

PREM 19/268

● PART 23 ends:-

ToC booklet on Unemployment updated.

PART 24 begins:-

Len Murray to ch of Gx + att of 24/8/87

## Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Trades Union Congress Economic Review 1980  
TUC Publications

TUC Guides – Negotiating Procedures, Conduct of Disputes,  
Union Organisation February 1979

Signed AWayland Date 13 May 2010

**PREM Records Team**



# Foreword

Unemployment is higher now than at any time since the 1930s — and it is rising fast.

The official figure of 2 million masks the true extent of the damage. In fact, there are already over 3 million people out of work.

The Government's policies have plunged the country into this misery. We all know that our economy is suffering from deep-seated problems. Industry is in decline, machinery is out-dated, exports are dwindling — and much of the world is in the grip of a recession.

But this government is doing nothing to solve these problems — it is making them far worse. The government says it has the only policies that will work. This is pointless and arrogant. There's no evidence these policies can work, but plenty to show they are leading to economic disaster.

The wrecking has gone far enough. The TUC has an alternative — set out in this book — and this must be discussed, understood, and fought for throughout the trade union Movement and beyond.

We must bring the discussion into every workplace, union meeting, union branch, and into each community.

To help this happen the TUC Education Service is mounting a programme of workshops as part of the Campaign for Economic and Social Advance. The workshops, for which this book has been produced, will brief you on what is happening to the economy, the disastrous effects of present government policies, and the TUC alternatives.

The General Council have asked unions to make sure that their officials and activists attend these workshops.

And they have asked them to plan a nationwide programme of discussions and meetings on the issue of unemployment and the TUC alternatives.

This is a new opportunity to broaden and deepen the Campaign, so that the message is clear:

The government is not curing, but killing the patient.

There is an alternative. We must fight for it.

*Leonel Murray*



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The TUC Education Service has produced this book as part of the Campaign for Economic and Social Advance. You can use it in several ways:

- on one of the special workshops run by the TUC Education Service
- on union and TUC courses — whenever they look at job security, unemployment, and the TUC's alternatives
- in union meetings at workplace and branch — to help discussion
- at trades council and local meetings.

The book contains background information on unemployment — and the TUC alternatives to present government policies. And it contains checklists and activities.

- the checklists can be used as speakers' notes, and to help produce your own local leaflets
- the activities can be used on workshops, and as talking points for union meetings.

There is a guide to finding information on page 34, and details of further union publications on page 35.

After you have been on a workshop, or union or TUC course, tell us about action you have taken to promote the campaign, and how you've been able to use the book. Your experience will be valuable to other trade unionists.





# Jobs and the economy

**T**his part of the book gives the background to the action the present government is taking, and to the alternatives put forward by the trade union Movement.

It charts the problems of the British economy, and stresses the terrible effects of unemployment on particular groups of workers and on working people in general.

**The 1930s again?** There are as many people out of work now as in the depths of the Great Depression. We look at unemployment in the 1930s and 1980s.

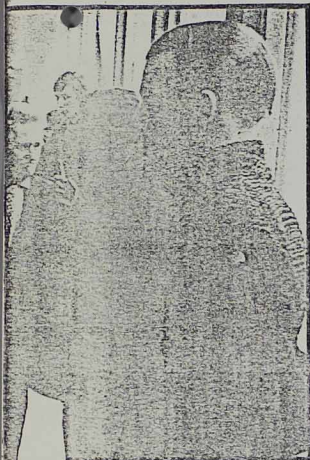
**The declining economy.** Government policies need to be seen against the background of the deep-seated problems of the economy. We see how these problems are being worsened under the present government.

**Other countries.** Unemployment is not just a problem for Britain but for other industrialised countries of the West. This section compares what is happening in Britain to what's happening elsewhere.

**The worst hit.** Unemployment hurts all trade unionists. But the worst effects are on the young, women and ethnic minorities. The average level of unemployment hides the very high rates among these groups, and in certain areas and industries.

**Life without work.** It's easy to compile statistics showing how many are unemployed. We look deeper at the effects of unemployment on working people, and see the crippling effects of life without work.





## the 1930s again?

On 14 August 1980 unemployment reached 2,001,208 — the first time more than 2 million people were out of work since January 1939.

The 1930s were the time of the Great Depression — factories lay empty, machinery lay idle, and millions of people were out of work:

- in 1927 unemployment was 1,100,000
- in 1930 it was 2,000,000
- and at its peak in January 1933 unemployment reached 2,979,000.
- In 1970 unemployment was 602,200
- By August 1980 it was 2,001,208
- And when will it stop rising?

Some forecasters reckon unemployment will be over 3 million in 1982, and most expect that with present government policies unemployment will rise this year, next year, and on into 1983.

## the real total

In the 1930s the unemployment figures didn't include all unemployed workers — agricultural workers, for example, were left out.

In the 1980s the figures also understate the number of people without a job. The

☛ We must stop the nose-dive in output, restore economic growth and return to full employment. A planned approach to Britain's economic problems has to recognise their deep-seated nature. The Government's policies are deliberately aggravating problems which have beset the UK economy for years. ☛

**TUC, The Threat to Industry and the Welfare State**

official figures only count people who register at an employment exchange. Hundreds of thousands of people never register, even though they're looking for work. For example, many unemployed married women don't register, as they don't pay the full National Insurance contribution and so don't qualify for unemployment benefit. People who lose their job just before retirement are also unlikely to register. In total nearly 1 million unemployed people may not show up in the official figures.

So probably on 14 August 1980 unemployment had already reached 3 million.

And we must not forget that well over 200,000 people are on short time, some working as little as one or two days a week. That's as bad as 140,000 people out of work altogether. Another 270,000 people are in jobs only through government job schemes.

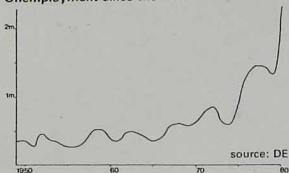
In total 674 million days were lost in 1980 through unemployment. Compare this to the 29 million lost through strikes in 1979.

Throughout the 1930s the TUC was pressing the government to take steps to increase jobs. The TUC said the government should itself spend money and employ people, and encourage industry to expand and create jobs. The government did little, and unemployment only finally came down in the re-armament programme leading up to the Second World War.

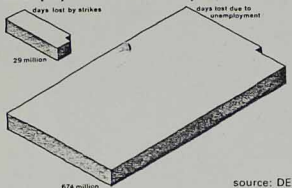
In 1944 all parties pledged themselves to full employment after the war, and this meant governments had to take measures to get the private and public sectors to create enough jobs for those seeking work. This meant planning the economy, expanding public services and stimulating production. Between 1948 and 1970 unemployment averaged 525,000. Now registered unemployment is over 2 million and total unemployment over 3 million. **That pledge has been broken.**

## Jobs and the economy

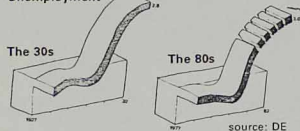
### Unemployment since the war



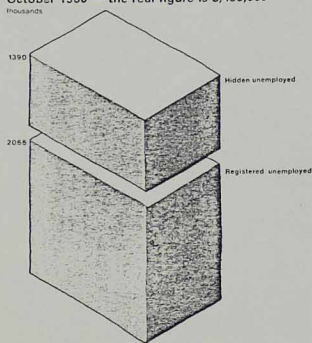
### Unemployment v strikes — days lost



### Unemployment



### October 1980 — the real figure is 3,456,000



## the declining economy

The British economy suffers from a number of deep-rooted problems. Government policies need to be judged by whether they solve these problems, or make them worse.

These problems are:

- decline of manufacturing industry
- lack of investment in machinery and equipment
- poor trading performance.

The three are closely related.

**Decline of manufacturing industry.** In the last 15 years 1½ million jobs have been lost in manufacturing industry and the last 10 years have seen almost no growth in output of manufactured goods. This doesn't mean that companies have stopped producing, but many of them are now producing abroad instead of exporting from Britain. As we shall see, the government is making it easier for them to do so.

The decline can be seen clearly in traditional industries such as textiles, vehicles and shipbuilding:

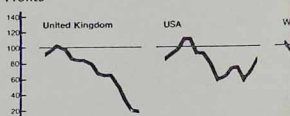
- in textiles the number of people employed in the UK fell from 668,000 in 1970 to 450,000 in 1979, and production has fallen by nearly 20 per cent in just 6 years
- in vehicles the number employed has fallen from 840,000 to 706,000 since 1970
- in shipbuilding the number has fallen from 190,000 to 140,000 in the same period.

**Lack of investment.** To produce efficiently, firms need the most up-to-date machinery and equipment. Without this they won't be able to compete with their rivals. But British firms have not been investing as much as firms abroad.

This means that many people are working with out-dated and inefficient machinery, and very often in poor conditions in old factories and offices. A British worker has about £7,500-worth of machinery to work with, but a German has £23,000-worth, and a Japanese £30,000-worth.

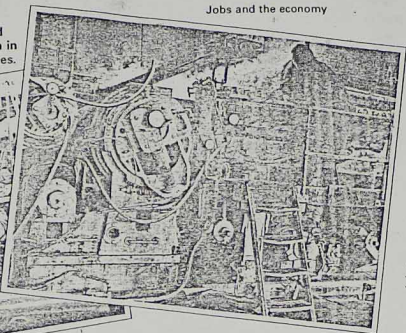
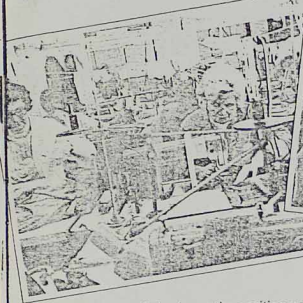
Firms will only buy new machinery and equipment if they think it'll be profitable. But the rate of profit has been falling in Britain faster than it has in other countries. So many firms are investing abroad. It's a vicious circle: without new investment firms

### Profits





Many people are working with out-dated and inefficient machinery, and very often in poor conditions in old factories and offices.



can't produce efficiently, so the position gets worse.

Even if firms do invest, they don't necessarily do so in the UK, or in productive industries. In the property boom of the 1960s, firms invested in office blocks — just because they saw a profit. Many of the office blocks then stayed empty.

The economy is now dominated by large multinational companies which choose to invest in the most profitable products and the most profitable places throughout the world. When firms choose not to invest in the UK, output is lost, exports are lost, and jobs are lost. Governments and trade unions find it hard to control these multinational giants.

**Poor performance.** In 1950 Britain had nearly a quarter of world trade in manufactured goods. It now has under one tenth. In the last 10 years the volume of goods that Britain exports has only risen by a half, but imports have increased one and a half times.

Britain imports a large proportion of its food and raw materials. To pay for these it needs to export manufactured goods — but the rise in imports has far outstripped the rise in exports.

The textile industry again shows up the problem:

- in 1968 Britain exported £117 million more textiles than it imported

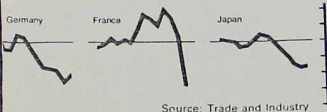
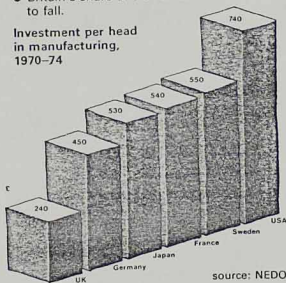
- in 1979 Britain imported £341 million more textiles than it exported.

Imports from Europe have increased greatly since Britain joined the Common Market. In 1979 Britain imported £2,700 million more manufactured goods from the EEC than it exported.

**The future.** With present policies these problems are going to get worse:

- output fell by about 11 per cent in 1980 and will fall again in 1981
- the volume of investment fell by about 10 per cent in 1980
- Britain's share of world trade will continue to fall.

Investment per head in manufacturing, 1970-74



This is how profits fell from 1962 to 1976. Profits are shown here as a proportion of the assets of companies — their machines, buildings and so on — and allow for price rises.



## other countries

Unemployment in Britain is over 2 million and growing. It is also high elsewhere. Much of the world economy is in a depressed state. Government policies must be measured against not only what's happening to the British economy, but also what's happening to the world economy.

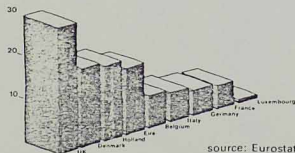
*'The crisis we face in Britain cannot be understood in isolation from the recession in the world economy and the growing instability of international economic and political relations. The long period of sustained economic expansion which followed the Second World War came to an end in 1974 under the strains imposed by diverging rates of inflation, the collapse of the system of fixed exchange rates and the rise in oil prices. Economic growth came to a standstill; and although output has since recovered somewhat, unemployment has remained high and inflation has been a persistent problem. The current outlook is for a major depression with production stagnating this year - and probably falling in 1981 - and with unemployment mounting still further.'*

TUC-Labour Party Liaison Committee, Trade and Industry: A Policy for Expansion, 1980

In the US, for example, more than 7 million people are out of work. In Japan it is over 1 million, and in the EEC as a whole over 12 million are jobless.

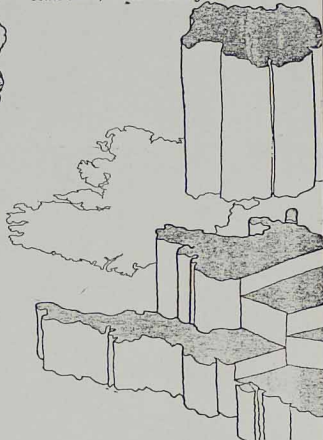
But the worrying thing for the UK is that unemployment is now rising much faster here than in other countries.

This chart shows the percentage rise in unemployment in the EEC, July 1979-July 1980:



## the worst hit

In August 1980, 7 per cent of the workforce was unemployed in the United Kingdom but among some groups, and in some areas, it was much higher.



In Merseyside 14.6 per cent of the workforce was without a job, and in Strathclyde 13.2 per cent. And there are fewer and fewer jobs being advertised:

- in the north west there are 27 adults unemployed for every vacancy
- in the north of England 25
- in the south east 7
- in Scotland 13
- in the west Midlands 29.

And in Britain as a whole 14 people are unemployed for each vacancy.

