TO
COMPLEX PROBLEMS OR REDUCES ITS COMMENTS ON THEM TO
THE LEVEL OF ENTERTAINMENT. BY AND LARGE, IT HAS A
TWO-FOLD EFFECT - BOTH BAD. ONE, IT CONTINUALLY
RAISES EXPECTATIONS, OFTEN BEYOND THE ABILITY OF SOCIETY
✓ TO FULFIL - AND, TWO, IT CREATES CONFLICTING AND
✓ CONFUSING OPINIONS WHICH TEND TO DESTABILISE SOCIETY.

HOWEVER, MAKING DUE ALLOWANCE FOR THE BIAS,
HALF-TRUTHS AND MIS-REPRESENTATION CONTAINED IN
MUCH OF THE MEDIA'S TREATMENT OF THE UNIONS, THE
FACT IS THAT TRADE UNIONS MUST BEAR A HEAVY MEASURE
OF RESPONSIBILITY FOR THE SELF-PORTRAIT THEY HAVE
DRAWN AS BEING OFTEN OBDURATE, IRRATIONAL AND
SEEN AS IRRESPONSIBLE WHERE THE PUBLIC INTEREST
IS CONCERNED IN MANY CASES.

TO THOSE OF MY COLLEAGUES AND OTHERS WHO WOULD ARGUE
THAT RESPONSIBILITY FOR THE CRITICAL VIEW TAKEN BY
THE PUBLIC IS SOLELY DUE TO THE MEDIA'S SPLEEN,

I MUST SAY ... WE LIVE IN A PERIOD WHICH IS SO
CRITICAL FOR OUR ECONOMIC FUTURE THAT ANYTHING THAT
APPEARS TO BE AN IMPEDIMENT TO PRODUCTIVITY IS
INSTANTLY A MATTER OF MAJOR PUBLIC INTEREST.

NEVER, IN OUR HISTORY, HAVE TRADE UNIONS BEEN
SUBJECTED TO SUCH MINUTE DAILY SURVEILLANCE.
AS THEIR EVERY ACTION IS PUBLICLY DEBATED WE
HAVE TO BE SEEN IN THIS SITUATION TO BE LIKE
CEASAR'S WIFE - ~~THAT IS,~~ BEYOND REPROACH.

THE FACT THAT SECTIONS OF THE MEDIA ARE
CRITICAL OR BIASED IS ALL THE MORE REASON WHY
OUR BEHAVIOUR MUST BE OF THE HIGHEST ORDER
OF RESPONSIBILITY AND SEEN TO BE MINDFUL OF
THE PUBLIC AND NATIONAL INTEREST.

OUR SITUATION IS NOT UNIQUE. TRADE UNIONS IN
EVERY FREE SOCIETY HAVE FACED THE SAME PROBLEMS.
IN ANY EVENT, THE CRITICISM THE MEDIA MAKES,
EVEN WHERE IT IS UNJUSTIFIED, IS THE
UNAVOIDABLE PRICE THAT FREE PEOPLE MUST PAY
AS A CONDITION FOR THEIR FREEDOM.

FOR THE REMAINDER OF THIS LECTURE, I WILL TRY TO LOOK TO THE FUTURE. FIRSTLY, I WILL ARGUE THAT TRADE UNIONISM HAS HISTORICALLY BEEN A DEFENSIVE MOVEMENT AND SECONDLY I WILL ARGUE WHY I BELIEVE THAT MANY OF THE WAYS THAT WE HAVE TRADITIONALLY EXPRESSED THIS PURPOSE ARE INCREASINGLY INADEQUATE.

NEXT I WILL ARGUE WHY I BELIEVE THAT TRADE UNIONISM IS AN ESSENTIAL FEATURE OF ANY DEMOCRACY AND FINALLY I WILL ARGUE WHY I BELIEVE THAT A REASSERTION OF OUR MOVEMENT'S ORIGINAL PRINCIPLES IS NECESSARY FOR RESISTING THE GATHERING DANGERS TO OUR FREE SOCIETY.

WE HAVE NOT BEEN DEFENSIVE OUT OF CHOICE. IT IS A ROLE THAT CIRCUMSTANCE HAS THRUST UPON US. IT IS THE REASON FOR OUR EXISTENCE. THROUGHOUT OUR HISTORY WE HAVE BEEN REACTIVE BODIES: OTHERS INITIATE, WE RESPOND.

TRADE UNIONS ARE LARGELY AT THE RECEIVING END OF THE ECONOMIC SYSTEM AND OF THE SHOCKS THAT ACCOMPANY IT. MOST OF THE TIME WE ARE COPING WITH THE EFFECTS OF OTHER PEOPLE'S DECISIONS, THE DECISIONS OF THOSE WHO HAVE POSITIVE ECONOMIC POWER AND COMMAND OVER RESOURCES AND TECHNOLOGY.

WE DO NOT DETERMINE THE STATE OF WORLD TRADE OR THE GROWTH OF NEW INDUSTRIAL POWERS. WE DID NOT BRING ABOUT THE POST-WAR RISE OF JAPAN OR SOUTH KOREA IN THE FIELD OF ELECTRONICS, NOR DID WE INVENT MICRO-PROCESSORS OR THE SILICON CHIP.

Too prices and innocent.

HISTORICALLY THIS EMPHASIS ON RESPONSE AND DEFENCE HAS HAD A NUMBER OF EFFECTS.

FIRSTLY, IT HAS SHAPED OUR APPEAL. THE FEAR OF UNEMPLOYMENT, OF REDUNDANT SKILLS, OF DEPRESSION AND COLLAPSING WORLD MARKETS HAS DRIVEN GENERATIONS OF WORKING PEOPLE TOGETHER FOR MUTUAL SECURITY. THAT IS WHY THE FIRST MODERN TRADE UNIONS PLACED SUCH STRESS ON THEIR ROLE AS FRIENDLY SOCIETIES, THE PROVIDERS OF INSURANCE AGAINST LOCK-OUTS AND UNEMPLOYMENT.

SECONDLY, IT HAS AFFECTED HOW OUR MEMBERS REGARD TECHNOLOGY AND CHANGE. IT HAS INFLUENCED THEIR POLITICS AND TACTICS. THE FACT THAT MILLIONS OF TRADE UNIONISTS SEE US AS THEIR ONLY PROTECTION IN THE WAKE OF CHANGE IS AN ENDURING TESTIMONY TO THE WAY THEY CONTINUE TO REGARD EMPLOYERS IN THIS COUNTRY.

I KNOW THAT MANY MANAGERS HAVE ARGUED THAT THESE FEARS ARE MISPLACED AND THAT, TAKING THIS CENTURY AS A WHOLE, NEW TECHNOLOGY HAS CREATED FAR MORE JOBS THAN IT HAS DESTROYED. BUT THIS TRUTH IS OF LITTLE IMMEDIATE COMFORT TO THE PROBLEM OF THE AGEING WORKER WHO SUDDENLY FINDS HIMSELF UNEMPLOYED, THE REDUNDANT MAN WHO SEES HIS SKILLS OBSOLETE, THE FATHER WHO WORRIES ABOUT HIS SON'S FUTURE, THE FAMILY THAT HAS TO TRY AND MAKE ENDS MEET WITHOUT THE WIFE'S EARNINGS.

IBLY FOR
SECOND
THIRD TIME

IN ARTICULATING THESE CONCERNS AND RESISTING CHANGE AT THE TEMPO AND TO THE EXTENT DECIDED BY OTHERS, TRADE UNIONISM IS OFTEN SINGLED OUT FOR ATTACK. IN ONE SENSE THIS IS DESERVED BUT IN ANOTHER IT HAS SERVED AS A DISTRACTION FROM THE RESPONSIBILITY OF THE EMPLOYERS.

HAVE THOSE WHO HAVE ATTACKED TRADE UNION RESTRICTIVE PRACTICES ALWAYS CAMPAIGNED WITH EQUAL VIGOUR FOR INVESTMENT IN NEW JOBS TO REASSURE THOSE WHO FEARED THAT THEIR LIVELIHOODS WERE THREATENED? HAVE OUR CRITICS ALWAYS INSISTED ON NEW FUTURES INSTEAD OF PLATITUDES FOR THOSE THEY WOULD DISPLACE? WITHOUT TRADE UNION RESISTANCE WOULD WORKERS ALWAYS HAVE BEEN CONSULTED ABOUT CHANGE, PAID COMPENSATION, OFFERED THE CHANCE OF MEANINGFUL RE-TRAINING?

WE HAVE ALWAYS ACTED IN RESPONSE TO THE CHOICES
PRESENTED BEFORE US. IF THESE HAD BEEN DIFFERENT,
SO TOO MIGHT HAVE BEEN THE ATTITUDES WE REPRESENT.

ALTHOUGH I BELIEVE THAT OUR EMPHASIS ON DEFENCE
HAS SERVED THE INTERESTS OF WORKING PEOPLE AND OUR
INSISTENCE ON PRIOR AGREEMENT CONTRIBUTED TO
AVOIDING SOME OF THE SORT OF SOCIAL DISLOCATION
THAT SUDDEN CHANGE HAS PROVOKED IN OTHER COUNTRIES,

I AM NONETHELESS AWARE THAT WE CAN NO LONGER RELY
ON MANY OF OUR TRADITIONAL RESPONSES TO MEET THE
CURRENT CHALLENGE OF NEW TECHNOLOGY.

THIS CHALLENGE IS ON A SCALE UNPARALLELED IN OUR
LIFETIMES. THE FUTURE OF OUR PEOPLE AT
WORK IS UNCERTAIN. SOME ESTIMATES FORECAST
MILLIONS OF UNEMPLOYED IN TWENTY YEARS TIME.

OUR MOVEMENT CANNOT IGNORE THESE PREDICTIONS.
WE CANNOT WISH THE NEW TECHNOLOGY AWAY, TO
PRETEND THAT IT IS JUST A SCIENCE FICTION
FANTASY.

NEITHER CAN WE AFFORD
TO DELAY IT

NEITHER CAN WE AFFORD TO DELAY IT, TO INSIST
THAT IT CAN ONLY PROCEED AT A RATE AS FAST AS
THE MOST CAUTIOUS CAN ACCOMMODATE IT.

ON THE CONTRARY, NOT ONLY MUST THIS COUNTRY KEEP
UP WITH THE WORLD PACE OF TECHNOLOGY, WE MUST
ALSO STRIVE TO CATCH UP. IF WE HAD FACED PAINFUL
DECISIONS IN DECLINING INDUSTRIES EARLIER AND,
AND I REPEAT AND, SIMULTANEOUSLY INVESTED IN AND
ENCOURAGED THE DEVELOPMENT OF NEW TECHNOLOGY,
INDUSTRY AND JOBS, WE MIGHT NOT NOW BE SLIPPING
INTO THE CATEGORY OF A FADING SECOND CLASS
INDUSTRIAL NATION. AND WHAT IS EVEN MORE
FRIGHTENING, OF COURSE, IS THAT UNLESS WE RESOLVE
TO MEET THIS CHALLENGE OF TECHNOLOGY IN A
POSITIVE WAY THERE IS STILL A LOT FURTHER THAT
THIS COUNTRY CAN FALL.

IT WAS ONCE THOUGHT THAT MACHINES AND MECHANISATION
COULD DRIVE OUT ALL MANUAL LABOUR. HISTORY RECORDS
THE EFFORTS OF THE LUDDITES TO SMASH THE MACHINES
THAT WERE PRODUCING THE THREAT. LATER, AUTOMATION
AND METHODS STUDY (REMEMBER THE BEDDOW SYSTEM)
WERE HELD TO BE THE GREAT ENEMY OF LABOUR. BUT
REALITY HAS TURNED OUT TO BE SOMETHING ELSE.

OF COURSE, THERE HAS ALWAYS BEEN UNEMPLOYMENT OF
ONE KIND OR ANOTHER. TECHNOLOGICAL UNEMPLOYMENT,
SOMETIMES REACHING EXTREMELY HIGH LEVELS, BUT
IN THE LONG RUN MORE WORK AND JOBS, AS WELL AS
INCREASED LEISURE, HAS GROWN DIRECTLY OUT OF
TECHNOLOGICAL CHANGE. WHO WOULD NOW SAY THAT
TECHNOLOGICAL CHANGE SHOULD HAVE BEEN PREVENTED
OR COULD HAVE BEEN PREVENTED OR THAT LIFE WOULD
HAVE BEEN MORE DESIRABLE IF IT HAD?

BUT, HAVE WE COME TO ACCEPT THAT WE HAVE ALWAYS
BEEN WRONG ABOUT THE EFFECT OF NEW TECHNOLOGY?
IF SO, IT IS A DANGEROUS CONDITION IN PRESENT
CIRCUMSTANCES. FAR MORE DANGEROUS THAN THE
EARLY WORKER/TRADE UNION OBJECTIONS TO
TECHNOLOGICAL CHANGE.