Unemployment is growing rapidly. Between September 1979 and September 1980 it increased by 41 per cent. But in certain regions registered adult unemployment increased far more:

- in the west Midlands by 59 per cent
- in the east Midlands by 57 per cent
- in the south east and East Anglia by 44 per cent.

350 firms closed in the north west in the first 9 months of 1980 — and 60,000 people lost their jobs.

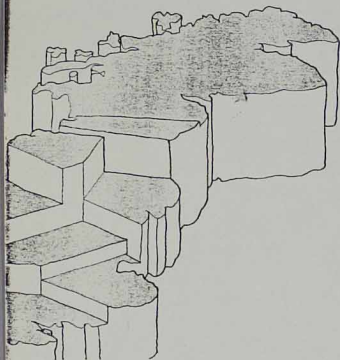
For example:

55 textile firms closed

42 clothing or footwear firms closed

**Regional unemployment**

- in Wales unemployment was 11.3 per cent
- in the North West it was 10.4 per cent
- in Scotland 10.7 per cent
- in the north of England 11.6 per cent
- in Northern Ireland 15.3 per cent.



- 5,641 construction workers lost their jobs
- nearly 13,000 people in service industries lost their jobs.

**Women.** Unemployment among women is rising much faster than among men.

Since 1975 male unemployment has risen by 61 per cent but female unemployment has risen by a staggering 207 per cent.

Women are more vulnerable to unemployment for all kinds of reasons. They often work in insecure, low-paid, part-time

jobs, or temporary jobs with high labour turnover. Discrimination is still common, and in a time of high unemployment women are often the first to lose their jobs.

The government has now made it more difficult for a woman to return to her job after having a baby, and easier for firms to dismiss workers.

Women go out to work for the same reason as men — to earn a living. And losing a job has the same effects — loss of income means a low standard of life for anyone.

**The young.** During the 1970s unemployment among the under-20s trebled — a bigger increase than for any other age group. In July 1980 half a million people under 20 were out of work. On Merseyside 10 per cent of unemployed young people have been out of work for more than a year.

**Ethnic minorities.** Research by the Department of Employment shows that unemployment among ethnic minorities is higher than the average. For example:

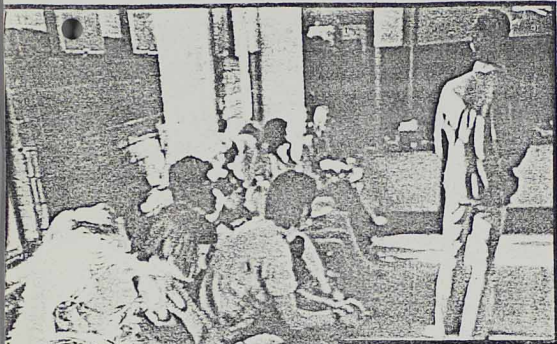
- male unemployment in England in 1977-78 among whites born in the UK was 5.3 per cent, but for non-whites it was 12.3 per cent
- for women, the figures were 4.6 per cent for whites, and 11.3 per cent for non-whites.

Unemployment hits non-whites very hard — and many of them don't register.

Racist groups use unemployment to divide people and weaken the trade union Movement. Unemployment causes pain and suffering to everyone, whatever their colour, and trade unionists must guard against racist groups organising among the unemployed.

**The disabled.** Unemployment is above average among disabled people — and they are likely to find it more and more difficult to get a job as unemployment increases. Many firms probably don't even employ their required number of disabled people.





'For the great majority of people unemployment is a painful, depressing and debilitating experience, and the longer it lasts the worse it gets ...'



## life without work

Unemployment costs a lot. It's a waste of human lives. The millions of people without work could be producing goods, or carrying out badly-needed services. They could be contributing taxes to pay for schools and hospitals.

It's ludicrous for the government to throw people out of work, and then complain about the money it has to borrow to pay unemployment benefit and replace the taxes the unemployed can no longer pay.

**The cost of unemployment.** Unemployment is expensive. The government has to pay out money in unemployment and supplementary benefits — as well as losing taxes from people not earning. For each person thrown out of work it costs the Exchequer at least £2,500.

And we all lose the output that could have been produced by the unemployed. As unemployment rises, so does the cost.

**The cost to the individual.** To be unemployed is terrible for any person — it can lead to illness and depression. This is what the Manpower Services Commission says in its 1980 Manpower Review:

'In addition, there is the effect of unemployment on individuals and communities. Here again there is a growing belief that, with the welfare state, unemployment is a tolerable situation and for many a preferred one. Again the



Newcastle Centre for the Unemployed,  
On the Stones

di. Wells—"Living on the dole you just have to learn to exist. I never go out now. When I was working I used to go out at the week-ends. Have a few pints you know. Game of dominoes with the mates. All that's past."

John Byers—"It's dead boring on the dole. You sit in the house. You gan out for a walk. You come back. You're doing the same thing all the time.  
I get £13.90p from the dole. I give my man £7. I pay the Provi £2 for clothes. That leaves us £4 odd.  
Then I've got to pay the lads I've borrowed off during the week. That £13 doesn't gan far you know. I also smoke -so money gans on tabs. I get paid on Thursday and I've got nay money by Friday night.  
But when I was working, I had money every day you know."

Commission strongly disagrees. It cannot be emphasised too often that for the great majority of people unemployment is a painful, depressing, and debilitating experience, and the longer it lasts the worse it gets.

A recent study by Commission staff shows clearly the problems for those who have been out of work for more than a year. Many suffer financial difficulties in maintaining a reasonable standard of life, at a considerably lower level than if they were in work. Many experience adverse psychological effects of their prolonged unemployment and the continued rejection, as they see it, of their desire to work. And for many who have been out of work for less than a year, the same problems exist.

The unemployed suffer. At present if you're unemployed you can claim National Insurance benefit for up to one year, plus earnings-related benefit for six months if you've paid enough contributions. But you can be disqualified for six weeks if you are labelled 'voluntarily unemployed'.

Fiat rate unemployment benefit is now £33.40 for a couple, and £20.65 for a single person.

After a year you have to claim supplementary benefit — what you get depends on your means, but the level is £34.60 for a couple and £21.30 if you're single.

The government has just made it worse for the unemployed in three ways:

- earnings-related benefit will be cut in 1981, and abolished in 1982
- unemployment benefit will no longer rise each year in line with prices — a cut in its real value
- anyone unemployed with savings of more than £2,000 now gets no supplementary benefit. The £2,000 includes any lump sum redundancy payments. So if you lose your job and get redundancy money you could be using up your savings in a matter of weeks, just to feed and clothe yourself.

This is the first year's bill to the state when a married person with two children and earning £6,000 is thrown out of work:

Newspapers often quote thousands of pounds for redundancy pay, but the facts are different:

- average redundancy money is about £2,500 — only £1,500 under the state scheme — yet most people are still unemployed after two months, 40 per cent are still unemployed after six months, and almost a quarter are still unemployed after a year
- many people get no redundancy pay at all — anyone under 20, for example, or anyone without two years' service.

### Bill To the State: *one family on the dole*

Lost income tax	1060
Lost indirect tax	247
Lost NI contributions	1,043
Cost of unemployment benefit	2,258
Cost of Family Income Supplement	231
Cost of rent and rate rebates	441
Cost of free school meals	156
Cost of administration	156
Cost of redundancy pay	615

total

£6,207

## Checklist

### jobs and the economy

More people are out of work now than at any time since the 1930s. The overall picture is bleak, but among some groups it's even worse. For example:

- in regions such as the North West, Yorkshire and Humberside, Wales, Scotland and Northern Ireland
- among the young
- among women
- among ethnic minorities.

Unemployment is one symptom of the decline of the British economy:

- the last 10 years has seen almost no growth in output of manufactured goods
- the UK's share of world trade in manufactured goods has fallen dramatically in the last 20 years
- imports now account for over a quarter of the manufactured goods sold in Britain, and imports are growing much faster than exports
- investment in manufacturing industry is much lower than in West Germany, France, Japan and the United States.

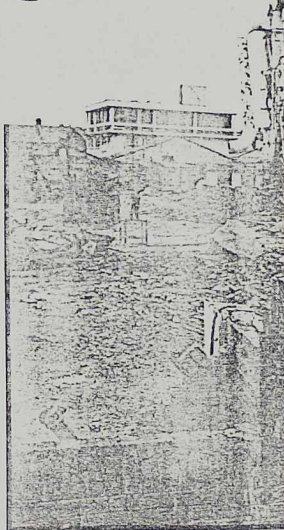
With present government policies:

- output actually fell in 1980 and will fall again in 1981
- investment in manufacturing will carry on falling
- Britain's share of world trade will fall even further
- UNEMPLOYMENT WILL GO ON RISING STEEPLY.

As closures and bankruptcies abound, and jobs disappear for ever, sentences in the prison of unemployment are getting longer and longer.

There are now over 340,000 people that have been out of work for a year or more. The vicious and unnecessary cuts in the social

# Government policies



security entitlements of the unemployed will add still further to the misery.

Where there is suffering this government seem intent on making it worse and labelling the unemployed as some sort of social criminal.

But this is a topsy-turvy world

we live in, with a system of justice turned on its head, for there is no crime committed by being out of work: the crime is committed by those who have condemned innocent people to the indignity of unemployment. ♪

Terry Parry, president of the 1980 Trades Union Congress

# Government

## es

Guardian, 28 August 1980

Thatcher says  
policy is right

VACANCIES

**T**his part of the book details the policies of the present government. It looks at what the government says it is doing, and at what is actually happening.

**What the government says.** The government justifies its policies in a number of ways — by talking about 'fighting inflation', 'increasing competitiveness', 'directing resources to manufacturing industry', 'freeing British industry', 'encouraging small businesses', 'increasing incentives', and so on. We outline the government's policies — particularly on the economy.

**Can they succeed?** Can the government's policies actually work? We see how government policies, far from saving the economy, are destroying industry by making it difficult for firms to invest, sell products or export.

**The real effects.** Government policies are wrecking the economy. They are also creating misery. We see the effects of its policies on the low-income earners, the unemployed, and the sick.

## what the government says

The present government says that its main priorities are fighting inflation, and restoring the profitability of industry — and it says that high unemployment is the result of workers 'pricing themselves out of a job'.

But just how does the government say it will hold down prices, and restore profitability?

**Controlling the money supply.** The government blames inflation on the trade unions. It says that unions are demanding too-high wage increases, which firms then pass on in the form of higher prices.

The government argues that if firms can't borrow money easily or cheaply, then they can't pay out high wage rises, and so won't raise their prices. And with less credit available, firms and individuals will have less to spend. So firms will have to keep prices down in order to sell.

The government says that if trade unions insist on getting higher wages when the firm has little money, then they have only themselves to blame if workers are made redundant, or the firm closes. Unemployment, it says, is the price we must pay to beat inflation.

This policy — limiting the amount that firms and individuals borrow — is what people mean by **controlling the money supply**.

The government is trying to control the money supply by:

- restricting the amount banks can lend — so firms find it more difficult to borrow money
- keeping interest rates high — so firms have to pay a lot for borrowed money, and are less likely to borrow
- cutting back on government spending and borrowing.

The government is biased against a large public sector, but it also argues that government spending puts more money into the economy. If the government — and local authorities and nationalised industries — spend more than they get in taxes and rates and other income, then they have to borrow. By borrowing and spending in this way, the money supply is increased.

A firm borrowing, say, £100 from a bank also increases the money supply — because an extra £100 is created by the loan. The amount the government, local authorities and nationalised industries borrow is called the *Public Sector Borrowing Requirement (PSBR)*.

This concentration on controlling the money supply is all that is meant by *monetarism*.

**Holding down pay.** Restricting the money supply means that firms find it difficult to get finance, and so are likely to resist wage claims. The present government is also trying to hold down pay by:

- directly limiting public sector wage increases
- weakening trade unions through legislation such as the Employment Act
- weakening trade unions by creating an army of unemployed.

The government wants people to get pay rises lower than price rises — an actual cut in the standard of living.

Guardian, 28 August 1980

Our policies are perfectly right, says Thatcher

# PM undaunted as jobless top 2 million

## Blackest CB predicts further surge in job loss

Seven in 10 companies surveyed by the CBI expect to be forced to lay off some of their workforce during the next four months. The latest survey of trends, described by the CBI as 'the blackest' and it is feared that the future of manufacturing is being damaged irre-

## Output at an all-time low

Times, 27 October 1980

**Cutting taxes.** The government says that people don't work hard because much of what they earn is taken in tax. Reducing taxes, it says, will restore incentives, people will work harder, and industry will prosper.

**Cutting public spending.** The government says that public spending must be cut to hold down the amount of money it borrows. But the present government has further reasons for cutting public spending:

- it says that spending by the State takes finance away from private industry — and private industry should have first call on available finance
- much public spending is on things which the government is against — such as council house building and direct works departments of local authorities.

The government wants the private sector of the economy to be expanded, and the public sector reduced. It favours pay beds in hospitals, and private education, and it plans to de-nationalise or sell shares in the nationalised industries — British Rail, British Airways, British Aerospace, the National Freight Corporation, and the British Transport Docks Board.

It also plans to weaken the Post Office, the



Government policies cannot improve these problems. Just the opposite. The government's policies will only lead to economic ruin.

**The decline of industry.** By keeping interest rates high the government makes it difficult for firms to get finance. Small firms in particular — which the government says it's trying to help — are being badly hit by high interest rates. Many firms are going bust. In the first nine months of 1980 nearly 5,000 firms went into liquidation — 50 per cent more than in the same period in 1979.

The government talks of freeing resources for private industry — but private industry no longer can afford new finance.

The government's concentration on cutting public spending has led to reduced grants for industry. Regional aid is being cut for large areas of the north west, most of Yorkshire, parts of the Midlands, the north east of Scotland, southern Scotland, and central Wales. This makes it more difficult for new and expanding firms to get established.

There's no way British industry can thrive in such a climate.

Financial Times, 13 November 1980

# Industrial production slumps at record level as demand falls

SMALL ECONOMICS CORRESPONDENT

OUTPUT is  
falling. The  
rate is  
accelerating  
in the  
last  
few  
months  
as  
demand  
falls and  
the  
rate  
of  
decrease  
accelerates.



This year is already 71 per cent less than the average level for 1979, compared with a 41 per cent fall over the whole of 1980.

All sectors have been affected but consumer goods industries (notably food, drink and tobacco companies) are suffering least.

The squeeze on living standards and consumer spending has been much less than the fall in output. Consumer goods output dropped by 1 per cent between the second and third quarters compared with a 41 per cent drop for both intermediate and investment goods industries.

Metal manufacturing has been particularly hard hit. Output fell by 14.8 per cent in the third quarter, partly because in the previous quarter there was some catching-up of output after the end of the steel strike. Third quarter production was nevertheless 24 per cent below the average level last year.

Output in both the chemicals and engineering sectors dropped by 41 per cent between the second and third quarters. Chemicals production was 131 per cent less than a year earlier. Textiles output is 121 per cent lower than a year ago.

survey  
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likely  
to  
be  
a  
disaster  
for  
the  
country.

Industry trends and to activity and rising further over the next few months, though probably less than recently. There are some signs that firms are holding their own in stock levels in the short term. However, the economy could deteriorate over the next few months. Manufacturing growth is generally expected to fall in the next year as demand is affected by the strong recession. The latest figures show that the recession is likely to be much deeper than originally expected. Manufacturing output fell in the first nine months of

National Bus Company and the Central Electricity Generating Board by allowing private industry to run competing services. And the government is limiting finance for the nationalised industries.

The government calls its policies 'the only way'. It says that:

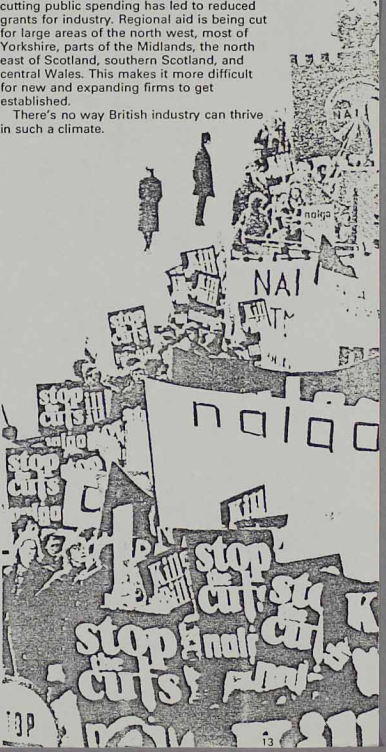
- the money supply must be controlled — which means high interest rates, cuts in public spending, and restrictions on nationalised industries
- pay rises must be curbed — which means weakening trade unions.

But can these policies work? Will they restore profitability, and hold down price rises?

## can they succeed?

Earlier in the book we saw three main underlying economic problems:

- decline of manufacturing industry
- lack of investment in machinery and equipment
- poor trading performance.



Sunday Times, 26 October 1980

# How the free-fall economy felled even mighty ICI

by John Bell and Peter Rodgers

THE ONLY people working over-time in ICI last week were the accountants. A team of six battled through the night to bring out the accounts for the grim third quarter, in time for Thursday's board meeting. They had totted up the figures from ICI's worldwide

paint for the body, plastics for the hoses and soda ash in the glass. The recent surge in car sales. ICI £20m in lost revenue to Euro-

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business climate of the time and monitor. There is UK com al ones ac

IF WE'RE GOING TO GET INDUSTRY GOING, WE'VE GOT TO GET GOVERNMENT OFF INDUSTRY'S BACK.



There is a difference between a bracing climate and freezing to death

Sir Maurice Hodgson, chairman of ICI, on how government policies have drained his company's profits

**Lack of investment.** High interest rates make it difficult for firms to buy new equipment. In any case, why should they invest when government policies mean there is no demand for their products? Manufacturing investment has actually fallen in 1980, so the new plant and equipment that is so badly needed is not there.

To increase productivity firms need high demand — then they can produce at maximum capacity, and it'll be worthwhile to install modern machinery. The government is making sure this will not happen.

The Labour government set up the National Enterprise Board (NEB) and it invested in high technology industry. But the present government has weakened the NEB, and now all future projects must include private sector investment. As the TUC 1980 Economic Review said:

*'The government is tying the NEB's hand to private sources of capital in precisely those areas where private capital has failed.'*

**Poor trading performance.** The government has kept interest rates high. People and firms abroad have therefore put money into British banks to take advantage of this. They buy £s, and so the price of £s rises. Instead of, for example, £1 being worth \$2, it rises to \$2.40. So a British good priced at £1 and sold for \$2 in New York would now have to sell for \$2.40. The obvious result is that fewer British goods are sold abroad.

Imports on the other hand are cheaper. So

Britain's trading performance is being worsened. To give one example: the effect of the rising exchange rate means that British goods cost one-third more in Japan than they did in 1978, and Japanese goods in Britain cost one-third less. No wonder imports are flooding in.

Many firms are investing overseas, rather than producing in Britain, and the present government has encouraged this by abolishing controls on the export of money.

In 1979 British firms invested nearly £3 billion abroad. The 50 biggest firms produce over a third of their output abroad — that's three times as much as they produce for export from Britain.

**So the government's policies cannot restore British industry to health — in fact, they are worsening the problems. But will they beat inflation?**

**Prices.** The government says that its policies will bring price rises down. But what has really happened since it came into office?

Inflation was 10 per cent when the present government took office — a year later it had more than doubled, to 22 per cent. It has fallen since. But despite its policy of mass unemployment and cheap imports the government itself says it cannot get inflation back to 10 per cent before 1982. And is it seriously trying to bring down prices? If so, why has it deliberately raised prices by:

- doubling VAT
- raising interest rates

- forcing the nationalised industries to raise their prices — gas by 29 per cent, and electricity by over 20 per cent
- raising prescription charges to £1
- raising council rents
- raising school meal charges
- abolishing the Price Commission, so taking all controls off prices.

So it's the government which is forcing prices up: trade unionists are left trying to make sure their wages catch up.

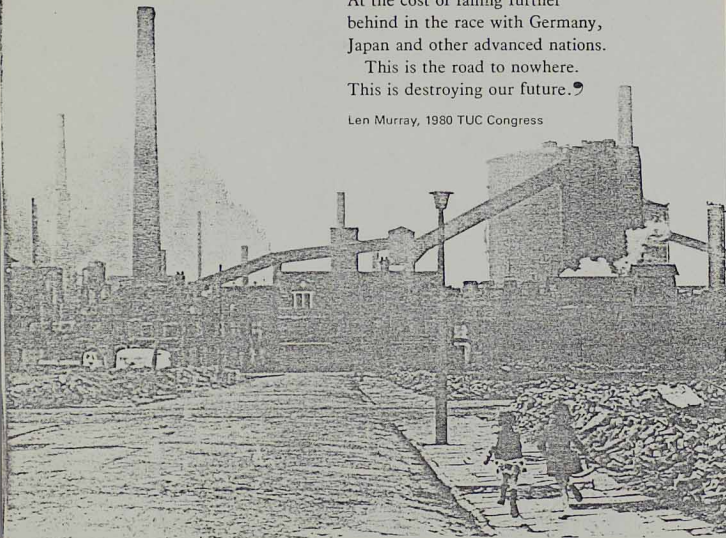
The government's policy of controlling the money supply has been a failure in holding down prices. It has had difficulty even controlling the money supply. Some firms that have found it difficult to borrow from banks have managed to find other ways of getting credit — such as borrowing from other firms. And the government has had to borrow money to pay the increased unemployment benefits resulting from its own policies!

● It must be the worst Conservative Government that industrialists have ever known. The worst for cutting output, for cutting investment, for throwing people out of work — up by a half since they took office.

And offering us even lower output and lower investment, even more imports and more unemployment. And then they have the gall to say it's all our fault, the effrontery to tell the British people that it will all get better if we take enough of their nasty medicine. But when? They won't say. And at what cost? At the cost of misery for hundreds of thousands of people. At the cost of billions of pounds of lost output. At the cost of falling further behind in the race with Germany, Japan and other advanced nations.

This is the road to nowhere.  
This is destroying our future. ●

Len Murray, 1980 TUC Congress



## the real effects

Even in its own terms, this government's policies cannot work — they are destroying the British economy, not reviving it.

But it's real people that are being hurt. Cuts in public spending, cuts in benefits, cuts in services cause widespread hardship.

**State benefits and public services.** In its 1979 election manifesto, the present government said it would be 'concentrating welfare services on the effective support of the old, the sick, the disabled and those who are in real need'. Yet one of its first acts has been to cut the real value of National Insurance benefits — increasing them by 5 per cent less than the rate of inflation, for the next three years. This applies to:

- unemployment benefit
- sickness and injury benefit
- maternity benefit
- invalidity benefit.

And it has decided not to increase pensions in line with inflation — so pensioners will suffer.

Planned spending on public services has also been cut. For example:

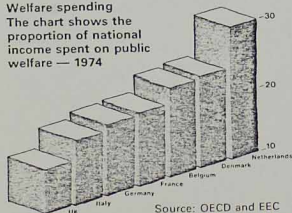
- **housing.** Council house building has been cut to the level of the 1930s
- **education.** Spending on schools will be 4.5 per cent lower in 1980/81 than in 1979/80
- **personal social services.** Spending down by 6.6 per cent.

*'Of course for some areas of government spending, money appears to be no object. Defence spending will be growing at 3 per cent a year up to 1983/84. The government's priorities are clear from the figures: by 1983/84 overall expenditure will be 4 per cent down on the 1979/80 figures, education will be 11 per cent down, aid to industry 40 per cent down, housing 50 per cent down, but defence 13 per cent up.'*

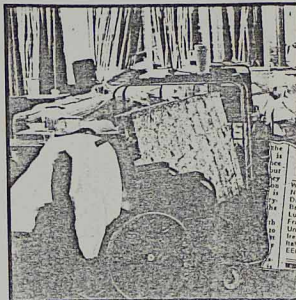
### TUC, The Threat to Industry and the Welfare State

The government says that public spending is too high, but Britain now devotes less of its national income to public welfare spending than any other country in the EEC.

**Welfare spending**  
The chart shows the proportion of national income spent on public welfare — 1974



Source: OECD and EEC



**The low paid.** The government has made much of its income tax cuts. But for most people this has been more than wiped out by the rise in VAT, increases in mortgage interest rates, and increases in council house rents.

The effect of the 1979 and 1980 Budgets and the rise in interest rates has been a massive shift of income from the low paid to the high paid:

- a couple on £60 a week (£3,120 a year) are about £2 a week worse off
- a couple on £100 a week (£5,200 a year) are about £5 a week worse off.

But:

- a couple on £400 a week (£20,800 a year) are about £20 a week better off
- a couple on £2,000 a week (£104,000 a year) are about £354 a week better off.

So the government is attacking the low paid on a number of fronts:

- cutting the real value of benefits
- cutting public spending
- raising indirect taxes and interest rates.

**Unemployment.** We know that government policy is to allow unemployment to keep on rising until inflation is 'squeezed out of the economy'. We also know that this policy is destroying British industry. But it is worth stressing just how deliberately the government is increasing unemployment.

Government policies are designed to create unemployment. High interest rates mean that firms cannot afford to borrow — this is what the government wants. The result is that many firms are going bankrupt, many more are laying people off — and communities are dying. Britain is in a slump — and not yet at the bottom of it. 400,000 jobs were lost in manufacturing industry over the last year.

In the public sector, spending cuts mean that by 1984 300,000 more jobs may be lost. And this means less spending on private



Another hospital is closed — even fewer beds for the sick

## Checklist

### government policies

The government says its policies will revive British industry, reduce prices, and create jobs. The reality is very different.

The government says:

- private industry can only be restored to health by cutting back the public sector
- inflation can only be beaten by high interest rates, cuts in public spending, and cuts in real wages

These policies can't work:

- they're destroying industry — firms won't invest if interest rates are high, there is no demand for their products, and they can't export
- inflation won't be beaten when the government raises nationalised industry prices, doubles VAT, and increases interest rates.

And they cause pain and suffering by:

- cutting spending on housing, education, health, and social services
- raising the prices of school meals and prescriptions
- cutting the real value of benefits for sickness, injury, maternity, invalidity and unemployment

The Times 29 October 1980

	Health Cost per head	Gross Domestic Product % spent on health	in £ per head	Practising doctors per 100,000	Hospital beds per 1,000 people
Ireland	425	7.8	5,435	171	11.3
Denmark	412	8.4	4,850	215	11.3
West Germany	238	7.2	5,719	200	12.3
France	209	6.0	4,620	163	9.1
Sweden	293	5.5	5,110	172	12.9
Switzerland	159	6.3	2,881	110	11.5
Belgium	125	5.5	1,920	110	8.1
Spain	109	4.8	2,220	245	9.9
Italy	251	6.5	3,910	197	10.3

sector goods and services. For each job lost in the public sector another job will be lost in the private sector.

We have already seen that Britain is suffering from:

- deep-seated problems in the economy
- the international recession.

To these we can now add a further major problem:

- the policies of the present government.

Unless the government adopts new policies, as set out in the next part of the book, Britain will be turned into an industrial wasteland — no price rises, to be sure, but also no production, and no jobs.

## death by a thousand cuts?

- At the Little Morton home in Hastings for mentally-ill elderly people, eight of the 26 residents died within six weeks of being told that the home would have to close. Staff believe that the closure proposal was at the very least a contributory factor in the increased depression, incontinence and confusion of the residents, and may have been a factor in the unusual number of sudden deaths.

Community Care, November 1979

- Further cuts in the social services may endanger the lives of children and young people, and shorten the lives of the elderly. If the government requires more savings to be made, then it must accept the responsibility for stating which client services will be sacrificed and which protected, and it must share with local government the responsibility for saying this openly and frankly.

Association of Directors of Social Services, 1980.

Sunday Times, 16 November 1980

## On the dole — half a town

by Chris Tighe

MORE jobs are to go in crisis hit Consett. Still reeling from the closure of its steelworks, the town was knocked flat again last week by its largest remaining employer, Ransome Hoffman Pollard, pulling out. The result: by next year half the area's workforce will be on the dole.

The forecast of a 50% jobless total was made by Derwentside district council after RHP announced that its Annfield Plains bearings factory, just two miles from the BSC plant, is to close with the loss of 1,250 jobs. Of the 3,700 redundant BSC workers on Derwentside, just 19 have found work through the Consett and Stanley job centres. The prospects are grim.