FOR ADAPTING TO THE GROWTH AND COPING WITH THE
HUMAN EFFECTS OF THE NEW TECHNOLOGY DEMANDS A
NEW DIMENSION OF COMMITMENT FROM EVERYONE:
COMPANIES, GOVERNMENT, UNIONS, AS WELL AS THE
INDIVIDUAL.

WE HAVE TO BE PREPARED FOR AN EXPONENTIAL GROWTH
IN RE-TRAINING AND RESOURCES THAT ARE REQUIRED
TO BACK IT UP.

IF THE SHORTER WORKING DAY AND WEEK ARE TO BE
APPLIED, WE WILL REQUIRE CULTURAL CHANGES IF
COSTS ARE TO BE CONTAINED AND OUR GOODS ARE TO
REMAIN COMPETITIVE. THE NOTION OF A WORK-DAY
BEGINNING BETWEEN 8 AND 9 IN THE MORNING AND
CEASING BETWEEN 5 AND 6 AT NIGHT, FROM MONDAY
TO FRIDAY, WILL HAVE TO BE SET ASIDE, AND
SHIFT WORKING, ROLLING THROUGH SEVEN DAYS,
WILL HAVE TO BE ENVISAGED.

THERE WILL NEED TO BE AN EXTRAORDINARY DEVELOPMENT
IN LEISURE ACTIVITIES AND PURSUITS IF THE
SOCIOLOGICAL THREAT OF MILLIONS OF UNEMPLOYED
IS TO BE PREVENTED.

HITHERTOFOR, THE TRADE UNION MOVEMENT HAS
UNAVOIDABLY PLAYED THE ROLE OF THE OPPOSITION
IN INDUSTRY. UNLIKE POLITICAL OPPOSITIONS,
HOWEVER, WHO STRUGGLE TO SUCCEED THE
GOVERNMENT OF THE DAY, OUR STATUS IS FIXED:
WE CAN NEVER CHANGE PLACES WITH THE
EMPLOYER.

*But the employer is
often the state or state-
aided, the "alter ego" of
us all.*

BUT IN ACKNOWLEDGING THAT WE ARE ALWAYS THE
OPPOSITION, I DO NOT BELIEVE THAT WE SHOULD
BE GUIDED BY THE SAME PRINCIPLES AS
TIERNEY DESCRIBED THOSE WHICH CHARACTERISED
THE WHIGS - "OPPOSE EVERYTHING AND
PROPOSE NOTHING".

THAT IS WHY I BELIEVE THAT THE TRADE UNION MOVEMENT MUST PLAY AN EQUAL PART IN WRESTLING WITH THE MANY DIFFICULT PROBLEMS WHICH LIE AHEAD. MY OWN UNION HAS ALREADY BEGUN THIS PROCESS BY DEVELOPING A RANGE OF POLICIES THAT MIGHT BE HELPFUL. WE DON'T BELIEVE THAT WE HAVE ALL THE ANSWERS BUT WE DO BELIEVE THAT ANTI-TRADE UNION PREJUDICE AND ATTEMPTS TO EXCLUDE THE REPRESENTATIVES OF WORKING PEOPLE FROM THE RIGHT TO A SAY IN SHAPING THE FUTURE WILL ONLY STRENGTHEN THOSE TENDENCIES WHICH VEER TOWARDS TRADITIONAL RESISTANCE.

IT WAS ONCE SAID THAT OUR MOVEMENT WAS GUIDED BY THE LANGUAGE OF PRIORITIES: THAT IS WHY I BELIEVE THAT WE SHOULD SEEK AN EARLY MEETING WITH THE NEW GOVERNMENT IN ORDER TO NEGOTIATE AN INDUSTRIAL RELATIONS AGREEMENT IN RETURN FOR A GUARANTEE TO REDUCE UNEMPLOYMENT AND CREATE NEW WORTHWHILE JOBS, AN AGREED PROGRAMME OF ACTION TO IMPROVE OUR INDUSTRIAL PERFORMANCE AND A VIGOROUS POLICY OF ENCOURAGING THE GROWTH OF TECHNOLOGICALLY ORIENTATED INDUSTRIES.

OF COURSE, SUCH AN ARRANGEMENT WOULD NOT BE WITHOUT PROBLEMS. THE GOVERNMENT WOULD NEED ASSURANCES THAT WE COULD KEEP OUR SIDE OF THE BARGAIN; WE WOULD NEED ASSURANCES THAT OUR GOODWILL WOULD NOT BE ABUSED. DESPITE SUCH DIFFICULTIES, I NONETHELESS BELIEVE THAT SUCH A BARGAIN WOULD REFLECT THE RIGHT PRIORITY. WE HAVE ALWAYS BEEN COMMITTED TO FIGHT THE NOTION THAT THE FATE OF OUR PEOPLE WAS THE SCRAPHEAP AND INEVITABLE: AN INITIATIVE SUCH AS I HAVE DESCRIBED TONIGHT COULD BE ONE WAY OF TRYING TO HONOUR IT.

APART FROM OUR DEFENSIVE TRADITION AND THE NEED TO REFINE IT IN THE LAST PART OF THE TWENTIETH CENTURY, I ALSO SAID THAT THERE WAS A SECOND ASPECT OF TRADE UNIONISM THAT WILL BE OF SIMILAR IMPORTANCE IN THE YEARS AHEAD. I CALLED THIS DEMOCRATIC. IN MY VIEW WE ARE, DESPITE OUR SHORTCOMINGS, AN INDISPENSABLE FEATURE OF ANY DEMOCRATIC SOCIETY. THERE IS NOT ONE SINGLE DICTATORSHIP IN THE WORLD, WHETHER FASCIST OR COMMUNIST, WHICH CO-EXISTS WITH A FREE TRADE UNION MOVEMENT.

INDEED, I WOULD GO SO FAR AS TO SAY THAT THE ACID TEST OF ANY SOCIETY WHICH CLAIMS TO BE DEMOCRATIC IS WHETHER IT ALLOWS A FREE TRADE UNION MOVEMENT TO FUNCTION OR NOT.

THROUGHOUT MY LIFE, CRITICS OF OUR MOVEMENT
HAVE OFTEN SAID, "GET BACK TO RUSSIA, WHERE
YOU BELONG". IN TRUTH, OF COURSE, THE REVERSE
IS THE CASE. IT IS THEY, NOT US, WHO SHOULD
GO TO RUSSIA.

IT IS IN RUSSIA THAT TRADE UNIONS ARE FORBIDDEN
TO STRIKE AND FORBIDDEN TO DISAGREE. IT IS
IN RUSSIA THAT THE TRADE UNIONS DO NOT RESIST
CHANGE OR OBJECT TO REDUNDANCY AND DISMISSAL.

IT IS IN RUSSIA THAT SHOP STEWARDS ARE LOCKED
UP AND DECLARED INSANE WHEN THEY PRESS FOR
HIGHER WAGES.

IT IS IN RUSSIA THAT THE SO-CALLED PROBLEM
OF TRADE UNIONISM HAS BEEN RESOLVED AND IT IS
NOT ACCIDENTAL THAT THOSE WHO WANT FREE TRADE
UNIONS HAVE BEEN THE VICTIMS OF THAT REGIME
OR AMONG THOSE WHO BATTLE AGAINST ITS
GULAG POLITBUREAU.

THE RELATIONSHIP BETWEEN TRADE UNIONS AND DEMOCRACY IS NOT DIFFICULT TO UNDERSTAND. WE ARE A CONSTRAINT ON "THE ELECTIVE DICTATORSHIP" BY WHICH LORD HAILSHAM HAS DESCRIBED TENDENCIES IN OUR PARLIAMENTARY SYSTEM: WE ARE OBSTACLES TO UNFETTERED STATE POWER: WE COMBAT THE CENTRALISED CONTROL OF WAGES AND CIVIL SERVICE MANIPULATION OF THE ECONOMY. BY ASSERTING HUMAN RIGHTS AT WORK, WE ALSO RESIST THOSE WHO REGARD WORKING PEOPLE AS SECOND CLASS CITIZENS. BY INSISTING ON AGREEMENT AT WORK, WE INFLUENCE THE WAY PEOPLE BEHAVE AWAY FROM IT. WE ARE ONE - BUT NOT THE ONLY ONE NOR THE MOST POWERFUL - OF THE FORCES AND INTEREST GROUPS WHICH ACT SEPARATELY AND COMBINE TOGETHER TO ENSURE THAT GOVERNMENTS ARE CONTINUALLY RESPONSIVE TO THE NEEDS OF THOSE THEY ARE ELECTED TO REPRESENT.

THERE ARE MANY ASPECTS TO A DEMOCRACY; ONE IS THAT THE OPPOSITION CAN BECOME THE GOVERNMENT. ANOTHER IS THAT AGREEMENT AND CONSENT IS A CONTINUING PROCESS AND NOT A TWO OR THREE WEEK FLING EVERY FOUR OR FIVE YEARS.

BUT WE ARE NOT ONLY A FEATURE OF ANY DEMOCRATIC SOCIETY; WE ALSO HAVE A DUTY TO SUPPORT IT.

I AM NOT ALONE IN FEARING FOR THE FUTURE. I AM CONCERNED ABOUT A POLITICAL SYSTEM THAT ~~IS~~ SIMULTANEOUSLY INDUCES APATHY AND FRUSTRATION. I AM CONCERNED ABOUT THREATS TO OUR MIXED ECONOMY, ABOUT THOSE WHO WOULD DISMANTLE OUR WELFARE STATE AND INDISCRIMINATELY SLASH PUBLIC EXPENDITURE AS AN ALTERNATIVE TO CREATING AN EFFECTIVE AND EFFICIENT PUBLIC SERVICE.

I AM EQUALLY CONCERNED, PARTICULARLY WITH THOSE AMONG MY COLLEAGUES WHO APPEAR TO BELIEVE THAT INCREASED PUBLIC EXPENDITURE IS THE ANSWER TO EVERY PROBLEM, DISREGARDING THE INCREASING PROPORTION OF THE GROSS NATIONAL PRODUCT BEING CONSUMED OR THE ULTIMATE GLOBAL EFFECT ON EVERYONE'S STANDARD OF LIVING.

PERHAPS I CAN HIGHLIGHT THE IRRELEVANCIES OF A LOT OF THE PHONY ARGUMENT ABOUT PUBLIC EXPENDITURE. WE ALL KNOW THAT THE RE-ORGANISATION OF THE HEALTH SERVICE HAS CREATED A BUREAUCRATIC NIGHTMARE AND IS THE ROOT CAUSE OF MOST OF THE DISSATISFACTION WITH THE HEALTH SERVICE. AND YET THE FIRST MOVE OF THE NEW GOVERNMENT IS TO DO WITH PAY BEDS - A PERIPHERAL ISSUE WHICH IS IRRELEVANT TO THE PROVISION OF AN EFFICIENT HEALTH SERVICE

IN DEFENDING THE TRADE UNION MOVEMENT AS A
BASTION OF DEMOCRACY, I DO NOT MEAN THAT
ALL IS WELL WITHIN OUR RANKS. NOR DO I
DENY THAT CERTAIN ASPECTS OF TRADE UNION
BEHAVIOUR ARE CONTRADICTORY.

I AM CONCERNED ABOUT THOSE WHO PREACH VIOLENCE
AS A SOLUTION TO EVERY PROBLEM AND ABOUT
THOSE POLITICIANS WHO SEEK TO AVOID DECISIONS
OR WHO SHUNT RESPONSIBILITY FOR ANY AWKWARD
PROBLEM TO UNACCOUNTABLE PROFESSORS OF
INDUSTRIAL RELATIONS OR MASTERS OF THE
ROLLS.

FREE TRADE UNIONISM IS A GUARANTEE OF DEMOCRACY:

BUT ITS ABUSE CAN ALSO BE A THREAT. ALTHOUGH THIS APPLIES TO OTHER INSTITUTIONS AS WELL, I BELIEVE THAT WE ARE HANDICAPPED IN CRITICISING THESE SO LONG AS WE NEED TO PUT OUR OWN HOUSE IN ORDER.

THE EVIDENCE OF UNDEMOCRATIC ACTIVITIES WITHIN TRADE UNIONS IS EXEMPLIFIED BY THE HISTORY OF MY OWN UNION. AS MANY WILL KNOW, WE WERE ONCE RULED BY A SMALL COMMUNIST MINORITY WHICH RIGGED BALLOTS AND FIXED ELECTION RESULTS. IT WAS LIKE LIVING IN AN EAST EUROPEAN PEOPLE'S DEMOCRACY.