On Thursday there were 15 vacancies in Consett, of which seven were part-time. Full-time vacancies included posts for a nanny, a housekeeper, a ladies hairdresser and a midwife.

Management arguments to bolster other plants at their expense.

"We will try to use consultation," says Joe McVirtie, the plant's General & Municipal Workers Union convenor. "Just because we think the company has behaved in a deplorable manner doesn't mean we will do the same. We have increased productivity by 20% in the last two years and a couple of weeks ago we accepted a 6% pay increase. We couldn't have done more."

Management arguments by BSC and RHP are strikingly similar. RHP's finance director, Richard Morgan, says the closure has been forced on his company, which has other larger plants throughout England, because of the sharp decline in the UK car industry. BSC pleaded the need to close Consett to rationalise operations in the face of the international steel industry recession.

# The trade union alternatives



There is an alternative to this disastrous state of affairs — but not without a complete change of direction in Government policy and an entirely different set of priorities. We reject the present government's policies and priorities. Our objective is sustained full employment and we re-assert our belief in a positive alternative approach based on:

- an expanding economy
- partnership and co-operation between Government and the trade union Movement
- the control of inflation
- intervention and assistance to promote industrial regeneration and employment
- public investment, public services and social benefits
- greater social and economic equality. ♡

TUC-Labour Party Liaison Committee, Trade and Industry — a Policy for Expansion

The present government's policies are based on two key ideas. They say:

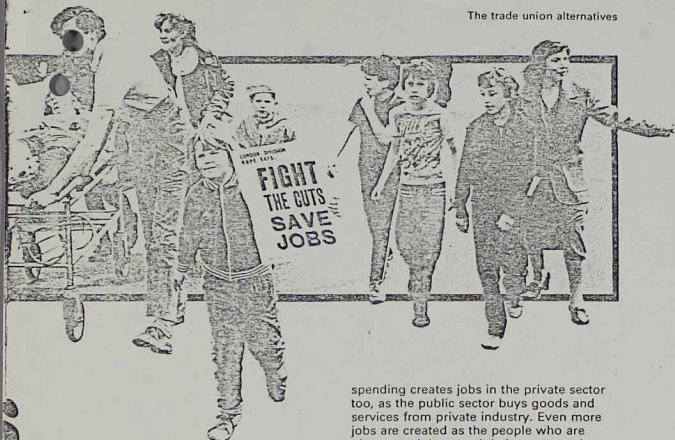
- economic recession and high unemployment are needed to control inflation
- only private industry can regenerate the economy. The government shouldn't take direct action to reverse the slump.

So public spending is being drastically cut while public and private borrowing are held back by high interest rates. The result is a deliberately created recession. Unemployment and anti-trade union laws are being used to weaken the opposition to the government's plans.

The result of these policies is huge waste and social injustice.

Millions are idle while our basic industries are being destroyed. Urgent social needs remain unmet.

Even in the long run the government's policies are self-defeating and unworkable. The TUC has alternative policies which can rebuild our economy and avoid the scandalous waste of unemployment.



We say the government must:

- boost public spending
- create jobs now
- plan for industry
- control imports
- control prices
- share the wealth.

We'll look at each of these in turn.

## boost public spending

Public spending must be substantially increased. This is an essential part of any strategy to get out of the slump.

IT MIGHT HURT FOR A BIT, BUT THERE'S NO ALTERNATIVE TO THE GOVERNMENT'S POLICIES. IS THERE?



These are the reasons for increasing state spending:

Public spending creates jobs. Many areas of the public sector are labour-intensive. Public

spending creates jobs in the private sector too, as the public sector buys goods and services from private industry. Even more jobs are created as the people who are given new jobs spend their wages and salaries. In contrast, the cuts in public spending have already destroyed many thousands of jobs in both the public and private sectors.

**The cuts are self-defeating.** Cuts create unemployment — so the government loses tax income while the bill for unemployment pay grows. The government's answer is to cut spending even more. Spending must be increased to break this spiral into the slump.

**Public spending is needed.** The old, the sick, the homeless, the young all need the facilities which they can only get from public services. The government says that public services and education are 'luxuries' which we must cut back on when finance is tight. This is false. So is the claim that the cuts are just 'trimming the fat' and 'eliminating waste'.

Public services are a key part of our living standards. But the government feels they are extravagant and dispensable because they aren't sold for profit. Social services, health services and education are a vital investment in our welfare. To cut them is divisive and counter-productive. Ordinary people suffer while the better-off can look after themselves.

**New techniques could cut manufacturing jobs.** If private industry does recover, much new investment will be in new technology, which on its own won't create new jobs. We must look more and more to the public services to provide jobs in the future.

Besides increasing the **quantity** of public spending the trade union Movement is also interested in the **quality** and effectiveness of public services. The TUC opposes the current levels of spending on armaments.

#### The trade union alternatives

And we want to see more democratic involvement and union participation in planning for future spending.

Union priorities are better pensions, increased child benefits and improvements in the National Health Service and education. Housing and social services are other areas of urgent need which can only be met by expanding state spending.

## create jobs now

Unemployment is expensive. So special measures to create jobs are cheap — just think of the savings on dole payments and the tax revenue generated. The TUC has calculated that extra spending of about £350 million could help to create or safeguard up to a million jobs.

The government should:

- further expand the Youth Opportunities Programme
- channel more cash into apprenticeships
- create temporary jobs for long-term unemployed adults
- increase opportunities for redundant workers to retrain for new skills
- give more subsidies for short-time working
- help older workers to retire early without heavy financial loss.

This would help reduce the hardship of unemployment. It would give real value for money. But it's no substitute for a programme to rebuild our industries and provide permanent secure jobs. We look at this next.

## Checklist

### TUC policies for public spending

The aims should be:

- planned growth for public spending
- job creation in the public sector
- income redistribution by boosting the social wage
- democratic involvement in planning spending priorities.

We can do this by:

- cutting unemployment to reduce dole payments and increase tax revenue
- raising tax on higher incomes and wealth
- cutting spending on armaments
- taxing windfall profits of banks and oil companies.

The old, the sick, the homeless, the young all need the facilities which they can only get from public services



## plan for industry

'The 1980s can be a decade of opportunity for the UK economy. North Sea oil and the technological advance in micro-electronics could enable the UK to catch up the years of decline in relative performance, but to take advantage of these developments, the government must end its doctrinaire obsession with monetary policy.'

TUC, Economic Review 1980

Private industry, left to itself, can't be the key to future prosperity. Business confidence is at its lowest for 40 years. The high cost of borrowing has crippled investment while sales and output are shrinking for the first time since the war. The over-valued pound has made it harder to sell exports abroad, and imports have become cheaper.

Whole areas of manufacturing industry are on the verge of collapse as the recession hits sales, increases costs and undermines profitability.

There is no shortage of funds for investors, and North Sea oil has opened up enormous opportunities to re-equip our industry — but these opportunities are being thrown away. The banks and multinationals have been given the freedom to invest anywhere in the world. Few show signs of investing here. We've already seen British firms have a very poor record for re-equipping in this country.

The government must intervene to create an economic climate in which recovery can take place. And it must direct investment to the areas where it's needed.

The government has cut regional grants to industry and cut back the role of the



National Enterprise Board. The nationalised industries have been starved of cash, and forced to meet unrealistic financial targets. In British Steel's case the result is that thousands of jobs have gone and valuable steel-making resources are lost for ever. The government plans to sell off the profitable parts of nationalised industries — making it even harder for them to be viable in the future.

Government policies are making the effect of the recession on industry even worse. We are seeing a wholesale de-industrialisation which will cause lasting damaging to our basic industries.

Government spending should be increased to boost demand in the economy. But industry must also get special treatment: The government should be directly involved in promoting industrial recovery.

These are the main points of the TUC plan for industry:

**Cut interest rates.** The high cost of borrowing is increasing industry's costs and deterring new investment.

**Government intervention.** The state must take an active part in re-equipping British industry. So the National Enterprise Board must be given more funds, and funds from the banks, pension funds and insurance companies must be channelled more

effectively into industrial investment. A new National Investment Bank should be created to take advantage of the cash generated by North Sea oil.

We need to identify priorities for investment. Unions must be involved in this — for example, through the Sector Working Parties set up under the previous Labour government. Planning agreements between firms and the government will be needed to make sure that industry plays its part in the recovery.

**Support the nationalised industries.** They must be given realistic targets and enough finance. The need for continuing subsidies in areas such as railways, steel and shipbuilding must be recognised, as it is in other countries. These industries are vital to any economy. It's nonsense to insist that they must make profits or be cut to the bone.

More investment is needed to increase productivity — and hiving off successful parts of nationalised industries should stop. And the Government should stop encouraging private 'competition' where the pickings are richest (inner city mail delivery, or profitable bus routes).

**Help the depressed areas.** The government has cut aid to the regions hardest hit by unemployment. These cuts must be reversed and spending stepped up.

Financial Times,  
28 November 1980

## BR to publish plans for network cuts in January

BY LYNTO HULAIN, TRANSPORT CORRESPONDENT

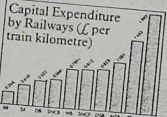
PLANS FOR the biggest series of privatisations for years of cuts in British Rail's fleet. These include early closing of freight services, some 5000 railcars, 10000 trucks, and a

## How long can we go on running the most cost-effective major railway in Europe?

**CONSTRUCTIVE**  
The industry in Western Europe is under a great deal of pressure to reduce its costs. In 1977, the rail industry in Britain was the highest cost in Europe. It is now the lowest. This is due to a number of factors, including the closure of unprofitable lines, the introduction of new rolling stock, and the use of more efficient operating methods.

There were three main factors which led to this success. The first was the closure of unprofitable lines. The second was the introduction of new rolling stock. The third was the use of more efficient operating methods.

Most crucially, the level of investment in the railway (see chart) that is, expenditure on renewals, replacement and improvement for the future — is also the lowest in Europe. The repercussions are obvious, as too many of our customers know.



Unfortunately, today we are running the railway very hard just to stand still. To replace worn out assets, our current investment levels need to be raised by 50%. Without this extra investment, the consequences will be severe.



This is the age of the train ➔

New Statesman, the same day

**Technological change.** The government has a vital role to play in promoting the use of new technology, while safeguarding working people. We need an economic climate which encourages investment, or we'll fall even further behind our competitors.

We need:

- state investment in the production of electronic components
- enough money for training and retraining schemes
- financial help and advice for new ideas on products and techniques
- proper safeguards for workers affected by technological change.

**Democratic control.** The TUC's industry policy can only work if unions have more democratic influence over companies; especially in the many cases where innovation could have serious effects on working conditions and jobs. We cannot rely on private industry to protect the interests of working people.

Many trade unionists feel that government money has been given to firms in the past without enough accountability. Firms have moved or closed when subsidies run out.

## Fly-by-night firms take grants then close plants

By MIKE PENTELOW

TOUGH new laws to prevent fly-by-night employers from exploiting the unemployed in the North-East are being demanded by the garment union.

officer of the National Union of Tailors and Garment Workers. One firm, Adam Fashions, in Sunderland, closed owing money to its workers and then opened again after a few days under the name of Ultrachique.

Morning Star, 1 October 1980

A strong framework of planning agreements will be needed to prevent abuse of state assistance to industry in the future.

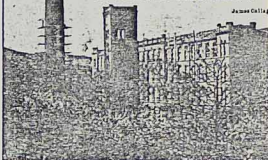
## control imports

We've seen how imports of manufactured goods have been growing as the economy has declined.

Our trading position has often held back the economy in the past. As we expanded we sucked in imports, threatening the balance of payments. So governments put the brakes on the economy. North Sea oil offered the chance to lift this pressure by lessening our dependence on imported oil. But our poor manufacturing record means we are wasting this opportunity. Many of our industries need a breathing space to reduce the pressures of foreign competition while we re-equip.

**The 'strong £'.** The value of the £ is at a very high level, making imports cheaper, and our exports harder to sell abroad. The £ must be reduced in value as soon as possible.

As far as I am concerned, the textile industry in my area is completely smashed. It is non-existent!



Trade Secretary John Nott (right): At the eye of a hurricane

## TEXTILES

THE STRAIN on the thread-holding British textile industry really began to show last week. In the run-up to the anti-import control lobby had hit us. The Consumers Association launched a broadside against any suggestion of Britain's MFA hard-earned reports on plant-up on...

**Managed trade.** The unions are calling for government planning to help re-equip industry and control prices. International trade can be no exception. It must be controlled to help industrial recovery. This means controlling the import of certain goods such as textiles, clothing and cars, to protect core industries. The unions are not arguing for a permanent tariff wall or a siege economy. We want temporary selective controls to provide help while industry re-equips.

Many other countries use various administrative and legal methods to protect their home markets — Japan is only one example.

**Retaliation.** Opponents of import controls argue that they would make us worse off, as other countries would retaliate by putting barriers on our exports. But we would be aiming to stabilise our imports rather than reduce them drastically. And in the long run other countries would gain from a successful programme to revitalise our economy. Other western countries have more to lose than us in any trade war. We buy more from them than they buy from us.

**Multinationals.** The growth of large multinational companies has made it more difficult for governments to control trade and international money movements. Planning agreements must be used in the future to regulate the activities of multinationals. We must halt the trend of multinationals making a larger and larger share of their products abroad.

**The third world.** Critics often claim that import controls 'export unemployment', especially to the third world. But most of the

the textile

OW

for Millington and Press with



pressures leading up to the multi-fibre arrangement.

## IN TATTERS

ains of a once-proud  
or life. **STEVE VINES**  
... as

ish Textile Federation, Ian this drastic step but are  
MacArthur, says: 'We don't increasingly looking abo-  
want to promote a trade war for manufacturing export  
with the US but they must... Coats Patons' current  
renew the... the... invest

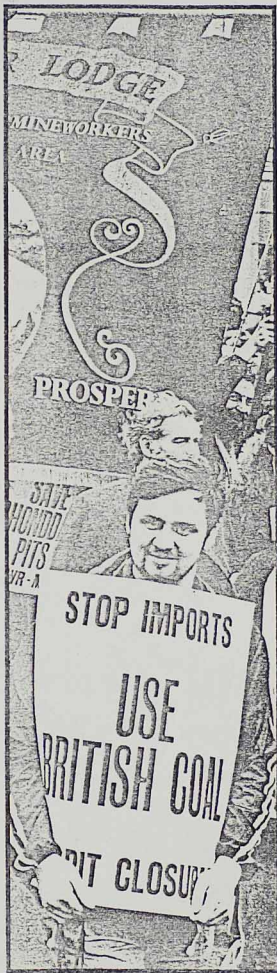
proposed selective controls are for high-technology products from advanced countries. Even so, special arrangements may be needed to expand trade with third world countries. Our trade with these countries has been hit since we joined the EEC, and should be stepped up again. Government aid to third world countries must also be increased.

We want temporary selective controls to provide help while industry re-equips

## Checklist

### TUC policies for industry and trade

- expand the economy to increase demand for industry's products
- government intervention to promote new investment
- cut interest rates
- realistic policies for nationalised industries
- promotion of new technology while safeguarding working people
- democratic control and trade union influence in industry
- regulation of nationalised industries
- selective import controls to protect core industries
- expanded trade with the third world.





## control prices



The government's policies have significantly increased prices, as we have seen.

They've deliberately boosted rents, rates, fuel prices and public transport fares, while the high cost of borrowing has hit people with mortgages. The recession has increased industry's costs and put up prices. The increase in VAT has raised prices for ordinary people. Living standards are also being hit by unemployment and cuts in the social wage.

Meanwhile price controls have been abolished. The government claims that prices are now being brought more under control. But the two main reasons for this should give us no satisfaction — many firms can't put up their prices because they can't sell their products, and imports are becoming cheaper as the value of the £ soars.

The trade unions see price controls as the main way of controlling inflation. They will be increasingly needed as the economy grows — to stop excessive profits.

So the unions are putting forward these points:

- effective price controls
- the Common Market Agricultural Policy must be changed to bring down food prices
- public transport fares should be cut to boost passengers and save energy
- the current rate of VAT should be cut.

## share the wealth

The government says that high tax rates have removed 'incentives to work'. But its policies have helped the rich at the expense of ordinary people. Cuts in income tax have benefited high earners, while the increase in VAT has had a big effect on people on average and low incomes. Cuts in the social wage hit the low paid very heavily as well.

Claims that we are overtaxed are not true. In fact the amount we pay is one of the lowest in Europe. But the burden is unfairly distributed, with working people paying too much, and companies and high earners paying too little. On top of this, companies and high earners can avoid tax in ways which ordinary people can't.

We must move towards a fairer society, and scrap the present government's divisive and unfair approach through:

- a tax policy aimed at a fairer distribution of income and wealth
- a cut in the amount of tax raised from VAT
- help for the low paid by lower tax rates on low incomes
- increased child benefits and pensions
- heavier tax on company profits.

## will the alternative work?

The government's current policies cannot work, even given time:

- cuts in public spending are self-defeating
- recession is the worst possible climate for modernising industry
- private industry is being badly hit by government policies. It will not be able to start an economic recovery.

The economic strategy put forward by the unions offers the only hope for a just and prosperous society. But how can it be made to work? Here are some common objections to the trade union strategy. The replies show that the trade union approach to the economy will work.

## how can we afford it?





Post-war policies. Since 1945 governments of both parties have been committed to using public spending to control the economy and provide steady employment. So public spending has been used to boost the economy and prevent recessions in the past. The government is breaking with past practice in refusing to do this. Its approach is the same as the one used by governments in the 1930s.

**Unemployment** is a huge drain on the nation's resources. Bringing it down will release cash for more productive use. It will also boost tax revenues.

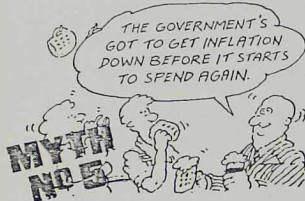
**North Sea oil** is generating huge resources. These must be put to work in industry.

**Cuts in the arms bill** would release resources for more useful forms of public spending.

**Taxes** are lower than in other European countries. We can afford to increase taxes, especially on the better-off, to help pay for government spending.

**Borrowing** can be used to raise some of the money needed for government spending, especially in the first stages of the policy. We don't feel that public borrowing must be cut at all costs. It's quite proper for a government to borrow, and the need for this will be less as the economy and tax revenues start to expand again.

## won't it put prices up?

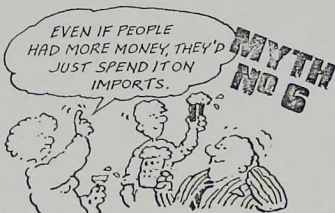


What's the point of eliminating inflation if the end result is millions unemployed and industry in ruins?

There are many causes of inflation, including the government's own policies on interest rates, exchange rates, taxes and cuts. We don't accept that one factor alone is to blame. In the long run the only way to defeat inflation is to make industry more efficient and competitive. This won't happen unless we have a policy of expansion to encourage new investment and modernisation.

The TUC wants price controls to limit inflation while this happens.

## what about imports?



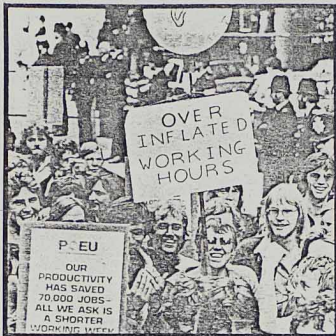
Exchange rates would have to fall. This would put up import prices, and make our own goods more competitive at home and abroad. Boosting public spending rather than making tax cuts will lessen the tendency to import more as the economy grows. And the TUC advocates temporary import controls to protect core industries while modernisation takes place.

## no easy options

Nobody is claiming that the TUC's programme is an easy answer. But it does offer the prospect of economic recovery and an alternative to disastrous levels of unemployment.

The Movement's strategy can only succeed if it's understood and supported by all trade unionists and by the general public. Every level of the trade union Movement must work hard to win this support. The next section looks at ways of doing this.

Support TUC  
Regional  
Council and  
trades council  
activities



Produce local  
campaign  
materials for  
distribution in  
your area

# Un poli i act

The aim of this phase of the Campaign is to promote discussion of the economic crisis and trade union alternative among members and the general public.

It is vital that the issue of unemployment

TUC statement

**O**ur problems can only be tackled by a radical shift in government policy — on the lines set out by the TUC. But this won't happen without extensive backing from working people. So the trade union Movement at every level has to publicise and argue for the alternatives to slump and social division.

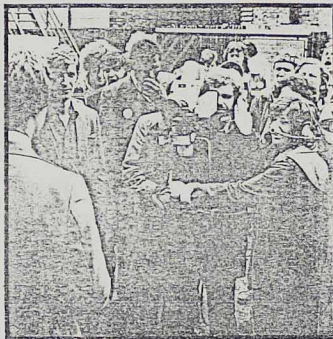
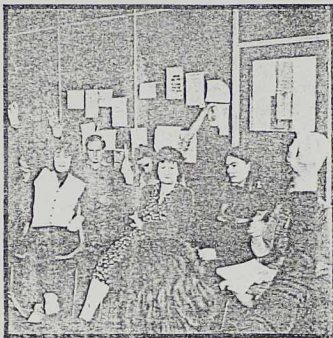
**Bargaining for jobs.** Unions must work, through collective bargaining, to protect their members from the threat of unemployment, particularly in the face of rapid technological change. Union bargaining is a central part of the fight against unemployment.

**Union organisation.** High unemployment can severely weaken union organisation. Fear of losing a job undermines the will to take action. The threat of redundancy can divide and demoralise trade unionists. Part of the union strategy must be to build awareness and unity among trade unionists, and to strengthen union organisation in the face of the threat to jobs.

**The unemployed.** The unemployed have a special interest in the fight for alternative policies, but they're often not involved in trade unions because they are not in work. Unions must find ways of involving and helping the jobless.

# ion cies n ion

Organise workplace and branch meetings on unemployment and the TUC's alternative policies



Keep local press, radio and tv stations informed

and trade union and TUC alternatives to the present disastrous policies of the government are understood and fought for throughout the union Movement. ♡

**Campaigning.** Many local campaigns are being mounted to expose the effects of closures and public spending cuts. These campaigns must be used to get across a better understanding of the issues behind the crisis.

## bargaining for jobs

All parts of the economy are suffering from the recession and the government's policies. But some are in more trouble than others, and the chances of successful bargaining on jobs will vary. You must weigh up your own situation carefully and plan union strategies with this in mind. In some cases your employer could do a lot to

protect jobs — in other cases new government policies will be the only real answer.

The main aim must be to protect job opportunities by preserving the number of jobs. Any proposal for 'voluntary' redundancy or 'natural' wastage fail to meet this objective, and you should only consider them when other tactics have failed. Unions must have advance warning of any changes which could affect job prospects, and full rights to negotiate for job security.

You must think ahead to prepare negotiating policies and mobilise union members to react to closures and redundancies. No sector or firm is immune to the recession. The time to develop union strategies is now.

#### Union policies in action

**Cut working hours.** This must be done while protecting pay. Methods include cutting the working week, increasing holidays, and bringing forward the retirement age. The priorities set out by the TUC are:

- the 35-hour week
- less systematic overtime
- longer holidays
- more time off for trade union duties and trade union education
- time off for continuing education and sabbatical leave
- early retirement for older workers, with improved pensions.

We must insist that shorter working time is used to increase the number of jobs, not just to benefit the existing workforce.

**New products and markets.** Many firms could maintain or expand production if they were forward-looking about new products and markets. In particular, new technology offers opportunities to improve products and create new markets. Unions' reps should raise this with their employers.

**Safeguards for technological change.** If companies are thinking of re-equipping, they'll be aiming to cut costs. New computer-based equipment could drastically change the way work is done, making traditional skills redundant, and eliminating many jobs. On the other hand, new technology might improve conditions at work if it were used with union interests in mind.

Here are some union policies to cope with changing technology:

- advance warning and consultation on changes
- no change without agreement
- 'no-redundancy' guarantees
- retraining programmes to give workers the skills for new techniques
- full consultation on job design — to limit de-skilling and loss of control over work.

And these policies should go with the demand to cut working time, safeguard jobs, and seek new products and opportunities for expansion.

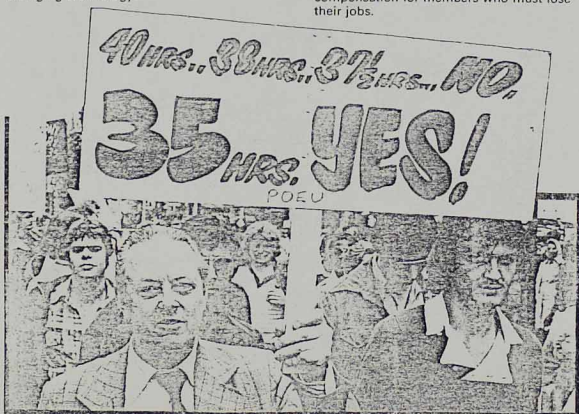
**Alternatives to redundancy.** Even if the level of work is falling, redundancy can often be avoided.

Some options are:

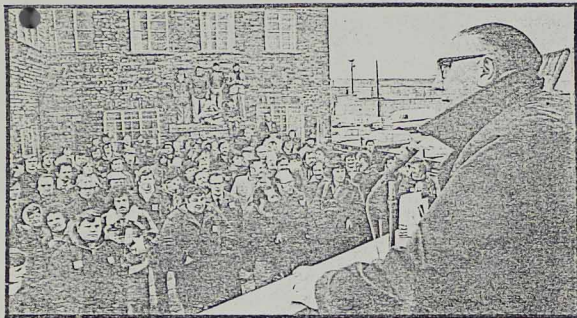
- short-time working
- reduction of work put out to contractors
- job loss through 'natural' wastage — this method avoids compulsory redundancies, but can discriminate against those who change jobs more often, especially women and young people.

The Temporary Short-time Working Compensation Scheme currently enables employers to claim special payments from the government if workers are put on short time instead of being made redundant.

**Protection for redundant workers.** When jobs are threatened, unions should always aim to oppose redundancies and seek alternatives. In some cases this may not succeed, and job loss will be unavoidable. Then unions will need to go for maximum compensation for members who must lose their jobs.







Members must be aware of the link between government policies and the threat to jobs

Consider these points:

- voluntary redundancy instead of compulsory redundancy
- early retirement, with protected pension rights
- compensation on top of legal minimum redundancy pay
- redundancy pay for those not covered by law, such as young workers, short-service workers and part-time workers.

## union organisation

Unemployment and the threat of redundancy always put a strain on union organisation. Members can become demoralised and less willing to support the union. The announcement of redundancies can split the workforce. People who feel their jobs are safe may not want to resist, while others may be keen to draw redundancy pay.

There may be conflicts between members about who should go. Some may be pessimistic that resistance to redundancy can succeed.

One important source of weakness is the feeling that redundancies are inevitable, and that there's no alternative to the present government's policies.

**Wider awareness of the TUC's alternative policies will strengthen union organisation and the will to oppose redundancies.**

Members must be aware of the link between government policies and the threat to their jobs. The central aim of the TUC campaign is to make this clear.

**The reality of unemployment.** Members must be alerted to the serious threats which face them. Unions should stress that redundancy payments are no solution. It's a myth to think that other jobs are easy to get,

that redundancy payments are generous, or that social security benefits and unemployment pay are adequate. Fewer firms are now paying more than the state minimum redundancy pay, and the real value of unemployment benefit and social security is being cut. More attacks on the dole are planned — earnings related benefit is to be phased out, and redundancy pay will count against unemployment benefit.

**Monitoring job loss.** Union reps should be on the alert for natural wastage and failure to replace workers who leave. And unions should resist attempts to increase workloads by not recruiting new staff. If necessary, members should be prepared to refuse the extra work.

**Volunteering for redundancy.** Members must be shown that volunteering for redundancy without union approval can severely undermine efforts to preserve jobs. They could be 'selling' jobs which are not theirs to sell.

**New technology.** Unions should tell all members how new technology could affect them, and should work together to negotiate on new technology.