IT IS WHY I FIRMLY BELIEVE IN SECRET BALLOTS FOR TRADE UNION ELECTIONS. I DO NOT JUSTIFY STRIKES WHICH ARE CALLED WITHOUT MEMBERSHIP CONSENT. THAT IS WHY I BELIEVE IN SECRET BALLOTS BEFORE NATIONAL STRIKE ACTION. I DO NOT JUSTIFY STAR CHAMBER TRIBUNALS OR WHERE POLICY IS DECIDED BY A SMALL AND UNREPRESENTATIVE MINORITY THAT IS RARELY INVOLVED IN THE REAL DAY-TO-DAY PROBLEMS OF THOSE ON WHOSE BEHALF THEY URGE EXTREMIST SOLUTIONS.

THAT IS WHY I BELIEVE IN INDEPENDENT APPEALS
MACHINERY WITHIN UNIONS AND WHY I BELIEVE IN
STRUCTURES AND SYSTEMS OF GOVERNMENT THAT ENCOURAGE
THE GREATEST PARTICIPATION OF BOTH THE MEMBERSHIP
AND THOSE THEY ELECT IN EVERY WORKPLACE.

THE DAMAGING CONTRADICTIONS IN TRADE UNION BEHAVIOUR
ARE OBVIOUS. THEY CONSTITUTE A THREAT TO OUR
EXISTENCE BY PROVIDING AMMUNITION FOR OUR OPPONENTS
AND THEY ALSO JEOPARDISE THE VERY VALUES AND
PRINCIPLES WHICH HAVE ALWAYS BEEN OUR INSPIRATION,
AND WHICH ARE THE HALLMARKS OF A CIVILISED SOCIETY.

I DO NOT BELIEVE THAT THE PURSUANCE OF HIGHER WAGES,
AT ANY COST, HAS ANYTHING IN COMMON WITH THOSE WHO
SACRIFICED TO BUILD OUR ORGANISATIONS. I DO NOT
BELIEVE THAT THOSE WHO FOUNDED OUR MOVEMENT AND
CAMPAIGNED FOR THE REFORMS OF FREE AND UNIVERSAL
EDUCATION AND FREE AND UNIVERSAL HEALTH CARE,
WOULD RECOGNISE THE DESCENDANTS WHO CURRENTLY STOP
CHILDREN ATTENDING SCHOOL AND DENY PATIENTS THE
OPPORTUNITY OF CURE AND RELIEF.

I DO NOT BELIEVE THAT THOSE PIONEERS WHO FOUGHT AGAINST THE HORRORS OF MASS UNEMPLOYMENT AND WHO STROVE TO CREATE A FAIRER SOCIETY WOULD BE PROUD OF THOSE WHO CAUSED THOUSANDS OF LAY-OFFS, ENDANGER THE JOBS OF OTHERS AND WHO SEEM PREPARED TO USE ANY MEANS TO ACHIEVE OFTEN TRANSITORY GOALS.

IF THE EVENTS OF LAST WINTER WERE UNIQUE IT MIGHT NOT EVENTUALLY MATTER TOO MUCH, BUT IT WAS NOT. IT WAS JUST ONE OF THE WORST OF THE ANNUAL PAY DISASTERS THAT WE HAVE SUFFERED. AND, WHAT IS MORE, IT IS TRADE UNIONISTS AND THEIR FAMILIES WHO INVARIABLY BEAR THE HARDEST BURDEN IN THESE RECURRING CRISES.

A STRIKE IS ONE THING; A STRIKE THAT THREATENS TO KILL OTHERS IS QUITE DIFFERENT. WE CANNOT PRETEND THAT SOME OF THE RECENT INDUSTRIAL ACTION WAS REASONABLE OR PART OF OUR TRADITION. HANGING IN MY OFFICE IS A BANNER, PRINTED IN 1865 FOR THE PLUMBING SECTION OF MY UNION, WHICH BEARS THE SLOGAN "UNITED TO SUPPORT, NOT COMBINED TO INJURE".

I BELIEVE THAT IT IS TIME TO CALL A HALT,
WE HAVE TO FIND A BETTER WAY. THAT IS WHY
I SUPPORT THE PROPOSAL OF SYNCHRONIZED
BARGAINING AND AN ANNUAL MEETING OF THE
T.U.C., C.B.I., AND GOVERNMENT TO DISCUSS
THE GUIDELINES FOR WAGES.

ABOVE ALL, HOWEVER, I BELIEVE THAT IT IS
TIME FOR THE TRADE UNION MOVEMENT TO REASSERT
ITS PRINCIPLES AND TO RE-DISCOVER ITS PURPOSE
AND RESPONSIBILITIES. WE NEED TO FORM A
BARGAIN WITH SOCIETY THAT PROTECTS OUR
FREEDOMS AND THE FREEDOMS OF ALL. A BARGAIN
WHICH GUARANTEES OUR RIGHTS AS WELL AS
THOSE OF THE COMMUNITY AT LARGE. TO THIS
END I AM ATTRACTED TO WHAT COULD BEST BE
DESCRIBED AS THE EQUIVALENT OF A HIPPOCRATIC
OATH FOR TRADE UNIONISTS.

IN THE COURSE OF THIS EVENING I CANNOT, NOR WOULD I WANT TO, SPECIFY EVERY LAST DETAIL OF SUCH AN UNDERTAKING. NOTWITHSTANDING THIS QUALIFICATION, I NONETHELESS BELIEVE THAT IT SHOULD AT LEAST INCLUDE -

- ± A TOTAL REPUDIATION OF VIOLENCE IN INDUSTRIAL DISPUTES.
- ± A PLEDGE NOT TO STRIKE BEFORE AGREEMENTS EXPIRE; A COMMITMENT TO USE STRIKE ACTION ONLY AS A LAST RESORT.
- ± A PLEDGE NOT TO INITIATE STRIKES WHICH CAN RUIN THE LIVES OF OTHER CITIZENS WITHOUT FIRST TOTALLY EXHAUSTING ALL OTHER CHANNELS AND SECOND A SECRET BALLOT. THERE IS A TENDENCY FOR SOME TRADE UNIONISTS TO FORGET THAT OTHERS WITHIN OUR SAME MOVEMENT ARE CITIZENS, CONSUMERS, PARENTS AND PATIENTS. SUCH AN UNDERTAKING WOULD THUS BE OF AS MUCH VALUE TO US AS TO THE PRESERVATION OF CIVILIZED STANDARDS IN SOCIETY AS A WHOLE.
- ± A DISAVOWAL OF STRIKES FOR POLITICAL PURPOSES.
- ± THE RIGHT OF A WORKER NOT TO JOIN A UNION IF HE OR SHE HAS A CONSCIENTIOUS OBJECTION AND A SIMULTANEOUS ACCEPTANCE THAT WE CANNOT ACCEPT FREE-RIDERS, THOSE WHO WANT SOMETHING FOR NOTHING. IN CONCEDED THE RIGHT OF NON-MEMBERSHIP, WE WILL EXPECT A RECIPROCAL PAYMENT, EQUIVALENT TO TRADE UNION DUES, TO AN AGREED CHARITY.

AS TRADE UNIONISM ENTERS THE EIGHTIES, OUR
MOVEMENT IS INDEED AT A CROSSROAD. OUR OLD
DEFENSIVE POSTURES HAVE TO BE REFINED TO MEET
THE CHALLENGE OF NEW TECHNOLOGY AND MASSIVE
INDUSTRIAL CHANGE; OUR OWN INTERNAL DEMOCRACY
HAS TO BE IMPROVED; WE HAVE TO HELP PRESERVE
LIBERTY AGAINST THE SPECTRE OF TOTALITARIANISM.

I ALSO BELIEVE THAT IT IS NECESSARY THAT I
SHOULD TAKE THIS OPPORTUNITY TO ISSUE BOTH A
WARNING AND A CHALLENGE TO THE NEW GOVERNMENT.

THERE ARE NO SIMPLE SOLUTIONS TO OUR INDUSTRIAL
RELATIONS PROBLEMS, NOR WILL THEY BE RESOLVED
OVERNIGHT BY ANCIENT POLITICAL AND ECONOMIC
DOCTRINES. ONLY THE REMOVAL OF DEEPLY HELD
SUSPICIONS AND MISTRUST CAN PROVIDE A LASTING
BASE ON WHICH TO BUILD THE UNITY OF OUR
NATION AND ACHIEVE THE ECONOMIC SUCCESS
THAT IS SO VITAL TO FUTURE STABILITY.

TRADE UNIONISM HAS HAD A PROUD TRADITION.
IT ALWAYS REPRESENTED THE BEST AND MOST
SELFLESS INSTINCTS.

SOME HAVE SAID, IN RECENT YEARS WE HAVE LOST
OUR WAY. HAVE WE?

IF WE SURRENDERED TO OUR CRITICS, WOULD OUR
COUNTRY'S PROBLEMS BE SOLVED? WHAT NEW
FORCE WOULD DEVELOP TO FILL THE AWKWARD,
CHALLENGING, REPRESENTATIVE ROLE OF OUR
MOVEMENT?

I LEAVE THE QUESTION TO YOU, THE AUDIENCE;
WOULD THEN OUR SOCIETY BE FAIRER OR MORE
FREE?

HISTORY - ANCIENT AND MODERN - I FEEL,
GIVES THE ANSWER.

Ind P57



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G C G Craig Esq
Private Secretary to the
Secretary of State
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER

12/6/79

6 June 1979

Dear George

You wrote to me on 1 June about contacts between senior Ministers and the Wales TUC.

I confirm that Ministers in this Department would be willing to meet the Wales TUC from time to time to discuss matters of common interest. I imagine these will fall mainly in the areas of regional policy and employment. On our proposed industrial relations legislation, I think we should wish to leave the TUC to decide whether it should formally involve the Wales TUC in consultations.

I am copying this letter to Tim Lankester (No 10), Andrew Duguid (Secretary of State for Industry's Office), Tony Battishill (Chancellor of the Exchequer's Office) and Kenneth Mackenzie (Secretary of State for Scotland's Office).

Yours sincerely
I A W FAIR

I A W FAIR
Private Secretary

- 6 JUN 1979





Original in Q/R
of record.
cc DHSS (before sig.)

10 DOWNING STREET

THE PRIME MINISTER

6 June 1979

Lionel Murray

Thank you for writing to me on 30 May about the National Pensioners' Convention which is to be held on 14 June. I hope that this will prove to be a worthwhile occasion.

You asked whether I would meet a group of representatives from the pensioners' organisations concerned, in order to discuss the case for pensioners adopted at the Convention. That is already an extremely busy week, with the Budget debate in progress. In addition, President Moi of Kenya is paying a State Visit to London, with which I shall be closely involved on that day. In the circumstances, I have asked Patrick Jenkin to meet the pensioners on my behalf, and he will be very ready to do so. Perhaps you could be in touch with him to settle the timing.

I am sorry that I cannot take part personally on this occasion, but I look forward to receiving a report from Patrick Jenkin about his discussions.

Yours sincerely
Margaret Thatcher

The Right Honourable Lionel Murray, O.B.E.



cc SMP
CO
KMT

Ind Pol.

10 DOWNING STREET

THE PRIME MINISTER

5 June 1979

Dear Mr. Murray

Thank you for your letter of 23 May about arrangements for consultation. We touched on this matter when we met.

It has been a long standing practice for Ministers to undertake appropriate consultations with your General Council and individual unions, or groups of unions, about matters of concern to their members. We certainly propose to continue that practice, and I am asking my colleagues to have regard to your points about the procedures for consultation. It will certainly be our intention to give good time for it wherever practicable.

I hope this will meet with your approval

Yours sincerely

M T

The Rt. Hon. Lionel Murray, O.B.E.

JM

cc Mr Allen

Mr LANKESTER

Mr Chapple's address "Trades Unions at the
Crossroad", Royal Institution, 24 May 1979

Sir Marcus Sieff has given Sir Derek Rayner a copy of the full text of this address to give to the Prime Minister. May I assume that the PM has either already seen the text or, more likely, has had a digest? If not, I will send you the text, with a digest.

CP
C PRIESTLEY
233 8224

1 June 1979

Mr Priestley (C.O.)

No, she hasn't
seen this. I
would be grateful
for a copy.

TJ

4/6

1-4 JUN 1979



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FILE

10 DOWNING STREET

cc HMT
CO
Master Set

From the Principal Private Secretary

1 June 1979

Dear Sam,

Prime Minister's Meeting with Mr. Murray

The Prime Minister, accompanied by your Secretary of State, met Mr. Murray on Thursday afternoon for an informal and private talk.

The meeting, the main purpose of which was to enable the Prime Minister and Mr. Murray to get to know each other, consisted largely of conversation about various aspects of the current industrial scene, much of it anecdotal. I have not recorded this in detail. There were, however, some specific points of which Mr. Prior may wish to be reminded and which will also be of interest to the Chancellor of the Exchequer, to whose Private Secretary I am copying this letter. These points were as follows.

a. Both Mr. Murray and the Prime Minister were of one mind in agreeing that there was great untapped potential in the workforce of this country but that there were blocking mechanisms in the way. The Prime Minister perceived these in the main to be restrictive practices; Mr. Murray said that he had always been very strongly in favour of linking the work done with the amount paid for it at the negotiating table and thought that productivity bargaining, including bargaining on the basis of "new technology agreements" was a constructive way forward; but the real block lay at local level, often outside trade union control or influence, and it was at this level that advice and help was needed.

b. The Prime Minister said she found it difficult to understand how people failed so often to bridge the small gaps that arose between employees and management - these situations were not susceptible to law and they could not be dealt with from the centre. She also did not understand how so many procedural failures came about. Mr. Murray shared her concern about both aspects. He said it was too easy to make excuses for the failures and he commented that over half of the disputes in which the TUC became involved arose because of a procedural failure. Indeed, "getting

/ people

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- 2 -

people back into procedure" was a major part of their work. Mr. Murray emphasised in this connection the importance of getting these simply-stated but difficult-to-achieve propositions to penetrate down to the shop floor. This was a basic task of the Sector Working Parties.

c. Mr. Prior drew attention to the structural changes with which management and trade unions had to deal, and in this context, Mr. Murray emphasised the importance of education and training, especially among the 16-19 year olds (which was also relevant to the problem of skill shortages).

d. The Prime Minister expressed her concern about low pay in the public sector and how important it was to reduce this by demanning, which in turn required a stimulus to the economy so that new jobs could absorb the spillage from the public sector. In this context she expressed grave reservations about crude demands for "comparability" for those who had "fallen behind". Mr. Murray said that comparability had invented itself and would not go away, but he wholly agreed "it had got to be put through the sieve" and he referred in this context to the importance of having comparability investigated in a thorough way, using the experience - and, he thought, the resources - of the PRU.

e. Shortages of skilled labour were referred to by the Prime Minister as in part a consequence of low differentials. Mr. Murray said that what was equally significant was that people were not coming forward for training, and any Government would have to put a much bigger effort on educating the 16-19 year olds. He thought that employers were running away from the training problems in this area. Mr. Prior said that the whole of training policy needed to be reviewed, taking full account of the problem of differentials and lack of incentives.

f. The Prime Minister said that the Government were committed to the legislation on which they had obtained a mandate from the people, but it was small and moderate and would not follow the paths of 1971. Mr. Murray said that he hoped the Government would think through every step they took in this field to the ultimate conclusion; and urged the Prime Minister not to underrate the symbolism that the trade unions attached to some things, just as the Conservative Party did. He also advised that it was important to recognise that some people would be looking to make martyrs of themselves, including getting themselves into prison, where the TUC could do nothing to resolve the situation. He hoped that there would be genuine consultation and he readily agreed that the Government's policy could be differentiated from that of 1971.

g. Mr. Prior referred to the Diamond Commission and said that the Government intended to wind it up. The Prime Minister commented that, as with Royal Commissions on Taxation, there could be a new one if it were thought appropriate and, indeed, that was probably the best way of proceeding. Mr. Murray said that he hoped this point would be emphasised.

/ Finally,

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Finally, the Prime Minister raised with Mr. Murray the question of whether she should meet all or any of the General Council of the TUC. Mr. Murray said that he thought these approaches should develop slowly and that contacts should come initially via Ministers. He readily agreed to the Prime Minister's suggestion that it would be nice to invite some of them to dinners at No. 10 for distinguished visitors and suggested himself that the Prime Minister might, at an appropriate moment, meet informally the NEDC 6. The Prime Minister said she would do this and would leave it to Mr. Murray to "tip her the wink" when the time would be right. He said he would do this.

I am copying this letter to Tony Battishill (Treasury) and to Sir John Hunt.

Yours
Ken Stone

Ian Fair, Esq.,
Department of Employment.

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

MBM
~
4/6
1 June 1979

Dear Ian,

... My Secretary of State recently met a delegation from the Wales TUC for a general introductory conversation. I enclose part of the note of the meeting. From this you will see that the Wales TUC referred to the custom which has developed over the last few years of their meeting the Prime Minister once a year and having occasional access to senior Cabinet Ministers over and above their contact with my Secretary of State.

The TUC place great value on these arrangements and have asked for a formal indication as to whether they will continue.

/ My Secretary of State has therefore asked me to write to you (copies to Andrew Duguid (Secretary of State for Industry's Office) and Tony Battishill (Chancellor of the Exchequer's Office)) to enquire whether your Ministers would be prepared from time to time to meet the Wales TUC.

/ In the light of the response to this I would then propose an approach to No 10, and in the meantime am copying this letter to Tim Lankester for information, on which basis a copy also goes to Kenneth Mackenzie in the Secretary of State for Scotland's Office.

Yours sincerely

Bob Delham

for G C G CRAIG

Ian Fair Esq
Private Secretary to the
Secretary of State for Employment
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St James's Square
LONDON SW1Y 4LL

2. Mr George Wright said that the TUC recognised that there would be differences between them and the new administration. However, they felt that it was their responsibility to put forward the views of working people in Wales in the sphere where decisions were made. They also had views about matters affecting the United Kingdom as a whole and would be speaking to the Secretary of State as Wales' representative in the United Kingdom Cabinet. In the past the Wales TUC had greatly appreciated the large measure of co-operation they had received both from Ministers and officials in the Welsh Office. It did not matter to them whether the Secretary of State agreed with them all the time but they certainly hoped to remain in regular contact, not just being consulted but, as the Secretary of State had already indicated, offering views and advice. Their aim was to establish a close and constructive working relationship.

3. There was a number of specific issues which they wished to register with the Secretary of State:-

/(1) They hoped



(1) They hoped to continue where they had left off with the previous administration in considering what to do in the aftermath of devolution and the referendum result. They hoped to continue the consultative process started under the last Secretary of State. The Wales TUC had, in fact, set up a working group which would be looking, not just at the administrative situation in Wales but more broadly at local and central government, parliament and indeed the new European representative institutions. The Working Group would be reporting to a Wales TUC Conference in the autumn and following this Conference they hoped to come and discuss its conclusions with the Secretary of State.

(2) In previous years the WTUC had met the Prime Minister and other leading Ministers for general economic discussions. Although the Secretary of State for Wales' responsibilities were wide ranging, the WTUC valued access, not only to the Prime Minister but other senior Departmental Ministers from time to time, and felt that as representatives of working people of Wales they had a right to it. They very much hoped this arrangement could continue and would be grateful for an early indication as to whether it would or not.

(3) They were very concerned about the future and functions of the Welsh Development Agency, and worried that the Government's intention to 'clip the wings' of the National Enterprise Board might damagingly limit the effectiveness of the WDA. In the WTUC's view, the WDA had done a very good job, its most important achievement being to begin to create a sense of order in the investment sphere. The WTUC would therefore urge that the WDA be retained and strengthened rather than limited.

(4) They attached importance to their proposals for an Economic Development Council for Wales on which Mr Paul would expand.

/(5) On industrial



(5) On industrial relations the WTUC had built up considerable experience in the last 5 years in Wales and, in particular over the last 5 months or so had been responsible and authoritative in handling what had at times been acutely difficult situations. They felt, therefore, that it was for the Government to justify any changes it might propose and to demonstrate how such changes would improve the industrial relations climate. They did not of course know what precise plans the Government had in mind but they hoped to be brought in to consultation by the Government before any proposals were made public.

(6) They wished to register their regret at the proposed abolition of the Price Commission whose role in combating inflation they had regarded as valuable.

(7) On economic strategy the WTUC considered that policies based on tax reduction, price increases, no direct control over prices and free collective bargaining could create an atmosphere which would damage their authority over their members.

(8) On regional policy they would urge stability and continuity. Sudden changes were very damaging to business confidence - for example the removal of REP had a lingering, damaging effect.

(9) They supported the Manpower Services Commission. The special measures which the Commission were administering on behalf of the Government had, in their view, had a major impact in Wales and been very helpful in ameliorating the impact of high unemployment. The Wales TUC had been closely involved in operating these schemes and had done a good deal of research into them and felt they had an important and constructive contribution to make to consideration of their future.

(10) They would stress the importance of the steel industry to Wales and the damage to the economy of

/the Principality



the Principality which further cut-backs could do. While they would not seek long term handouts it was their view that many industries from time to time need a certain amount of financial support to help them pull through difficult periods and the steel industry in the current state of world markets was a leading example of this.

(11) Finally Mr Wright said the WTUC were very concerned about the Health Service and believed that it was currently starved of resources and that its organisation could be improved. He simply wished to serve notice of their concern and continuing interest in the Service.



SECRET



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T Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

1 June 1979

Prime Minister

X - Mr. Murray mentioned his episode to you and seemed to think he had played it down by his letter. A shorter forward reply, as attached, w. be appropriate: add in ms. "Thank you for coming to see me," ?

Dear Sir

CONSULTATION WITH TRADE UNIONS

You asked in your letter of 29 May for a draft reply which the Prime Minister could send to Mr Len Murray after their meeting yesterday, in reply to his letter of 23 May about arrangements for consultation. I enclose a draft reply.

*Ray A.
Ray B.
See below*

The letter appears to stem in part from the dissatisfaction of David Basnett, who is at present Vice-Chairman of the TUC General Council, with the handling of recent consultations on public service manpower. Mr Heseltine's Private Office is understood to have contacted Mr Basnett's office at Esher on the morning of Monday, 21 May, along with officials of other unions with members in Local Government, inviting them to attend a meeting on the following day. Mr Basnett, who was away at his union's conference in Torquay during that week, did not attend and subsequently claimed not to have been invited. I understand that Mr Heseltine has written to Mr Basnett about the incident and has offered to meet the Local Government Committee of the TUC. I know that my Secretary of State has discussed Mr Basnett's reaction with Mr Heseltine.

X

The TUC letter does not however lodge any complaint and makes a reasonable point about procedures, provided it is understood (as the reply makes plain) that the urgency of decisions may not always allow much time.

You may wish to fulfil the promise in the last paragraph of the draft letter by sending copies of Mr Murray's letter and the Prime Minister's reply, together with the attached list of TUC Committees, to the Private Secretaries of other members of the Cabinet. They can be informed that if they ever need advice on such matters, they can refer to this Department.



I am copying this letter and enclosure to Martin Hall (HM Treasury) and Martin Vile (Cabinet Office).

Yours sincerely

I A W Fair

I A W FAIR
Private Secretary

TUC COMMITTEES

Standing Committees

Finance and General Purposes
International
Education
Social Insurance and Industrial Welfare
Employment Policy and Organisation
Economic
Equal Rights
Nationalised Industries Committee

Industry Committees

Construction Industry Committee
Fuel and Power Industries Committee
Health Services Committee
Hotel and Catering Industry Committee
Local Government Committee
Printing Industries Committee
Steel Industry Trade Union Consultative Committee
Textile, Clothing and Footwear Industries Committee
Transport Industries Committee
Public Services Committee

Joint Committees

Arts, Entertainment and Sports Advisory Committee
Women's Advisory Committee
Race Relations Advisory Committee
Trades Councils' Joint Consultative Committee

15 JUN 1979



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO MR MURRAY

Thank you for your letter of 23 May about arrangements for consultation. We did ~~just~~ touch on this yesterday.

As you say, it has been a long standing practice for Ministers to undertake appropriate consultations with your General Council and individual unions, or groups of unions, about matters of concern to their members. We certainly propose to continue that practice and I am asking my colleagues to bear

What you say about allowing adequate time for it.
in mind the points made in your letter about procedures for ~~doing so~~ *to*
~~the procedure for consultation.~~
for it
time ~~for such consultation~~ wherever practicable.

Meeting with Len Murray

I attach:

- Flag A Briefing by the Department of Employment
- Flag B Briefing by the Treasury
- Flag C Some comments from the Cabinet Office
- Flag D Mr. Murray's letter on "procedures for consultation"
- Flag E Record of the meeting between the Chancellor and the TUC Economic Committee on Tuesday.

One point which these papers do not really bring out is that Len Murray is fundamentally more interested in accommodation than confrontation. He is a trade union bureaucrat who, more often than not, sees himself as a resolver of conflict situations as between different trade unions, and as between the trade unions and the government and employers. Since he is the servant of the General Council, he has to carry the Council with him. And his role of "honest broker" has not been unequivocally benign: for example, he pressed very hard for comparability as the means to resolve the "dirty jobs" dispute in February. But because he is not affiliated to any particular union (and hence his reputation does not depend upon his success as a pay-bargainer), and because he appreciates more clearly than probably any other trade union leader the linkage between excessive pay claims, inflation and poor economic performance, he is an important force for moderation in the trade union movement. Despite Mr. Murray's ritual complaints about the Government's plans for trade union legislation and his complaints about the Chancellor's budget strategy, it is very much in our interests that he should maintain his influence with his trade union colleagues. Good personal contacts with you and other Ministers can help secure this.

/It is

It is worth just mentioning in this context that the Concordat, for all its shortcomings, represented something of a victory for Mr. Murray over the more militant members of the General Council. The failure to reach any form of agreement with the Labour Government last November had undermined his position; since February, he has acted with a new self-confidence.