**Union links.** If all this is to work, good communications are needed — both within and between unions.

Some areas to look at are:

- co-ordination between unions in the workplace
- links between unions on different sites
- agreed plans for dealing with threatened redundancies
- bargaining priorities to help reduce future job loss
- regular meetings and bulletins, to develop trade union attitudes to unemployment, and build support for union strategies.

# Checklist

## union strategies to protect jobs

### Bargaining aims:

- advance warning and negotiation on any threat to jobs
- agreed alternatives to redundancy
- cuts in working hours and overtime
- safeguards for technological change
- plans for new products and markets.

### Union organisation:

- alert members to the threat to their jobs
- bring home the reality of redundancy and being unemployed
- discuss tactics to protect jobs
- improve links between unions
- encourage reps to watch out for job loss and natural wastage
- make members aware of the impact of government policies
- publicise the TUC's alternatives.

## the unemployed

The government is now attacking the unemployed and their meagre living standards. Myths about 'scroungers' and 'the workshy' are spread through the media. Meanwhile the government is slashing unemployment benefits and social security — trying to avoid the costs of the unemployment that its own policies have created. The unemployed must be given the confidence and organisation to help them resist these attacks.

Union members should think about their responsibilities to the unemployed. If workers who lose their jobs can keep up union membership and go to union meetings, they can then voice their problems and needs.

Many unemployed workers lose contact with their unions. They become isolated, and are denied the advice and support they need. They lose the chance to take part in the campaign for jobs and for new economic policies.

At the moment the TUC is looking at ways of helping and involving unemployed workers, for example by:

- making it easier for workers who lose their jobs to stay in their unions, and go to branch meetings
- special training courses for the unemployed — on the causes of unemployment and the personal problems it creates
- local centres where unemployed people could meet each other and get advice — for example on social security and job-hunting.

More information about TUC initiatives for the unemployed will be available soon.

## Union centre will offer help to 10,000 jobless



**Morning Star Reporter**  
**HELP** is on the way for the ten thousand unemployed in the East London borough of Tower Hamlets.

A centre for the jobless is to be established in the new year by the local council and the South-East TUC—the first such initiative in London and only the second in the country.

"The government may be indifferent but the trade union movement and local council cannot be," South-East TUC secretary Jack Dorney said yesterday, announcing the centre.

The centre, which will probably be in Bromley public hall, should include a canteen and an advice service for the borough's unemployed who, registered and unregistered, probably account for over 20 per cent of the population.

There should be interpreting through large

## campaigning



Unions must put forward the alternative policies of the Movement

Trade unions must spread the union message in each local community. Trades councils have a vital role to play in this. Local redundancies and cutbacks in public services are a big opportunity to attack government policy and argue for the trade union alternative. There are many ways of doing this:

- letters, interviews and articles in local papers, radio and TV
- lobbies of council meetings, firms planning closures, public services and hospitals which are to be cut, and so on
- petitions, leaflets, marches and public meetings to alert the community to threatened jobs and services.

Local campaigns can be used to highlight all the ways that government policies affect working people. Examples are:

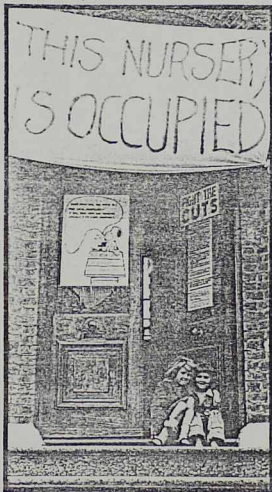
- local job loss
- cuts in health and social services
- rent rises and housing cutbacks
- public transport cuts and rising fares
- price rises
- recreation cuts
- poorer school facilities, higher school meal charges, and bigger classes
- attacks on women's rights and jobs
- neglect of pensioners and the old
- hardship for the disabled.

In many cases there are groups within the community which can help extend the campaign. Pensioners' associations, tenants' associations, women's groups, parents' associations, public transport users, and others can all be useful in publicising the real impact of government policies. Unions must build links with groups like these —

directly and through local trades councils.

In joint campaigns, unions must put forward the alternative policies of the Movement, as well as just criticising the impact of the present government's strategy.

Local campaigns can highlight the effect of government policies





## the next steps

The TUC has called on unions to make sure that the issue of unemployment and the TUC's alternatives are on the agenda at union meetings in workplaces and branches. And the campaign must take the message to the public through the local papers, radio and TV, and activities organised by trades councils and other groups.

Here are some guidelines to help you run meetings and discussions and make use of the local media.

**Workplace meetings.** Many workplaces have a tradition of meetings for members at lunchtimes, or at the end of the day or shift. You should plan to use these meetings to discuss unemployment and the TUC's alternatives. This book will help you.

You should also produce your own handouts and broadsheets, using the checklists in this book, and adding local material.

**Branch meetings.** Many branches try to make their meetings lively and interesting by building in discussions and even short educational sessions, often organised by a branch education officer. The TUC has asked unions to get the issues in this book onto branch agendas.

One way to do this is a short session introduced by a union official or rep, followed by a discussion.

You could try new ways of doing this — such as small group discussions, followed by reports and general debate.

It would help if handouts were available to focus on the key points.

**Using the local media.** One way to get the union message across to the public is to use the local papers, radio and tv. If you are planning campaign activities, let them know about it in advance. Develop contacts with local journalists, issue press releases, and for a big event, call a press conference.

See the booklist on page 35 for details of guides on this.

## Checklist

### developing the campaign

- organise workplace and branch meetings on unemployment and the TUC's alternative policies
- distribute the campaign material among union activists, and display campaign posters prominently
- produce local campaign materials for distribution in your area
- involve unemployed workers in trade union campaigns
- support TUC Regional Council and trades council activities
- join forces with groups in the community who are resisting the effects of government policies
- keep local press, radio, and tv stations informed
- tell your union and the TUC Regional Council what you are doing.

# Finding information

If you are writing a leaflet for your members about unemployment — or addressing a branch meeting, or checking on closures and job loss in the area for the trades council — you may need extra information.

## national and regional information

- The Department of Employment Gazette has statistics of employment and unemployment, broken down by region, areas, occupation, and age. It also gives information about the length of time people stay unemployed, and about vacancies.

2.9 UNEMPLOYMENT Industry: excluding school leav		1978		1979		1980	
Region	Unemployment	Unemployment	Unemployment	Unemployment	Unemployment	Unemployment	Unemployment
1978	1979	1978	1979	1978	1979	1978	1979
North	21.4	21.1	20.9	20.8	20.7	20.6	20.5
Yorkshire	20.8	20.5	20.3	20.2	20.1	20.0	19.9
West Midlands	21.2	21.0	20.8	20.7	20.6	20.5	20.4
East Midlands	21.6	21.4	21.2	21.1	21.0	20.9	20.8
East of England	21.8	21.6	21.4	21.3	21.2	21.1	21.0
London	22.0	21.8	21.6	21.5	21.4	21.3	21.2
South East	22.2	22.0	21.8	21.7	21.6	21.5	21.4
South West	22.4	22.2	22.0	21.9	21.8	21.7	21.6
Wales	22.6	22.4	22.2	22.1	22.0	21.9	21.8
Scotland	22.8	22.6	22.4	22.3	22.2	22.1	22.0
North Ireland	23.0	22.8	22.6	22.5	22.4	22.3	22.2
Great Britain	23.2	23.0	22.8	22.7	22.6	22.5	22.4
Europe	23.4	23.2	23.0	22.9	22.8	22.7	22.6
UK	23.6	23.4	23.2	23.1	23.0	22.9	22.8

Information from the DE Gazette

- British Business (it used to be called *Trade and Industry*) is a government journal with information about profits, bankruptcies, investment. It also gives details of what's happening to the economy — such as output, prices, the balance of payments, and the exchange rate.

Information from British Business

## Investment

**Manufacturing industry.** The volume of fixed investment by manufacturing industry, on revised estimates, fell sharply by 5 per cent in the second quarter of 1980. In the first half of the year investment also fell by 5 per cent and was 4 per cent lower than a year earlier. This path is consistent with the downturn anticipated by the DoI's investment intentions survey which suggested a fall of between 8 to 12 per cent in 1980 as a whole.

Much of the information in this book comes from these two journals. *British Business* comes out every Friday, and costs 95p.

The *Gazette* comes out once a month and costs £1.65.

They can be bought from any Government Bookshop — the address is in the phone book — or you could try a local library.

## local information

You may want information for a small area — your town, for instance. Your union or the trades council may already collect these figures. If not, try:

- **Your local authority.** It may produce information bulletins about jobs, closures, and redundancies. Some local authorities have departments which give aid to firms or co-ops setting up in the area, or help them get grants from the government. Planning departments of local authorities and county councils produce *structure plans* — which show the types of industry and jobs in the area. Try contacting the information or press department at your local town hall to see what they can produce.
- **Manpower Services Commission (MSC).** Local employment offices actually collect the details of unemployment, closures, and redundancies in the locality. District and regional offices produce figures for wider areas. Look in the telephone directory under 'Manpower Services Commission Employment Service Division' for the addresses and phone numbers.

6. County of Hampshire	Vacancies unfilled at 5.9.80	Changes since 8.8.80	Unemp. Males
ALLERTON	150	- 7	538
Farnborough	109	+ 11	407
Fleet	153	+ 45	212
ALTON	107	+ 26	278
ANDOVER	136	- 39	601
Basingstoke	417	+ 21	1164
LYNCHING	106	+ 21	598
PORTSMOUTH	451	+ 90	3703
Portsmouth PD	381	+ 2	272
Fareham	106	+ 5	1094
Gosport	50	NC	970
Havant	126	+ 6	2298
Liphook	19	- 1	330
Petersfield	45	- 2	284
Ringwood	27	- 3	557
Waterlooville	428	- 37	3417
<b>TOTAL</b>	<b>681</b>	<b>+ 2</b>	

Information from the MSC.

# Booklist

Here are some details about other pamphlets on economic and social policy which have been published by the TUC and unions:

- TUC** **The Threat to Industry and the Welfare State** — outline of the crisis, attacks on the welfare state, the TUC alternative
- The Cuts: 400,000 Jobs at Risk** — spells out how the cuts hit jobs in the public and private sectors
- Economic Review** — detailed annual analysis of the economy and TUC policies. A new edition will appear early in 1981
- Briefcases** — short informative leaflets on education, local government, the NHS, women, social security, construction and housing — outlines how the cuts affect them
- Trade and Industry — a Policy for Expansion** — a joint statement from TUC-Labour Party Liaison Committee on industry policy
- Textiles, Clothing and Footwear** — analysis of these severely hit industries, with statement of union policies
- The Role of the Financial Institutions** — important statement of policy on the funding of industrial investment including control on export of capital, the need for new institutions and role of pension funds
- How to Handle the Media** — useful guide to effective use of press, radio and tv. See also **Using the local media** — free from the TUC
- TUC Cuts Checklist** — a periodic survey of cuts in public services, and their effects
- AUEW-TASS** **Save British Industry** — clear analysis of our industrial decline and the union alternative
- Import Controls Now** — the case for controlling our trade
- GMWU** **The New Vandalism — Tory Industrial Policy** — spells out how government policies hit industry and jobs
- So Who Needs Public Services?** — shows how the cuts damage services and the people that use them
- ISTC** **New Deal for Steel** — extensive analysis of the problems of steel. Shows clearly that there are alternatives to the destruction of the industry
- NUTGW** **Employment in Clothing — a Struggle for Survival** — documents the collapse of jobs in the clothing industry
- NUM** **The Miners and the Battle for Britain** — NUM view of government policy for the coal industry
- SOGAT** **Action Now** — how recession is hitting the paper and board industry
- TGWU** **Control Imports Now** — sets out the need for trade controls. Looks particularly at cars, electronic goods, chemicals, rubber and other industries
- Social Security — the Tory Attack** — gives details of government policies to cut social security benefits
- Advice for Redundant or Unemployed Workers** — valuable guide for the unemployed from the TGWU in Wales
- British Leyland — the Next Decade** — policies for BL from four of the main unions in the company
- UCATT** **Construction Cuts Hit Everyone** — shows how badly cuts hit the building industry, and the effects this will have on workers and the public
- Defend Direct Labour** — the case for local councils to continue to employ their own building workers
- Public Service Unions** **The Other Half of the Picture** — effective statement of the case against cuts. Good explanation of monetarism. Jointly published by CPSA and SCPS
- The Advance of Decline** — SCPS analysis of government strategy and the damage it is causing
- The Black Economy** — exposes the extent of tax fraud and lack of government action. Published jointly by five civil service unions
- Government Cuts in Environment and Transport** — from CPSA, SCPS and IPCS jointly
- Is this the Right Approach?** — CPSA and SCPS look at the impact of cuts in the departments of trade and industry



**Abuse of Social Security** — facts on social security cuts from CPSSA and SCPS

**Behind Closed Doors** — important review of how public spending is planned, with union plans to make this more democratic. Published by a group of public service unions. Available from NUPE

**Prospects for Britain** — NUPE review of the impact of government policies. Available from February 1981

**Give Britain a Boost** — NALGO leaflet on the unions' economic strategy

**Public Expenditure in the 80s** — useful look by NALGO at the future of public spending and its role in the economy

**The Economy and Public Policy** — NATFHE statement on economic policy and full employment

**Save our Schools — Stop the Cuts** — three linked pamphlets from the NUT about the impact of cuts on schools.

Many unions also publish regular bulletins and articles on economic issues. We do not have space to list them here.

## the arguments

For the Campaign against the present government's policies to succeed, trade unionists must be able to combat the myths that are commonly put forward.

**aim** This activity will help you to combat some myths about the economy which are widely put about by the media.

### task

*Discuss each of the following statements in your group. Make notes on the key points you would use to combat them in discussions with your members.*

*You will find various pages of the book useful, but you should think of local examples of your own to back up your points.*

*Elect a spokesperson to report back for your group — a different one for each myth.*

- 'The money that should be going into industry is being drained off by public spending on social services. That's the root of the problem.' (see pages 4-5, 11-14 and 19)
- 'Jobs are lost when workers ask for too much money. They have only themselves to blame if they price themselves out of a job.' (see pages 4-5 and 11-17)
- 'There's been too much state interference in industry. What's needed is more freedom for employers, and more incentives — that's what will revive the economy.' (see pages 4-5 and 13-23)
- 'There are still plenty of jobs open — it's just that the workshy won't move to where they are.' (see pages 6-9)
- 'Unemployment could be solved if women went back to the home.' (see pages 4-9)
- 'Of course unemployment is bad, but there's no alternative to the government's policies.' (see pages 13-15 and 18-25)

## spreading the message

There are many ways of getting across to your members and the general public the facts of unemployment, the disastrous effects of government policies, and the trade union alternatives. For example:

- leaflets among your members
- posters at the workplace
- newsheets or bulletins for your members
- articles in trades council journals
- press releases for local newspapers and radio stations.