There are obviously some policy areas where the Government and the TUC will - at best - have to agree to differ, though consultation and education will hopefully reduce the areas of disagreement. The following is a check-list of topics with short-hand comments on the Government's and the TUC's respective positions.

Comments

Employment and growth	<u>TUC</u> still think we can reflate; <u>we</u> say getting the supply side right and conquering inflation must come first.
Counter-inflation	<u>TUC</u> have <u>no clear ideas</u> <u>except continuation of price controls</u> ; <u>we</u> say responsible <u>bargaining</u> , cash limits and control of the money supply are the answer.
Pay policy	<u>Both</u> agree <u>pay norms</u> and <u>rigid controls</u> are out.
Clegg	<u>TUC</u> <u>welcome comparability</u> ; <u>we</u> are <u>committed only to the existing references</u> .
Differentials	<u>TUC</u> divided; <u>we</u> say differentials must <u>widen to reflect skills</u> .
Income tax	<u>TUC</u> want increased allowances to get rid of poverty trap; <u>we</u> want increased allowances <u>and</u> lower rates to help with the poverty trap <u>and</u> incentives.

Productivity

TUC fear the unemployment consequences - especially of micro-processors; we say employment and productivity go hand in hand.

NEDC

Both favour tripartite approach to industrial issues.

Industrial relations

TUC favour (according to the Concordat) secret ballots, | restrictions on the closed shop | and on picketing by voluntary means; we say legislation is needed.

Consultations with Government

TUC want to be fully consulted on all matters affecting them; we want to consult too, though not just with the TUC and CBI.

Industrial Democracy

TUC support some variant of Bullock; we want participation but are opposed to legislation.

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30 May 1979

PRIME MINISTER

Meeting with Mr Murray

I think, with respect, that the brief which the Department of Employment have provided for the meeting with Mr Len Murray tomorrow is over-defensive in tone. Your meeting with him will of course be very important because it will set the tone of future exchanges with the TUC: and clearly you will wish to avoid unnecessary disputes and friction with the trade union movement. Equally clearly, however, you will not want to leave Mr Murray in any doubt about the Government's determination to carry through its policies: and you can do this in the knowledge that the TUC has wrong-footed itself with public opinion and has reason to step carefully itself. //

2. You will know how you wish to play the meeting and the points you want to get across. Nevertheless it may be helpful if I set out four points which might figure in the discussion -

Revised

a. The Government has a clear mandate which it intends to fulfil. Recent references by trade union leaders to "confrontation" and harking back to the events of 1970-74 suggest that they may be misunderstanding the position. The Government's immediate programme of trade union reform as set out in the Manifesto is both minimum and moderate. There can be no doubt in anyone's mind that picketing last winter went too far. The trade union leaders concerned were for the most part unable or unwilling to exercise control and the TUC's general guidance was not noticeably effective. Action here has overwhelming public support. Again, the Government's proposals on the closed shop are modest. In many democratic countries the closed shop is illegal. And secret ballots are the very stuff of democracy.

b. The Government will carry out its mandate but of course the Government prefers to work with, rather than against, the TUC. It has already shown its willingness to enter into discussions with them on matters of common concern and would like to establish a sensible working relationship. There is no reason to suppose that the trade unions are not fully aware of the implications of the election result or of the Manifesto on which the Government was returned.

c. There should be an essential identity of aim between the Government and the trade union movement. The Government seeks a prosperous economy able to pay high wages and an end to inflation. The TUC can want no less - certainly their members want it. What is more the Government's determination to stand back from interference in pay bargaining will give the Unions greater freedom for the responsible exercise of their traditional role. The Government recognises the political affiliation of most trade union leaders and activists but equally knows that very large numbers of trade unionists are its own supporters. The Government hopes that the trade union leadership will take a pragmatic view of their responsibilities in the changed political situation following the election.

d. There is a widespread feeling in the community, which the Government shares, that, whatever their past justification, present-day trade union attitudes and the weakness of trade union organisation may be more of a hindrance than a help to national prosperity. The Government wants to see a strong, democratic and rational trade union movement able to play its full part in the development of the nation. It believes that most trade union leaders, at least in private, would share its view that the trade union movement needs to adapt, as trade union movements overseas in some very successful countries have done, to the realities of the second half of the twentieth century. How does Mr Murray see the trade union movement developing? How far can reform be expected to come from within the movement? Are there any ways in which the Government can help?

M.H.
PP
JOHN HUNT

30 May 1979

MEETING BETWEEN THE PRIME MINISTER AND SECRETARY-GENERAL OF THE TUC

If asked, we can now confirm that the meeting between the Prime Minister and Mr. Murray will be taking place on Thursday. (We should avoid giving the time of the meeting to deter photographers, etc.).

It would be as well also to tell enquirers, if they press us for more details of this meeting, that there will not be any statement or announcement after it has taken place. We shall simply be saying that the Prime Minister and Mr. Murray met for an informal and confidential exchange of views on economic matters lasting x minutes. It would be wrong for enquirers to expect anything more than this kind of brief statement.

CVA

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30th May, 1979

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MR. LEN MURRAY

You asked in your letter of 23rd May for briefing for the Prime Minister's meeting with Len Murray on Thursday, covering some wider economic questions. I attach a self-contained brief. Also enclosed is a copy of the memorandum which the TUC provided for the meeting with the Chancellor. Tony Battishill's record follows later today.

I am copying this letter to Ian Fair (Department of Employment) and Martin Vile (Cabinet Office).

Yours ever,

MA

(M. A. HALL)

T. P. Lankester, Esq.,

30 MAY 1979



NOTES FOR PRIME MINISTER'S MEETING WITH MR. LEN MURRAYEconomic Prospects

The TUC approach to the UK economy, confirmed again by Mr. Murray and his colleagues yesterday, 29 May, when they met the Chancellor of the Exchequer to make formal pre-Budget representations, acknowledges years of disappointing performance, blames "structural" problems, and advocates the deliberate encouragement of faster economic growth, with protection against import competition, as a basis for increasing industrial output and thus improving productivity, unit costs, profitability and investment for future growth. They concede that extreme monetary imbalance should be avoided but argue against any restrictive target for the public sector borrowing requirement while unemployment is high. As far as the coming Budget is concerned, they urge demand stimulus via reduced taxation (raising personal allowances, not reducing the basic rate), and enhanced social benefits, and they urged the Chancellor to avoid both indirect tax increases which would add to price rises and reductions in public expenditure which would add to unemployment.

2. In receiving the TUC representations, the Chancellor made it clear that he rejected the idea of demand-led expansion and aimed to concentrate on balancing the books and improving the supply side of the economy.

3. The Prime Minister will not want to debate economic policy with Mr. Murray, but might usefully make the following points:

- The Government's objective is to encourage a more vigorous economy - the only way of achieving and maintaining more jobs and higher real incomes.
- The solution cannot lie simply in creating more demand, as shown by the unhappy experiences of the 1973 attempt at growth-led expansion and the 1978 experience of nearly 6 per cent increase in real consumer demand with negligible response from UK industry.
- The structural changes needed are matters of attitude and behaviour in all areas and at all levels of economic activity:

CONFIDENTIAL

this is why the Government will be focussing on incentives and reward, on greater freedom in industry and a greater awareness of and more rapid response to market conditions.

- Given the preoccupation of many TUC leaders with the prospective impact on industry of scientific and technological change, the Prime Minister could emphasise the importance of adaptability and willingness to change in the years ahead.
- It has to be acknowledged that far-reaching changes in attitudes and behaviour will not be achieved over night, and their effects will take a little time to come through.
- If investment and expansion in industry is to take place, those responsible must have confidence that future growth will be sustained: the lesson from the past - and from other countries - is that restraint of money supply and of the financial balance in the public sector has a vital contribution to make to this.
- The Government is embarking on a strategy for at least the life of a Parliament: this time-horizon in itself gives the opportunity to create a new climate which will benefit the whole working population.

Pay

4. The Prime Minister might like to sound Mr. Murray on his views of the climate and prospects for pay over the coming year and on the role - if any - which he sees for the TUC (as distinct from individual unions and their leaders) in this. A particular point on which to press Mr. Murray might be the development of responsible bargaining in a climate of financial constraints: he is himself well aware that private sector negotiators have been far more responsive to such constraint than those in the public sector. Much depends on the degree of conviction that the constraint will work among the union leaders and members engaged in negotiations; to the extent that there is a trade-off between pay and jobs, the TUC may well want simply to protest, but has an interest, if the policy is made to stick, in educating its affiliates into a sensible recognition of the constraints.

5. The Prime Minister will want to relate to the discussion of pay and negotiations some discussion of the problems of industrial action and the role of the TUC, on which the Department of Employment are providing separate briefing.

Consultations

6. As Mr. Murray will doubtless make clear, trades unions are in no mood to accept any formal pay policy, pay limits or norms, and the TUC leadership could not, even if they wished, make any move in that direction. The Prime Minister may wish to make it clear that the Government has no intention of seeking any formal pay policy. Mr. Murray will nevertheless want to maintain a place for the TUC in bilateral or tripartite consultations with the Government. There are different areas of discussion:

Further note
on line for
you to take
on next
page.
R

- In speaking to the Chancellor, Mr. Murray has already expressed his desire to maintain the NEDC machinery of tripartite consultation, particularly relating to industrial developments.
- No similar formal machinery exists on pay and industrial relations, and Mr. Murray may be chary of too much formality (he has considerable problems in establishing any representative body - which should be reasonably small to be effective in discussion with the Government - which is acceptable to the full membership of the TUC General Council: the incident last November when the General Council rejected an agreement with Government reached by the NEDC Six was a setback for Mr. Murray personally); the Prime Minister might like to ask Mr. Murray for his views, and indicate readiness to go along with informal consultations led, according to subject, either by the Secretary of State for Employment or the Chancellor, both of whom would wish to keep close contact, without necessarily seeking formality, and without setting particular formal objectives.

PRIME MINISTER'S MEETING WITH MR LEN MURRAY

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The National Economic Development Council (NEDC) is meeting on 6 June with the Chancellor in the Chair. The main item on the agenda is a paper on industrial trends by the Director-General of NEDC, Mr Chandler. This will give rise to discussion about how industrial problems should be handled in the NEDC and whether the "industrial strategy" exercise launched on a tripartite basis in November 1975, involving some 40 Sector Working Parties reporting to the NEDC, should be continued. The Secretary of State for Industry and the Chancellor of the Exchequer will be saying something at the meeting about how they see the future role of the Sector Working Parties and it would probably be best for the Prime Minister not to anticipate this, or to be drawn at this stage about wider roles for the NEDC, but to confine herself to the following :-

- (a) The government very much agrees with some of the philosophy behind the NEDC exercise, especially in so far as it reflects a belief that the nation's economic problems cannot be overcome by macro-economic measures alone, but have to be solved also by detailed attention to the constraints on the "supply side" of the economy - see paragraph 3 above.
- (b) The government's emphasis on providing the right environment and incentives for industry and the people who work in it, rather than spoonfeeding it, will highlight the need for industry to solve its own problems. It may well be that the Sector Working Parties will have a useful role to perform here, but it is very much a question of the situation in each industry and whether the problems are such that joint analysis and mutual education can help to overcome them.

(c) The approach to tripartite mechanisms such as the NEDC will no doubt be an evolutionary one.

Institutions work only as well as the participants are able to make them. The main point to get across at the present stage is that the Government will be responsive and creative as it develops a working relationship with the two sides of industry both in the NEDC and otherwise.

Industrial Policy Group
H M Treasury

30 May 1979



NOTE OF A MEETING WITH THE TUC ECONOMIC COMMITTEE HELD IN
ROOM 29/2, H.M. TREASURY ON TUESDAY, 29TH MAY, 1979

The Chancellor received members of the TUC Economic Committee at the Treasury yesterday to hear their Budget representations. Annex 1 lists those present at the meeting.

2. After an exchange of courtesies Lord Allen asked Mr. Murray to present the views set out in the TUC meeting note of 29th May which had been sent to the Chancellor. A copy is attached as Annex 2. In an opening statement Mr. Murray made four main points:

- (a) He hoped the Chancellor would feel able to continue the free and frank exchanges of view on economic matters which the TUC had enjoyed with the previous administration.
- (b) He believed the TUC and the Government were in broad agreement upon the principal objectives of economic policy: achievement of steady and sustained economic growth, higher levels of employment, a satisfactory external balance and improving living standards.
- (c) The TUC did not believe that the country's economic problems derived from monetary imbalance or could be solved solely by monetary means. The problems were those of structural imbalance at which much of the tripartite Industrial Strategy was aimed. He hoped the Government would wish to see the tripartite approach continue in being.
- (d) The economy was suffering from a deficiency in demand which required a judicious stimulus in the Budget. The TUC were not looking for a neutral or a deflationary Budget. With a suitable fiscal stimulus it was within our capacity to attain 3 per cent growth or more without threat to the balance of payments.



3. Replying, the Chancellor assured Mr. Murray of his readiness to enter into the fullest possible discussions with the TUC on a range of matters of common interest and concern. He went on to endorse the emphasis Mr. Murray had given in his remarks on the need to tackle structural problems. Much the most important objective was to bring about an improvement in the supply side of the economy, particularly in manufacturing output which had singularly failed to respond to the increase in domestic demand and living standards over the past year, with inevitable consequences for our balance of trade in manufactures. Mr. Murray replied that structural problems had to be approached from both an international and a domestic dimension. He hoped particularly that the Government recognised the serious consequences of growing import penetration on the viability of key industries and the need for urgent attention to be given to the implications of technological change. (He referred in passing to the first of a series of TUC conferences on this subject beginning the following day.) For their part, the TUC were not unaware of the importance to the economy of new businesses.

4. Mr. Murray then turned to a more detailed exposition of the TUC's proposals for the Budget. These were particularly designed to encourage the process of structural change. Mr. Murray's main points were as follows:-

- (a) Lower income tax, with priority given to improvements in tax thresholds rather than cuts in the basic rate of tax.
- (b) No increase in indirect taxes, which would simply put up prices.
- (c) No increase this year in company taxation with the exception of an increase in PRT to cream off the windfall gains in profits by the oil companies brought about by higher oil prices.



- (d) A steady increase in public expenditure in line with growth in the economy. A high level of public expenditure was desirable for many reasons, not least to improve infrastructure. Whilst the TUC would support sensible policies to eliminate waste, they were opposed to indiscriminate cuts of the kind discussed in the press. These were not in the national interest and would lead to higher unemployment especially among school leavers and newly qualified graduates. Nor would cuts be helpful in the activities either of the nationalised industries or the National Enterprise Board.
- (e) Opposition to sales of assets: the TUC felt it was contrary to the principles of fiscal integrity to finance income tax reductions by disposals of capital assets. A great deal of apprehension had been expressed to the TUC about this aspect of the Government's policy.
- (f) The Chancellor should not give undue attention to the size of the PSBR which in terms of GNP was not out of line with the level in other countries. The TUC were not persuaded that there was a direct causal relationship between the PSBR and the level of inflation or the scale of private manufacturing investment. Given the estimating errors, the Chancellor should be advised against excessive preoccupation with a particular level of public sector borrowing.
- (g) The social security uprating should be based on the increase in earnings if, as seemed likely, that exceeded the growth in prices.
- (h) An increase of £1 in child benefit in November.

Mr. Murray concluded these remarks with two general points. First, he assured the Chancellor that the TUC had offered similar advice to Mr. Healey before the General Election. Second, they valued the opportunity for discussion with Ministers and hoped particularly



that the Chancellor and the Chief Secretary would favour continuing the close involvement of the TUC in the PESC exercise which the last Government had initiated.

5. In reply, the Chancellor took note of the views Mr. Murray had expressed on the Budget. But the TUC would not have overlooked what the previous Chancellor, Mr. Healey, had been saying about the balance between direct and indirect taxation. Both sides of the account had to be looked at together. In discussion with trade unionists he had gained the clear impression that the 40 per cent combined marginal rate of income tax and national insurance contributions was the cause of widespread dissatisfaction among ordinary working people. He had detected considerable support for reducing income tax at all income levels nearer to that of other countries. Mr. Murray acknowledged the grass roots pressure for lower income tax. But the TUC believed that trade unionists favoured higher personal allowances to cuts in the basic rate of tax. These were preferable both on grounds of equity and because of their greater effectiveness in promoting extra demand. Higher tax thresholds also helped the Inland Revenue by taking more people out of tax. More generally, the Chancellor suggested that it was unrealistic to believe that our economic problems could be solved simply by expanding the economy. Income tax had to be paid for either by reducing public expenditure or by putting greater weight on taxes on expenditure. Demands to cut income tax, increase public expenditure, but not put up company taxes or indirect taxes simply did not add up. Nor was it wise to neglect a PSBR which, for 1978/79, had exceeded the previous Chancellor's target by around £2 billion. Mr. Murray had raised a number of important points which would provide an agenda for discussion for some months ahead.



6. Mr. Murray then invited other members of the Economic Committee to comment. In a brief discussion, Mr. Clive Jenkins endorsed the Chancellor's view that the performance of the supply side of the economy was not good enough. He also urged the Chancellor not to dispose of the large energy corporations. Mr. Geoffrey Drain reinforced Mr. Murray's request for continued TUC involvement in the PESC exercise. Finally, Mr. Parry, as Chairman of the TUC Social Security Committee, associated himself with the TUC target of aligning child benefit and national insurance child dependancy rates by November 1980 and with the need for a generous social security uprating in November.

A handwritten signature in dark ink, appearing to be 'A.M.W. Battishill'.

(A.M.W. BATTISHILL)
30th May, 1979



Those present at the meeting:

Chancellor of the Exchequer	<u>TUC Economic Committee</u>
Mr. Ian Stewart, MP	Lord Allen
Sir Anthony Rawlinson	Mr. Chapple
Sir Lawrence Airey	Mr. Christopher
Mr. Littler	Mr. Drain
Mr. Lovell	Mr. Duffy
Mr. Unwin	Mr. Fisher
Mr. Davies	Mr. Gill
	Mr. Jenkins
Mr. Gracey (Inland Revenue)	Mr. Parry
	Mr. Murray
	Mr. Willis
	Mr. Lea
	Mr. Callaghan
	Mr. Percy
	Mr. Barber

Private and ConfidentialMeeting Note
May 29 1979T R A D E SU N I O NC O N G R E S STHE BUDGET AND ECONOMIC POLICYNote for Meeting with the Chancellor of the Exchequer on May 29Industrial and Economic Policy and Imports

The TUC and the CBI have been closely involved in the development of tripartite approach to industrial policy. This has enabled Government, management and unions to be closely involved in the case by case study of the problems affecting key sectors. Close study has paved the way for the development of agreed policies in many areas. Problems of increasing investment, preventing increases in import penetration and improving communications have been brought to the fore. Industrial policy has also been greatly assisted by the positive contribution of the Government and its agencies provided for in the 1972 and 1975 Industry Acts.

There will be severe consequences for industry and employment if a rise in the already high level of import penetration in many manufacturing sectors occurs. Steel, rubber, plastic and consumer electronics are of particular concern. Government and industry must be prepared to adopt an active approach to restraining the share of imports to their current levels. Regular monitoring of import penetration is required at the highest level so that emerging problems can be dealt with expeditiously. Where appropriate temporary and selective import restraints should be used.

Q1 Does the Government recognise the value of continuity in the approach to industry and trade policy, and in particular the vital contribution of an active Government policy towards investment and the monitoring of import penetration?

In successive Economic Reviews, and other policy statements, the TUC has set out the policies and instruments needed to produce balanced and sustained economic expansion. It is in this setting of a planned growth of the economy, including resources for investment and import substitution, that the TUC is putting forward proposals for tax and benefit changes as set out in the following questions.

Income Tax

The Chancellor is committed to revaluing the personal and married man's allowances in line with inflation. The General Council repeat the call made in the 1979 Economic Review that a real reduction in income tax is needed this year. The TUC remains convinced that this can be done better by raising allowances more than the rate of inflation rather than by cutting the standard rate.

To illustrate: income tax cuts costing approximately £1 billion in a full year could be made in the following two ways. A cut in the standard rate of 2p and a top marginal rate of 60 per cent (compared with 83 per cent at present) would give a married couple on £60 a week 27p a week extra, 88p to a couple on £90 a week, and £1.47 to a couple on £120 a week. On certain assumptions about how the top rate cut would be made the cut in tax to a couple on £384 a week (£20,000 pa) would be £26.77. An increase in the married man's allowance of about £150 (pro rata for other allowances) would give 96p a week extra to the couples on £60, £90 and £120 a week; it would give just over £2 to the couple on £384 a week.

- Q2 Does the Chancellor agree that cuts in the standard rate of tax give relatively little help to those on below average incomes?
- Q3 Does he agree that real increases in allowances provide a better way of helping the low paid, particularly since such increases take some people out of the tax net altogether?

The system of allowances for expenditure such as pension contributions, insurance premia and mortgage interest already results in effective tax rates well below the nominal marginal rates for the well paid. Neither is there evidence that the take home pay of British management is out of line with our major competitors when account is taken of differences in national income per head. The General Council recognise that the loss to the Exchequer in reducing the top rates of tax would be relatively small in budgetary terms (some £250 million), though undoubtedly there are for example many parts of the health service which could benefit from such a sum. The Chancellor should recognise that giving a man on £384 a week 100 times more in tax cuts than a man on £60 a week will be widely misunderstood. The Chancellor must recognise, too, that many top salaries have been inflated solely because of income tax.

- Q4 Does the Chancellor accept that any moves on top rates of tax would need to be considered in relation to salary levels, tax allowances, and also the declining yield of capital taxation?

Indirect Taxes

The General Council wish to reaffirm their opposition to any shift towards indirect taxation. In particular the General Council are opposed to any increase in the standard rate of Value Added Tax. Quite apart from the fact that offsetting income tax cuts by indirect tax increases produces no net fiscal stimulus, there are a number of reasons why a basic rate of VAT higher than 8 per cent will be harmful to the economy.

Q5 Does the Chancellor agree that indirect tax increases would put up the rate of inflation?

Q6 Does he also accept that there is no evidence that a switch from direct to indirect taxation would improve economic performance?

Child Benefit

The TUC attaches priority to a further increase in child benefit in November as a step toward the alignment of child benefit with national insurance child support rate in November 1980; the Chancellor must not ignore the needs of children and families.

Q7 Will the Chancellor undertake to raise the level of child benefit to the level of the national insurance benefit by November 1980, and as a step towards this make an increase of at least £1 this November?

National Insurance Benefits

The TUC also attaches importance to help for the elderly. Although legislation to provide for a regular Christmas bonus to old age pensioners is welcome, the need to provide a satisfactory weekly income to pensioners remains. This is a further argument for increasing tax allowances, such as the age allowance, rather than cutting the standard rate of tax. So far the Government has only indicated that it will increase pensions in line with prices. At the very least, and as the law requires, the increase should be in line with earnings, as these are likely to have risen faster than prices in the 12 months to November 1979. But, as the 1979 TUC Economic Review argues, the uprating should be greater than either the rise in earnings or prices if the TUC pension target is to be hit.

Q8 Will the Chancellor increase pensions at least in line with the increase in average earnings?

Petroleum Revenue Tax

In August 1978 changes in the rate of PRT and the provision of allowances to be legislated in the 1979 Finance Bill were announced. The changes would yield £150 million in 1979-80 and the extra yield would further increase during the 1980s.

Q9 Does the Chancellor accept that it is important to proceed with the policy agreed last August?

Windfall Profits and Oil Price Rises

The price of oil on the world market has been increased by substantial amounts in recent months leading to large windfall profits for the major oil companies.

Q10 Does the Chancellor accept that action needs to be taken to deal with the windfall profits brought about by oil price rises?

Public Investment and Other Public Expenditure

The General Council attach great importance to a steady growth of public expenditure, a growth which is planned over the medium term in line with economic resources. The last White Paper on public expenditure set out a growth path of about 2 per cent in the coming planning period. Such a growth is below both the growth of productive potential and the likely economic growth rate and so, even on the last White Paper's plans, public spending's share of total expenditure is likely to fall. That is why the General Council have called for public spending increases in a number of fields, and that is why reductions in the present programme of modest growth would be disturbing. Such reductions would severely damage public services in a number of key areas such as health and education. A ban on recruitment this summer in the public services would have a serious effect on youth unemployment. The implications for public investment are particularly disturbing since capital spending in the public sector has a vital part to play in promoting balanced growth, in building up the economic and social infrastructure and in improving employment prospects for the economy as a whole.

Q11 Does the Chancellor recognise that abrupt changes in public spending programmes can only lead to inefficiency and waste (eg unfinished hospitals) and can damage the system of medium term public expenditure control?

The General Council agreed with the previous Government a procedure for the closer involvement of the TUC in PESC exercise and will therefore wish to know whether the Chancellor and the Chief Secretary will continue this arrangement.

Q12 Will the Chancellor agree to continue this procedure?

Sales of Public Assets and the PSBR

Statements from the Government indicate that they wish to sell assets of the public corporations in order to reduce the Public Sector Borrowing Requirement. Quite apart from the damage this would do to the industries themselves, it is also dangerous to count such transactions as a means of financing tax cuts.

Q13 Does the Chancellor accept this?

Future Discussions

This note has mainly concentrated on Budget issues. However, there will need to be discussions with the Chancellor and other Economic Ministers about the whole range of policies needed to achieve improve industrial performance, a faster rate of economic growth and improved employment prospects.