**aims** This activity will help you consider how you can get the message across, and give you practice in preparing a leaflet, poster or press release.

### task

*With the other members of your group, prepare*

- a leaflet for distribution to your members, or
- a poster for your workplace, or
- a press release for your local newspaper / radio station.

*You will find the checklists and Union policies in action useful. But again stress the local dimension — the impact of unemployment on your area, the real reasons why your firm is in difficulty, the effects of cutbacks in public spending on the community, how the trade union alternatives would help.*



## campaigning

It's vital that all trade unionists take an active part in the Campaign. You'll need to think clearly how to protect jobs, and how to promote the Campaign, at work and in the community.

**aims** This activity will help you decide the practical steps you can take to promote the Campaign and to protect jobs.

### task

*Discuss with the other members of your group how you can best protect your members' jobs and further the Campaign.*

*Make a note of:*

- *the main points you would put to your members to make them aware of unemployment and the need to campaign for alternative policies*
- *the best ways of getting the message across to your members and the community*
- *your main priorities for action on collective bargaining, union organisation, and local campaigning.*

*You'll find The trade union alternatives and Union policies in action useful, but again think of local examples.*

*Make sure you elect a spokesperson for the group.*

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DC MR PFW  
MR WILKINSON  
MR INGHAM  
MR VERKORNIK  
MR HOOKY-LS

AS

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10 DOWNING STREET

*From the Private Secretary*

16 October 1980

I enclose the record of the Prime Minister's meeting with the TUC General Council on Tuesday.

I am sending a copy of this letter and enclosure to Ian Ellison (Department of Industry), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

J. P. LANKESTER

A.J. Wiggins, Esq.,  
H.M. Treasury.

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71. Langford  
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TUC GENERAL COUNCIL'S PRESS CONFERENCE HELD AFTER MEETING WITH THE  
PRIME MINISTER ON TUESDAY 14 OCTOBER AT 10 DOWNING STREET

Fish TUC: ..... in which we advanced to her the policies which we believe the Government should be following to deal with the very serious unemployment situation which we now have in this country. We pinpointed in detail the various economic measures which we believe are essential if we are to survive as a major industrial nation. I think you have got a copy of the paper which has been the basis of the argument which we have put forward this afternoon and we have then been involved in a discussion with the Government Ministers about the various points <sup>that are</sup> raised in our policy. We highlighted a number of things that we think are essential to the present situation. We talked about the high level of interest rates, talked about the exchange rate, the effect that has on our imports and exports, we talked about the need in our view for selective import control, we talked about North Sea oil, we talked about a variety of subjects and the Ministers present talked to us about their policies ..... basically we expressed our very serious concern about the present situation and said that two million unemployed is totally unacceptable to us and expressed our concern, and we have expressed our dismay and anger about what is happening. We have called on the Government as the one body that can take more effective steps to get us out of our present difficulties and take action along the lines that we have indicated. I call on my two colleagues, ..... you may like to say something and David as Chairman of the Economic Committee, you may like to outline the economic measures we believe the Government should take..... than Len will be dealing as General Secretary with the various comments and discussions there have been about the way in which our policy should be pursued and the reaction of the Government to what we said to them.

Bas TUC: What I said on behalf of the General Council to the Prime Minister is in the paper before you. But what I'd like to do in case you'd like to ask questions about that later on is just to give a brief impression of the somewhat prolonged discussion which followed that. I must say that there is an "Alice in Wonderland" air about what the Prime Minister was saying to us - what I say three times is true - If the way they make cars in Halewood is not what I think it ought to be and I say it three times then that is one of the causes of our economic difficulties. One of the major causes compared with ..... If I talk about wages and  
/productivity



productivity for a long time then that isn't true. If I talk about the occasional failure to place trainees <sup>from</sup> a skillcentre in industry then that is a fundamental part of our policy. What we have got to get across quite simply is that industry is now in a situation where the squeeze has occurred and there is a major step-down whereby major firms are being threatened with closure and that is on top of the 2 million unemployed we already have ..... and the major causes of that and you don't have to rely on us <sup>for</sup> that - you can look at what the CBI says ..... motions on the Agenda of the Conference this year are on interest rates and ... and, I have got to say, on neither of those two things were we offered anything.

*Nor* TUC: ..... far beyond there being two nations in this country we seem to live in two worlds. We tried to impress on the Government the world in which we're living is the world in which there are now well over two million people unemployed, a world in which investment is being cut, a world in which companies are closing down. The world in which they live is a world in which they go round and round in monetary circles and fail to make contact with the working reality that we ourselves are having. I posed to the Prime Minister and her colleagues again and again at what level of unemployment does the concern which they profess about unemployment show itself in action to alleviate unemployment. I asked that several times, I never received any answer to that question at all. I put it to them that they were offering no alleviation, no hope to the, and I suggested, three million people who could well be unemployed in a finite space of time and that I suppose was the message ..... we have been offered no alleviation to the situation, we have been offered no hope to take back to the people who are unemployed, the 4 million youngsters, 16% in Ebbw Vale, the 17% in Corby, the 25% in parts of Northern Ireland and I don't have much to take back to them in prospects of ..... though I believe .....

Press: Did you expect anything from today at all?

TUC: We didn't expect anything specific today. We didn't expect the Prime Minister to suddenly say that she was going to change course on her particular policies. What we did expect was an acceptance that there was room for change and that they were prepared to make change but the Prime Minister tended to defend what the Government were doing by saying

/that there

that there were very few alternatives. She didn't seem to be prepared to give a great deal of thought to the alternatives that we were putting forward.

Press: Can you say something about your relationship with the Government after today's meeting? Has it changed?

TUC: I don't think our relationship with the Government has changed at all as a result of today's meeting. I think it's as it was. I think the Government were not listening to what the TUC were saying in the last eighteen months as our economic situation has deteriorated and I think it would be true to say that the condition is the same after today's meeting. There was no indication that the Prime Minister was prepared to give what we would have thought was serious thought to the proposals we put forward. It's more a case of the Prime Minister defending the policies that the Government are following. .... There are <sup>no</sup> alternatives whereas we were suggesting that there are very many alternatives that could be pursued.

Press: What do the TUC leaders intend to do about this? I mean the Government's not doing anything about this, what do the TUC leaders propose to do?

TUC: We shall continue our campaign to take the message to the nation and to receive the message from our members in the nation and to seek to convey that message to the Government in whatever way we can. The campaign will go on and the centre-piece will be unemployment because more and more that is becoming the central fear of more and more people.

Press: What reply did the Prime Minister give to your question that the continuing deteriorating situation might lead to increasing industrial social unrest, if you did in fact make that point to her?

TUC: We did make that point to the Prime Minister and she gave no particular response to that other than that she was equally concerned with the level of unemployment but that the measures being taken by the Government ..... known policies were the best answer to the situation that we're in.

TUC: I think we could take that further because we said to the Prime Minister that she could be apprehensive about the social effects of growing unemployment but she expressed no apprehension at all.

Press: Did you feel that the decision by the engineers yesterday to accept a single figure pay settlement undermined your thoughts today in any way?

TUC: It didn't affect our thoughts today. What the Prime Minister had to say on wages we have both heard many times before. Secondly, it is clearly not one of the major causes of unemployment and again I repeat that it is the employers themselves who say this, after all most of the unemployment is appearing in low wage industry. It didn't affect our discussions today at all.

Press: ..... Will you be coming back again .....

TUC: What we did say to the Prime Minister was that we would follow up some of the points made in discussion this afternoon where they were putting forward particular examples of what they said were inefficiencies in industry needing to be corrected and where they referred to wage demands and made references to the public sector and in the way in which money had been spent in the public sector in the current year. We said on some of those points we would want to have more detailed comment made from our side and discuss them with individual Ministers. That was where we left it in that setting but the general tenor of what was said to us was, I think we could put the word, disappointing.

Press: ..... not attempting to look for consensus?

TUC: No, what I said in that part was that they made consensus a dirty word. I do recall that before the Election the Prime Minister said she didn't understand what consensus means but she knew what compromise meant. She clearly demonstrated today that she does not understand what it means. Nor was there any response to the second part of that statement in which I said that the Government clearly were not entitled to cooperation in a situation where they were offering us not cooperation but confrontation.

Press: ?

/ TUC:



TUC: No, I think we have got to represent our members' views to the Government, I think it's essential that they should know what our attitudes are and it's essential that the public should know what our attitudes are. It is the policies of this Government which are causing unemployment.

Press: Can I get it clear that you say that Mrs. Thatcher doesn't deserve consultation but confrontation.

TUC: What we were saying is that if there was adequate and proper consultation that's the only way in which a country can satisfactorily be run where there is in fact cooperation between a Government, whichever Government, in whichever country and the Trade Union Movement that's as representative as ours is. And that has not been there and has no apparent wish on the part of the Government from today's meeting to see that there.

Press: And that the logical extension of non-consultation is confrontation.

TUC: We're not seeking confrontation with the Government at all. We're only asking the Government to pursue the policies in which we believe and if they choose not to pursue them that's a matter for them and that can lead them into confrontation with different groups of society, not particularly the Trade Unions.

Press: You say the Government is not entitled to cooperation. What form would non-cooperation take?

TUC: Well we've had non-cooperation with the Government for the last eighteen months, ever since they took office, that's their fault. This is only the second meeting we've had with the Prime Minister since the Government was elected and that goes back to May 1979. There can't be much less consultation with Ministers at that level than I should have thought in the recent history of the TUC.

Press: Will there be a third meeting, a follow-up <sup>to</sup>/to-day?

/TUC:

TUC: There is no planned meeting at all. We asked for this meeting specifically to protest at the fact that the unemployment figures, the official figures have passed the two million mark so we asked for this meeting. It was on that that we came here today and we've been expressing the views of the Trade Union Movement.

TUC: Can I just say this, I think it would be reasonable to expect from the Government with two million unemployed, with the Trade Union Movement angry, with industry concerned on both sides about its future, when we put forward proposals which will at least begin to offset the deterioration of British industry, if the Government had said, well all right let us go away and think about this and see what we can do, but there was no offer even to do that.

Press: Was there any discussion before your meeting with the Prime Minister or any warning during the meeting that trade unionists themselves might take action to defend their industries?

TUC: Well that's already happened in some cases hasn't it. It happened in the steel industry. I mean we've already seen examples of this, where workers or groups of workers have attempted to defend their industries, in cases of total closure by work-ins, in certain cases where there have been substantial redundancies by resisting redundancies. And this is the real origin of the steel industry dispute within the last twelve months. We didn't threaten the Prime Minister with anything, we didn't go there to threaten. We went there to advocate the policies which we believe are the solution to our unemployment problem. We're not there to threaten the Prime Minister or tell her that people would do this or do that or do the other. <sup>We called on her</sup> to bring about changes in the economic policy which would assist in solving our problems and not make them worse.

Press: Did you say that one of the consequences of rising unemployment would be that trade unionists might take things into their own hands and that the TUC might not be able to control the situation any longer ... could you elaborate on this?

TUC: We said that it would create social unrest, that was the phrase that we used and that was the way in which we spelt it out to the Prime Minister. We didn't go into any further detail than that. ....

..... society. Well the phrase which was first used was this in that frustration and despair amongst the unemployed may soon turn to anger expressed in a direct and forthright way unless the Government are seen to be tackling the problem of unemployment. And that means ... unless there are solutions found and the Government is seen to be doing things then that sort of attitude will ?.

TUC: Anyone got any burning questions?



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RECORD OF A MEETING AT NO. 10 DOWNING STREET AT 1600 HOURS ON  
TUESDAY 14 OCTOBER 1980 BETWEEN MINISTERS AND THE TUC GENERAL  
COUNCIL

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Present:-

Prime Minister  
Chancellor of the Exchequer  
Secretary of State for Industry  
Secretary of State for Employment  
Mr. Ian Gow, MP  
Mr. David Wolfson  
Mr. Clive Whitmore  
Mr. Tim Lankester  
Mr. Bernard Ingham  
Mr. Neville Gaffin  
Mr. John Vereker

TUC General Council Members  
and Secretariat (as in  
the attached list at  
Annex A)

\* \* \* \* \*

Welcoming the TUC, the Prime Minister said she was glad to discuss problems of mutual concern with them. She invited Mr. Fisher to speak.

Mr. Fisher said that the TUC had asked for the meeting when the official statistics on unemployment had reached 2 million. The request for a meeting reflected <sup>the</sup>dismay and anger which they felt. There had been a division of view on whether to seek a meeting. There had been those who had argued that it would be a waste of time, that the Government was doctrinaire and inflexible and therefore would not listen to them. The other view, which had prevailed, was that the situation was so serious that it was necessary to tell the Government what ought to be done to rescue the country from disaster.

The evidence of short-time working, redundancies and unemployment was all too clear. The TUC took the point that "there were no magic buttons", which could be pressed to overcome the problem of unemployment. But they did believe there were levers which the Government could use to influence the level of demand and prevent

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a repetition of the 1930s. They accepted that the current situation was not entirely the responsibility of the Government; nonetheless, the Government had exacerbated it. It would be difficult for trade unions to accept responsibility for the social unrest which would result if no action was taken. They wanted a return to full employment as an objective of Government policy. They did not regard the meeting as a cosmetic exercise : there were genuine economic problems and genuine alternative policies which they wanted to discuss.

Mr. Basnett then read out the attached statement at Annex B.