- - - - -

BC/SP/HKY
May 23 1979

30 MAY 1979



T R A D E S U N I O N C O N G R E S S

THE BUDGET AND ECONOMIC POLICY

Note for Meeting with the Chancellor of the Exchequer on May 29

Industrial and Economic Policy and Imports

The TUC and the CBI have been closely involved in the development of tripartite approach to industrial policy. This has enabled Government, management and unions to be closely involved in the case by case study of the problems affecting key sectors. Close study has paved the way for the development of agreed policies in many areas. Problems of increasing investment, preventing increases in import penetration and improving communications have been brought to the fore. Industrial policy has also been greatly assisted by the positive contribution of the Government and its agencies provided for in the 1972 and 1975 Industry Acts.

There will be severe consequences for industry and employment if a rise in the already high level of import penetration in many manufacturing sectors occurs. Steel, rubber, plastic and consumer electronics are of particular concern. Government and industry must be prepared to adopt an active approach to restraining the share of imports to their current levels. Regular monitoring of import penetration is required at the highest level so that emerging problems can be dealt with expeditiously. Where appropriate temporary and selective import restraints should be used.

Q1 Does the Government recognise the value of continuity in the approach to industry and trade policy, and in particular the vital contribution of an active Government policy towards investment and the monitoring of import penetration?

In successive Economic Reviews, and other policy statements, the TUC has set out the policies and instruments needed to produce balanced and sustained economic expansion. It is in this setting of a planned growth of the economy, including resources for investment and import substitution, that the TUC is putting forward proposals for tax and benefit changes as set out in the following questions.

Income Tax

The Chancellor is committed to revaluing the personal and married man's allowances in line with inflation. The General Council repeat the call made in the 1979 Economic Review that a real reduction in income tax is needed this year. The TUC remains convinced that this can be done better by raising allowances more than the rate of inflation rather than by cutting the standard rate.

To illustrate: income tax cuts costing approximately £1 billion in a full year could be made in the following two ways. A cut in the standard rate of 2p and a top marginal rate of 60 per cent (compared with 83 per cent at present) would give a married couple on £60 a week 27p a week extra, 88p to a couple on £90 a week, and £1.47 to a couple on £120 a week. On certain assumptions about how the top rate cut would be made the cut in tax to a couple on £384 a week (£20,000 pa) would be £26.77. An increase in the married man's allowance of about £150 (pro rata for other allowances) would give 96p a week extra to the couples on £60, £90 and £120 a week; it would give just over £2 to the couple on £384 a week.

- Q2 Does the Chancellor agree that cuts in the standard rate of tax give relatively little help to those on below average incomes?
- Q3 Does he agree that real increases in allowances provide a better way of helping the low paid, particularly since such increases take some people out of the tax net altogether?

The system of allowances for expenditure such as pension contributions, insurance premia and mortgage interest already results in effective tax rates well below the nominal marginal rates for the well paid. Neither is there evidence that the take home pay of British management is out of line with our major competitors when account is taken of differences in national income per head. The General Council recognise that the loss to the Exchequer in reducing the top rates of tax would be relatively small in budgetary terms (some £250 million), though undoubtedly there are for example many parts of the health service which could benefit from such a sum. The Chancellor should recognise that giving a man on £384 a week 100 times more in tax cuts than a man on £60 a week will be widely misunderstood. The Chancellor must recognise, too, that many top salaries have been inflated solely because of income tax.

- Q4 Does the Chancellor accept that any moves on top rates of tax would need to be considered in relation to salary levels, tax allowances, and also the declining yield of capital taxation?

Indirect Taxes

The General Council wish to reaffirm their opposition to any shift towards indirect taxation. In particular the General Council are opposed to any increase in the standard rate of Value Added Tax. Quite apart from the fact that offsetting income tax cuts by indirect tax increases produces no net fiscal stimulus, there are a number of reasons why a basic rate of VAT higher than 8 per cent will be harmful to the economy.

- Q5 Does the Chancellor agree that indirect tax increases would put up the rate of inflation?
- Q6 Does he also accept that there is no evidence that a switch from direct to indirect taxation would improve economic performance?

Child Benefit

The TUC attaches priority to a further increase in child benefit in November as a step toward the alignment of child benefit with national insurance child support rate in November 1980; the Chancellor must not ignore the needs of children and families.

- Q7 Will the Chancellor undertake to raise the level of child benefit to the level of the national insurance benefit by November 1980, and as a step towards this make an increase of at least £1 this November?

National Insurance Benefits

The TUC also attaches importance to help for the elderly. Although legislation to provide for a regular Christmas bonus to old age pensioners is welcome, the need to provide a satisfactory weekly income to pensioners remains. This is a further argument for increasing tax allowances, such as the age allowance, rather than cutting the standard rate of tax. So far the Government has only indicated that it will increase pensions in line with prices. At the very least, and as the law requires, the increase should be in line with earnings, as these are likely to have risen faster than prices in the 12 months to November 1979. But, as the 1979 TUC Economic Review argues, the uprating should be greater than either the rise in earnings or prices if the TUC pension target is to be hit.

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BC/SP/HKY
May 23 1979

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T Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

24 May 1979

Dear Tim

... As you requested in your letter of 23 May I attach a brief for the PM's meeting with Mr Murray on Thursday. I understand the Treasury will be providing the briefing on wider economic issues which you also requested.

I am sending a copy of this letter and its enclosure to Tony Battishill and to Martin Vile.

Yours sincerely
I A W Fair

I A W FAIR
Private Secretary

MEETING WITH TUC GENERAL SECRETARY: 31 MAY

BRIEF FOR THE PRIME MINISTER

The Prime Minister will want to use the meeting mainly to establish personal contact and a mutually improved understanding of Government and TUC positions. Mr Murray will be concerned to ascertain the manner in which the new Government will be approaching the unions.

THE NATURE OF THE TUC

2. Mr Murray is the chief official and spokesman of an expanding organisation which claims to speak for over half the population - 12 million trade unionists and their families. It sees its role as the defence of the interests of this section of society, largely as represented to it from the ranks. It tends to regard the interests of its members and their families as being also the interests of the community. Any policy and any trend affecting their interests is therefore seen as a legitimate area for representation to Government.
3. The unions affiliated to the TUC are very diverse in structure and organisation. There are over 100 of them - though 25 account for over 70% of the membership - and they are jealous of their autonomy. The TUC has to persuade - it cannot dictate to - its constituents and this has constantly to be borne in mind when dealing with the TUC leadership.
4. There is a sense of common purpose in the movement, but these divergent interests among its membership inevitably militate against the development of any detailed and coherent strategy and encourage the pursuit of simple and at times contradictory objectives (like free collective bargaining and better treatment of the lower paid). There is a strain of opinion in the current leadership which favours involvement of the TUC with Government and employers in "concerted economic action" of the German or Scandinavian type, but sharing in the management of the economy is not wholly attractive to them. They find it difficult to reconcile responsibility for a centrally ordered policy with representation of shop floor opinion. They tend to be reluctant cooperators.
- /5. In part

5. In part this reflects the post-war weakening in the authority of central union leadership. This is part of the social trend and not unique to the trade unions, but it has evidenced itself there in the growth of plant bargaining and shop floor power and the comparative unimportance of official union support to those taking industrial action. As a result the "leadership" practised by most trade unions officials is to represent with vigour the claims of powerful groups of their members with an eye to immediate rather than longer term interests.

6. Nonetheless, there is a strong feeling of revulsion in the unions from the excesses of action in the winter, as recently illustrated by the public criticism by a GMWU leader (Mr Donnet) of NUPE for their action in the hospitals dispute and by the rank and file motions demanding secret ballots on industrial action which are being tabled for the TGWU delegate conference in July. It would be wrong, however, to under-estimate the solidarity that the unions demonstrate when they feel under attack, particularly when they consider that their legitimate freedom of action to pursue their aims in collective bargaining is being put under legal restraint. "Legal restraint" is highly charged emotionally for them and memories of the Pentonville Five (dockers imprisoned under the IR Act provisions in 1972) are readily recalled. Their moments of really effective concerted action come usually when they feel themselves given to close ranks on such a subject.

7. There is a special relationship between the TUC and the Labour Party and the present mood of the unions towards the new Administration is one of coolness and suspicion. There are already calls on the Left to refuse to cooperate with the Government's proposed industrial relations reforms, but the unions are essentially pragmatic. Union officials are negotiators by job and inclination, readier to react than initiate. The TUC has a long tradition of representing their members' interests with Governments of any complexion and they will wait to see how they are treated and respond accordingly.

THE POSITION OF MR MURRAY

8. No current union leader has emerged to dominate the General Council in the way that Mr Jack Jones did in recent years. The present General Council (41 members) is fragmented. This leaves Mr Murray with great responsibility, though he has no authority to command. The Annex gives a pen picture. He is not a forceful leader, but he is shrewd, astute and cautious. He will want to avoid a collision with Government - and his public comments have been carefully balanced to indicate willingness to talk and cooperate - but he will resolutely and capably present the TUC view and will consider Government as having the main responsibility to avoid a collision.

POINTS MR MURRAY MAY RAISE

9. We do not expect him to use this meeting to go into specifics. His main message may well be that:

(a) the TUC's relationship with the Government will be determined by its conception of the impact of Government decisions on its members' interests. They will not oppose for opposition's sake.

(b) the TUC are particularly concerned with inflation and unemployment and the whole direction of the economy. He can be expected to argue that these are the real issues, and that the Government's approach as so far unfolded seems to place too much faith in monetary discipline and lower public expenditure and to give too little importance to the immediate problems of unemployment and the greater problems which lie ahead through the development of micro processor technology.

(c) the Government should avoid pursuing courses and using language which highlights conflict with the unions to no practical purpose. He may instance here the legislative changes intended on picketing and the closed shop and urge that these matters are better dealt with through voluntary action rather than through the law, which risks leading Government and unions into troubles that neither wants.

10. He may, however, raise the question of the handling of consultations with the TUC by Government on which he wrote on 23 May to the Prime Minister on the General Council's instruction. Although the letter is in quiet and general terms, it follows strong complaints at the Council at the way the recruitment freezes in the Civil Service and local government were made known to the unions concerned, with meetings allegedly convened at short notice and without regard to the inability of union leaders like Mr Basnett to attend. Mr Murray may therefore emphasise to the Prime Minister that genuine consultation with the TUC must have regard to the institutional arrangements by which the TUC forms its views and which inevitably take some time. The peremptory way in which the TUC was dealt with before the IR Act 1971 still rankles. And Mr Murray may press home the point that, unless consultation is conducted in an orderly way and in accord with long standing arrangements, this will itself create ill feeling and bitterness between the TUC and the Government.

POINTS FOR THE PRIME MINISTER

11. The Prime Minister will wish to reassure Mr Murray that the Government are by no means hostile to trade unions as such and fully recognise their role in a democratic society. She may accordingly wish to register the following points:

- (a) there are differences in approach between the Government and the TUC in economic and industrial policies, but the ultimate objectives are the same - a strong economy, better standards of living and high employment.
- (b) the Government has no quarrel with the trade union movement. It wishes to see a strong and responsible trade union movement making its essential contribution to economic recovery. It does not think, however, that present arrangements are suited to enabling trade unionists to do this, particularly as the balance of power seems to have been tipped away in recent years from responsible trade union leadership towards militants and unofficial groups.
- (c) the Government is not going to repeat the mistakes of the early 1970s in its relations with the trade union movement, but

there are some limited but vital reforms on picketing and the closed shop that are necessary and that the Government believes most unionists would themselves be glad to see. The Government is not thinking solely in restrictive terms, but is eager to encourage wider participation of workpeople both in union affairs and at the place of work. As Mr Murray will know from his discussions so far with Mr Prior, the Government is genuinely anxious to proceed through full and genuine consultation to undertake these reforms to which they are committed on a realistic timetable. [Mr Murray has been told informally that the Government are aiming at a Bill on trade union reform in the late autumn and possibly another amending the Employment Protection Act in the spring of next year]. The Government hopes that the TUC will help in these consultations to ensure that the changes are made are practical and sensible. She does not see why there has to be a sharp choice between the law and voluntary action by the TUC. Both are needed and the object should be to get them working in harness.

(d) in the wider field of pay bargaining the Government's approach seems close to the TUC's own and, if companies and unions do bargain responsibly when left to themselves, this must be beneficial. The Government's approach is to make sure that those involved are quite clear about the implications of their demands and actions, both for prices and jobs.

(e) she will consider very carefully and reply soon to Mr Murray's letter on arrangements for consultation, but can immediately confirm the Government's intention that consultations should be properly conducted with good time allowed wherever possible.

CONCLUDING THE MEETING

12. The Prime Minister might wish to conclude by expressing her satisfaction that Mr Murray is already in close touch with Mr Prior and her wish that those close relations should be maintained. If the

PM were further to indicate that she would welcome further occasional informal exchanges of this kind, that would undoubtedly be well received by Mr Murray.



ANNEX

MR LIONEL (LEN) MURRAY

Age 57, General Secretary of the TUC since 1973.

OBE 1966. Privy Councillor.

Degree in PPE (London University; and New College, Oxford).

Joined the TUC as an official in 1947 and worked his way up (Assistant General Secretary 1969-73).

Mr Murray is well-educated, intelligent and shrewd, whilst maintaining in his general approach and style of speech a suitably down-to-earth, provincial flavour.

A tough "moderate" in trade union terms, he has a difficult role in seeking faithfully to represent a wide spectrum of mood and opinion within the trade union movement. His period of office has coincided with a greater-than-usual TUC involvement in national politics and many would say that he has handled this with considerable skill.

An instinctively cautious man, sensitive to slights and can be a bit dour and unforthcoming at times; though when relaxed is a good conversationalist with a dry sense of humour.

Had a serious illness a year or so ago (heart) and frequently looks strained. Sometimes difficult to follow because of a tendency to drop his voice during conversation.

PRIME MINISTER

This letter from Len Murray about "procedures for consultation" appears to be in response to Mr. Heseltine's meeting with trade union officials early last week, when he gave warning of the curbs on local authority expenditure. One or two trade unionists, including David Basnett, complained that they had not been given sufficient notice of this meeting. (The letter was mentioned in the press last week, but only arrived here over the weekend).

No doubt this will come up in your discussion with Len Murray on Thursday, and I have asked that the briefing should cover it. I suggest you send a formal reply after the meeting, and I will prepare a draft then.

R. *ant*

29 May 1979

FILE

VLS

29 May 1979

I am writing to acknowledge your letter of 23 May to the Prime Minister concerning procedures for consultation (which was only received here over the weekend). I am placing this before the Prime Minister, and a further reply will be sent to you as soon as possible.

T. P. LANKESTER

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The Rt. Hon. Lionel Murray, O.B.E.



10 DOWNING STREET

From the Private Secretary

29 May 1979

~~BF5-6-79~~

cc Tsy
COJ
JS

The Prime Minister has received the enclosed letter from Mr. Len Murray on "procedures for consultation". (This was reported in the press last week, but the letter only arrived over the weekend.) I would be grateful if this could be taken into account in the briefing for the Prime Minister's meeting with Mr. Murray on Thursday. I should also be grateful for a draft reply which the Prime Minister could send to Mr. Murray after the meeting.

I am sending a copy of this letter, and enclosure, to Martin Hall (HM Treasury) and Martin Vile (Cabinet Office).

T. P. LANKESTER

I.A. Fair, Esq.,
Department of Employment.

9B

Teleg

Union chiefs 'ready for genuine talks' with Government

By **BLAKE BAKER**, Industrial Correspondent

MR LEN MURRAY, TUC general secretary, is to write to Mrs Thatcher to emphasise that union leaders are interested in "genuine consultation on the basis of co-operation and proper procedures" with her Government.

He was authorised to do this by the TUC's general council yesterday.

Mr Murray said the council at its monthly meeting had expressed some concern about consultation so far offered being inadequate.

They had asked him to write to the Prime Minister to tell her of the value of consultation and ask her to "remind Ministers and Departments of the right way to go about it."

Mr Murray, saying there were well-established arrangements for such exchanges, also indicated he was not averse to a personal meeting with Mrs Thatcher. Nothing had been fixed, "but if an invitation comes, I certainly would not refuse it."

Such contacts between the TUC and a new Government had always been the custom. Emphasising the need for consultation, Mr Murray said there was a danger of some Ministers being "hot for action" and taking "ill-conceived decisions based on prejudice rather than a serious appraisal of the situation."

Budget submissions

The TUC's concern was to "ensure always that the well-being of services and industries and the people who work in them is uppermost in the minds of Ministers."

Mr Murray and other TUC leaders have already met Mr Prior, Employment Secretary. The TUC economic committee will make its Budget submissions to Sir Geoffrey Howe, Chancellor of the Exchequer, next Tuesday, while Mr Murray hopes to meet Sir Weith Joseph, Industry Secretary, in the next week or two.

while Mr Murray expounded at length TUC reservations about, and objections to, changes in labour legislation, particularly affecting unions' legal immunities under the law, possible Budget measures and the halt in Civil Service recruiting, his attitude indicated a basic willingness to co-operate with the new Government.

He thought its approach to the TUC so far indicated a desire to avoid the "grosser errors" into which the Heath Government had strayed over the Industrial Relations Act.

But he thought changes in the law on the Employment Protection Act, secondary picketing and rights of individuals suffering under the closed shop could, if pursued, lead the Government inexorably into areas of major significance, with one step leading to another.

Legal changes

Mr Prior had been told that the "Government would be ill-advised if they proceeded on the assumption that the TUC would agree proposals with them for legislative changes of the kind foreshadowed in the General Election campaign."

Mr Murray acknowledged the TUC's desire to improve industrial relations, but it thought the best way was through its own guidelines to unions earlier this year, and that legal changes could have the reverse effect.





Murray lays down *Guardian* the unions' law

A fresh warning to Mrs Thatcher's Government that the unions want agreement, not legislation, over industrial relations problems came yesterday from the TUC general secretary, Mr Len Murray.

Trade unions, he said, will not and cannot give away basic trade union rights. Doctrinaire policies for the legal regulation of industrial relations would be worse than irrelevant to the real industrial issues.

In a speech to the biennial conference of the Civil Service Union at Blackpool Mr Murray said: "The TUC has never taken the view that the law has no part to play in industrial relations."

In the past it had pressed for legal changes to clarify and sustain basic union rights, and today it believed that changes were needed to put right certain court judgements that had distorted and weakened "provisions of the law that we and Parliament thought were beyond question."

"But there is a clear difference between this and legalistic interference of a kind which experience shows can only disrupt industrial relations. . . .

"Given the right climate, we have always been willing to cooperate with employers and the Government to achieve further improvement in industrial relations."

The unions wanted better collective bargaining arrangements and greater productivity; more training for shop stewards and union officials; and programmes to allow rapid technological changes with assistance to workers to adapt to them.

"These are the real industrial issues. Doctrinaire policies for the legal regulation of industrial relations would be worse than irrelevant. They would impede our efforts to find sensible ways of making practical progress towards these ends," said Mr Murray.

Any improvement in industrial relations should come through agreement between workers, unions and management. The TUC was committed to bringing in guidelines on the conduct of disputes, union organisation and the closed shop.

"But if new legislation of the sort we were hearing about from some election platforms was introduced it could set us right back," he said.

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Ind B1.

MEETING BETWEEN THE PRIME MINISTER AND MR. LEN MURRAY

A meeting between the Prime Minister and Mr. Len Murray is likely in the near future. It would be quite natural for the Prime Minister to have such a meeting at the beginning of her term of office as part of the process of seeing representatives of both sides of industry.

We do not expect to make an announcement about a date and a time for the meeting as it will be a private one for a general exchange of views on economic matters.

CVA

24 May, 1979



10 DOWNING STREET

From the Principal Private Secretary

24 May 1979

I am sorry that there has been some awkward speculation by journalists about the meeting you will be having with the Prime Minister next week. Many thanks for your help in trying to dampen this down.

You asked for some suggestions on the line you might take after the holiday, or sooner if it becomes necessary. As Mike Pattison told you this morning, the Prime Minister's Press Secretary was pressed at his lobby briefing this morning, and indicated that a meeting between you and the Prime Minister would probably take place in due course, although not before the holiday weekend. There have been further enquiries, and our Press Office is now using the following line.

"A meeting between the Prime Minister and Mr. Murray is likely in the near future. It would be quite natural for the Prime Minister to have such a meeting at the beginning of her term of office as part of the process of seeing representatives of both sides of industry.

We do not expect to make an announcement about a date and a time for the meeting as it will be a private one for a general exchange of views on economic matters."

I suggest that you might also say that you would expect to have a talk with the Prime Minister in the near future, as part of her initial contacts with representatives of both sides of industry, and that you, for your part, do not intend to make any announcement about the time or the place of such a meeting.

I know that the Prime Minister sees the meeting as an opportunity for you to get to know one another, and would therefore much prefer to avoid a situation where there is pressure for some formal statement of what took place. In due course, I think that we will have to let it be known that there was a meeting, but that it was a private discussion, and that there was no statement to make. But, to avoid your being pressurised as you leave No. 10, perhaps you would prefer to enter and leave through the Cabinet Office as you have done in the past.

I would be happy to have a word with you about all this tomorrow if that would be helpful.

The Rt. Hon. Lionel Murray, O.B.E.

le/m

TRADES UNION CONGRESS

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Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

DEPT Secretary's
OUR REF LM/DL/AMZ
YOUR REF

May 23, 1979

Dear Prime Minister

Procedures for Consultation

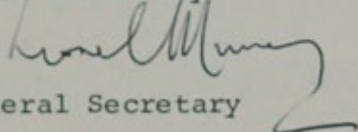
The General Council at their meeting today expressed some concern about arrangements for consultation between the TUC and trade unions and Ministers.

There has of course been a long-standing practice of consultation both between the General Council and their Committees and Ministers, and between Ministers and individual unions or recognised groups of unions in particular sectors where the subject matter requires.

The General Council are anxious that proper procedures should be maintained, and emphasised the need for Ministers and Departments to give adequate notice of proposed meetings and to provide adequate information to allow a proper exchange of views before decisions affecting trade union members are irrevocably taken.

They therefore asked me to write to you suggesting that it would be helpful if you would remind Ministers of these points. Where TUC Committees - including Industry Committees - are involved, they should of course approach us: where the matters for discussion affect particular unions or groups of unions Departments will of course wish to approach them direct, but where there is doubt we shall of course be willing to advise.

Yours sincerely



General Secretary



10 DOWNING STREET

From the Private Secretary

23 May 1979

~~6/30-8-79~~

Briefing provided by
1700 Westminster.

CF: pls check at
1500 hrs -
TL

As you know, the Prime Minister is seeing Mr. Len Murray at 1630 hours on Thursday 31 May along with your Secretary of State.

You have agreed to provide briefing for this meeting. This briefing will obviously need to cover not only industrial relations issues, but also wider economic questions - including the economic prospect, pay in the next round and the possibility of consultations between the Government, the TUC and the CBI. I should be grateful if the Treasury could provide briefing on these wider questions.

I am sending a copy of this letter to Tony Battishill (H.M. Treasury) and Martin Vile (Cabinet Office).

T. P. LANKESTER

Ian Fair, Esq.,
Department of Employment.

KRD

Industrial
Policy

PRIME MINISTER

Mr. Prior wishes to talk to you about industrial relations generally. Among other matters he will probably want to suggest that you and he have an early meeting with Mr. Lionel Murray.

You may find it helpful to have this account, which I have acquired privately, of TUC attitudes to consultation with the new Government, to supplement what Mr. Prior may report. The following are the main points which Mr. Murray has put to me off the record.

i. There is a clear willingness on the part of the TUC and its Committees to make contact with, and talk to, the new Government. The Economic Committee responded positively to Mr. Murray's suggestion that they should talk to the Chancellor and the Employment Policy Committee encouraged their Chairman (Mr. Harry Urwin) and Mr. Murray to talk at an early date with Mr. Prior and welcomed his invitation. Their Education and Social Insurance Committees are also anxious to have discussions on matters of common interest with the relevant Departmental Ministers. The Employment Policy Committee have agreed that it would be useful if their officials talk to officials in the Departments concerned with regard to any policy proposals which the new Government might be formulating.

ii. His general assessment was that there was no hostility at all on the part of the trade union leadership to constructive discussions with the new Government and he expected the TUC General Council at its meeting next Wednesday to adopt the same posture.

iii. The TUC leadership, therefore, would not be surprised if Mr. Murray were to have informal talks with the Prime Minister and, indeed, would welcome it.

/iv. As to the

iv. As to the timing of such talks, this was wholly a matter for the Prime Minister but he would be very willing to come and see you whenever you choose to invite him.

v. As to the substance of discussion, he hoped that it would be "free, flowing and wideranging", not focusing on details at this stage. It would be for Ministers to make proposals in due course and, no doubt, differences - and some similarities - of view would emerge on particular issues. But these would not be the point of the meeting. He would see it as essentially getting toknow you. It would, however, be useful, and add purpose to the discussion, if you were to consider together the form of consultation between the Government, the CBI and the TUC as you saw it, with particular reference to the NEDC and its future role.

The general burden of Mr. Murray's message was, therefore, one of co-operation and willingness to talk and he plainly would like to get to know you fairly soon. A point you will wish to consider, however, is whether you would like this meeting to take place with the Secretary of State for Employment present, or whether you would prefer to meet Mr. Murray alone, or with the Chancellor of the Exchequer present. My own advice would be either alone or at least with the Chancellor of the Exchequer, for reasons which I do not need to spell out. If you want to have a meeting with Mr. Murray I would suggest that you do it at 6 o'clock one evening over a drink.

K.R.S.

17 May 1979

END

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