The Prime Minister said she shared the TUC's concern about unemployment; she also wanted to see a higher standard of living and to spend more on the public services. There was no disagreement about objectives, only about policies. The TUC said the Government's policies were doctrinaire but these same policies had produced high employment, low inflation and better social services in other countries. Those countries recognised that higher spending would mean more inflation, higher unemployment and social unrest. The Government's view was that, if they had succeeded with these policies, it was right to adopt them in this country. The policies were not new nor untried: they were thoroughly tested and would work in the UK if we stuck to them. If we could really solve our problems by spending more they would already be solved. Over the past five years, extra spending on a huge scale had simply led to more inflation and higher imports. We would only get real expansion if we could compete with other countries. Countries which had lower unemployment were those where extra pay more closely matched extra productivity. This was an economic fact which could not be ignored.

As for Mr. Basnett's suggestion about using North Sea oil to assist industry, the fact was that we were using the North Sea revenues already. And in addition, the Government was having to borrow on a huge scale - £7 billion in the first half of 1980/81 - and thereby draining funds from the private sector. She denied Mr. Basnett's criticism of the Government's attitude to the public sector. The Government had, for example, honoured the commitments entered into by the previous Administration relating to the Clegg

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Commission. This had proved very expensive, and the private sector resented it. Public expenditure cuts had produced a drop in orders. But this was because too much had been paid out in pay so that purchases of equipment, etc., had had to be reduced. As for the suggestion that interest rates be reduced, she hated high interest rates. But both Government and companies had been borrowing too much because of excessive wage settlements - which in the private sector had drained profits. The Government were determined to get interest rates down so as to help the private sector both by holding back public spending and by improved funding arrangements such as the recent extension of "granny bonds". Unless there was a flourishing private sector the country could not have improved public services.

As regards the nationalised industries, the Government was providing them with an enormous amount of taxpayers' money - for example, in the current year, £834m to NCB, nearly £1,000m to BSC, £230m to British Airways and £750m to British Rail. On top of these amounts, the industries had had to put up their prices much faster than the RPI because of inefficiency and cost increases. She very much hoped that they would improve their efficiency and be less of a drain on the taxpayer and consumer. As for training, the Government was already spending considerable sums - so that the country would have enough trained people, particularly in high technology areas, when expansion eventually came.

Finally, as regards unemployment, she asked the TUC to consider what they could do to bring it down. Inefficiency and excessive pay increases in monopoly industries were causing unemployment in the private sector: she cited the threatened closure of Bowaters' Ellesmere Port Mill partly because of high energy costs, and the effect of last year's pay increase in the Post Office on telecommunication charges. The trade unions could do much to help to prevent this kind of thing from happening. Another area where they could help was training. Current apprenticeship rules often restricted the availability of trained people, and too often people who had received their training outside the normal apprenticeship route were unable to get a union card. Trade union co-operation was badly

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needed if we were to avoid skill shortages as the economy recovered.

The Government could not flinch from realities nor could the trade unions.

Mr. Murray said that the TUC understood the realities - the run-down of industry and continued inflation. They wanted to tackle both of these problems. But the Government had <sup>to</sup> recognise that the current unemployment situation had been caused directly by the monetary squeeze. The latest Financial Times business survey showed that loss of orders, and not wage increases, was the main cause of industries' difficulties. The recession was adding to the PSBR, and leading to lower investment and unemployment. Sir Terence Beckett had recently said that it was rapidly leading to the elimination of industrial capacity which would never be replaced. This was all the result of running the economy at a lower level of activity than was possible: the Government was avoiding the realities. The industries which were losing most jobs were those with the lowest wages; this illustrated the need for intervention. The Government must intervene with more selective assistance. Although this would mean going against its strongly held beliefs, the TUC felt that recent examples - such as the assistance to Dunlop - showed that it was capable of change. He agreed that control of the money supply was important, but the Government grossly exaggerated its importance. The Government and the TUC might be <sup>con</sup> verging on objectives, but in his view by the time the Government achieved its aims on inflation, there would be scarcely any industry left. He had recently seen that Chancellor Schmidt had said that Germany needed the UK-type monetary policies propagated by Herr Strauss like a "hole in the head". If present trends continued, he saw increasing polarisation - rather than the consensus that the country so badly needed. The experience of "concerted action" in Germany should be taken into account here.

The Chancellor said that he met the German and Japanese Finance Ministers regularly and there was no significant difference in their policies and the policies being pursued here. The UK was suffering from an accumulation of difficulties, as seen, for example, in the substantial decline in car production while production in Europe

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/had risen



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had risen. As a result, we were being worse affected by the world recession. In addition, there had been a pay explosion over the last year. Earnings in general were up by 22 per cent, and up by 18 per cent and 27 per cent in industry and administration respectively. Unit labour costs in recent years had risen many times faster than productivity. Furthermore, North Sea oil was having a perverse effect. While it was protecting our living standards, it was causing problems for industry because of the high exchange rate. Contrary to what Mr. Basnett implied, we were already using the benefits of North Sea oil to the fullest extent possible: the Government had both raised the rate of take and brought it forward.

The Chancellor went on to say that it was crucial to improve our economic performance. This could not be achieved by spending and borrowing more. The PSBR was already running ahead of the Budget forecast; this was why it was not <sup>immediately</sup> possible to reduce interest rates as the Government would have liked to do. But the effect of high interest rates could be exaggerated: figures recently quoted by Sir Ray Pennock and the CBI showed that 1 per cent off companies' pay was several times more important for their cash flow than 1 per cent off interest rates.

The Prime Minister said that she did believe in intervention, but in order to facilitate change rather than to preserve yesterday's jobs. Sir Keith Joseph said that the last Government had spent too much money subsidising products that people did not want to buy. By contrast, the present Government was assisting industry more selectively and with projects which would not otherwise have gone ahead. The Government was following a similar approach with R&D support. The Government was also maintaining a regional policy, but with greater focus in those areas in greatest need.

The Prime Minister quoted Ellesmere Port as an example of positive intervention by the Government. They were prepared to provide a package of support which they thought should be adequate to prevent the closure of the Mill. But the high cost of energy, notwithstanding the discounts on offer to Bowaters, was still a problem. Mr. Murray commented that the Germans were subsidising their coal industry far more than we were. The same went for steel.

/Sir Keith

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Sir Keith said that as far as steel was concerned, this was untrue. Successive Governments had put £5½ billion into steel - far more than in Germany. He did not have comparative figures for coal but NEDO were looking into this.

Sir Keith went on to ask how Mr. Basnett expected to pay for his extra spending. Would he do so by higher taxation or by more borrowing? The Government felt that higher spending would do more harm than good. Mr. Basnett replied that he had never suggested that the Government should throw money away. But there were many areas where it could usefully help with industrial adjustment.

Mr. Prior said that the German experience of "concerted action" which Mr. Murray had mentioned ought to be discussed in NEDC. There was not much disagreement between the two sides on what sort of industries should be supported by Government. The difficulty was where to find the money. So much was currently going to fund loss-makers such as BSC. As for the suggestion that we should reflate demand, this would simply suck in imports and add to inflation. The real need was for both Government and unions to look at the problems of change and see how the country could do better. The Government was considering expanding the Youth Opportunities Programme, but extra money for this would have to be found from somewhere else. The MSC had recently completed their review of training: the Government would enter into full consultation with the trade unions on this. In short, there were a number of areas where there was common ground between the Government and the trade unions which would benefit from discussions on the lines of "concerted action".

The Prime Minister asked whether the trade unions would help on the issues of apprenticeships and training. Mr. Murray said that the real problem was that employers were not taking new apprentices on because of rising unemployment. What level of employment had to be reached before the Government would change its policies? The more unemployment went up, the higher went the PSBR.

/The Chancellor

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The Chancellor said that the reality was that other countries were doing better than the UK. If the Government were to respond to the pressures for higher public expenditure, this would only mean higher borrowing, higher interest rates, probably a higher exchange rate and even worse competitiveness for industry. He understood the trade unions' concern about the exchange rate, but it was very difficult to influence - though he had abolished exchange controls. The Prime Minister said that the first essential was to produce goods that other people would buy. Her impression was that the private sector was now doing everything possible to cut costs - and she paid tribute to the trade unionists who were helping to achieve this. Other countries with high exchange rates were beating us on orders; so that it ought to be possible to compete with them.

Mr. Basnett said that the TUC disagreed with the Government on the causes of the recession. The Government argued that it was mainly wages. But this was not supported by the evidence. For example, the Paper and Board Industry said it was due to the high exchange rate and costs within Government control. The high exchange rate was forcing the manufacturing sector generally into trade deficit for the first time. The TUC were prepared to help on training; but how important really was this issue compared with other things that needed to be done? They would like to have specific examples of trade union induced skill shortages.

Sir Keith said that some industries, such as textiles, were under great pressure from imports - sometimes fair, sometimes not. But imports had also surged when the exchange rate was low. He agreed that high wages were not entirely responsible for industries' difficulties - design and marketing problems for example also played a part - but wages certainly did bear much of the responsibility. Profits had been so squeezed that there were insufficient funds for investment and expansion, and high unit labour costs had made industry more and more uncompetitive.

Mr. Murray repeated that the monetary squeeze was also responsible. The Prime Minister said that, on the contrary, monetary growth was running at an annual rate of 17 per cent - and this was going into extra prices and not extra output. Still more "reflation"

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/would mean

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would mean hyper-inflation and still higher unemployment. The high exchange rate was not altogether bad: it helped industries dependent on imports such as food processing. In any case, many of industries' problems had nothing to do with the exchange rate: the recent reports from Halewood showed that productivity on the new Escort was half that at the Ford plant in Germany. Sir Keith added that the TUC's policies would make unemployment still worse.

The Chancellor repeated that holding down public expenditure was absolutely essential and within this public sector pay had a crucial role to play. Mr. Fisher said that last year's earnings increase in the public sector was to a large extent the result of the catching up on recommendations of Clegg. It would not be repeated in the present pay round. Mr. Prior said that the large public sector pay increases in the last 18 months had been partly because private sector pay had got round Labour's incomes policy. But there had been a very expensive post-dated cheque for the Government to meet.

Mr. Prior went on to say that the trade unions could not blame the Government for zero growth when there had been no growth over the last seven years. For all they said about the exchange rate, it was worth remembering that two-thirds of our recent loss of competitiveness was due to costs going up faster than elsewhere and only one-third to the strengthening of the pound. Those were the facts. We had been importing other people's unemployment because we could not produce at competitive prices. Mr. Murray said that the trade unions knew these realities. They had been trying to improve performance at the firm level through the industrial strategy. The Government was going round in monetary circles. The Chancellor said that he could not ignore the interest rate realities. Furthermore, if settlements in the public sector were lower, there could be more public sector orders for industry. Mr. Murray retorted that by cutting pay the Government were cutting consumer demand. To stop the extra demand going into imports, the Government should introduce import controls. The Chancellor asked how Mr. Murray would raise, say, an extra £1 billion. Mr. Murray said he would do so through higher production. The Chancellor said that inflation would only come down if wage settlements came down, and then also production would recover.

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/ The Prime Minister



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The Prime Minister, again citing the current situation at Halewood, said that improved production would only come from better cooperation at the workplace and from leadership at every level. More production would produce more jobs. The Government was doing what it could do: pumping more money into the economy would not help. A return to sound money was the only sure way back to higher employment, as other countries had shown. She was grateful for the cooperation that was now being shown by many trade unionists at company level. She hoped that the trade union leaders would discuss the issues confronting them further with sponsoring Ministers.

Mr. Fisher said that the General Council would leave the meeting with an impression of serious disagreement on what needed to be done. They had stated what, in their view, should be done. The Government bore a greater responsibility for the current situation than it was prepared to accept. He hoped that Ministers had listened to their proposals and that they would take them into account. The TUC would be pursuing them in greater detail in subsequent discussions. They would look to future developments of policy as the test of whether Ministers had listened. The Prime Minister said that the Government would look to action from the trade unions.

The meeting finished at 1750 hours.

R.

15 October 1980

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GENERAL COUNCIL MEMBERS AND SECRETARIAT

Mr. A.W. Fisher - Chairman  
Mr. T. Parry - Vice Chairman  
Mr. D. Basnett  
Mr. J.R. Boddy  
Mr. R.W. Buckton  
Mr. F.J. Chapple  
Mr. L. Daly  
Mr. G.A. Drain  
Mr. T. Duffy  
Mr. J.F. Eccles  
Mr. A.M. Evans  
Mr. K. Gill  
Mr. W. Greendale  
Mr. C.D. Grieve  
Mr. L.G. Guy  
Mr. T. Jackson  
Mr. F. Jarvis  
Mr. C. Jenkins  
Mr. W.H. Keys  
Mr. G. Laird  
Mr. G. Lloyd, C.B.E.  
Miss A. Maddocks  
Mr. W.H. Maddocks, M.B.E.  
Mr. J.W. Morton  
Mrs. C.M. Patterson  
Mr. A.L. Sapper  
Mr. A.R. Smith  
Mr. L. Smith  
Mr. T. Thomas  
Mr. W. Whatley  
Mr. L. Wood

The Rt. Hon. L. Murray, O.B.E. - General Secretary  
Mr. N. Willis - Deputy General Secretary  
Mr. K. Graham - Assistant General Secretary  
Mr. D. Lea - Assistant General Secretary  
Mr. B. Callaghan  
Mr. B. Barber  
Mr. A. Cave

TRADES UNION CONGRESS, CONGRESS HOUSE, GREAT RUSSELL STREET, LONDON, WC1B 3LS

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# FROM THE TUC FOR THE PRESS

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GENERAL SECRETARY: LIONEL MURRAY OBE

PRESS OFFICER: BRENDAN BARBER

TELEPHONE: 01-636 4030

RELEASED FOR PUBLICATION

October 14, 1980

IMMEDIATELY

MEETING WITH PRIME MINISTER

Attached is a copy of the introductory statement made on behalf of the General Council by Mr David Basnett, Chairman of the TUC Economic Committee, at today's meeting with the Prime Minister.

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Prime Minister we asked for this meeting for a number of reasons.

Our Chairman has expressed many of them.

It falls to me now to first identify the unusual position we find ourselves in with your Government.

And secondly, to propose a few major points, the implementation of which is vital if the slide towards industrial desolation is to be halted and reversed.

Our first concern is that the Government has shown no willingness at all to search for agreed solutions: on the contrary you have made consensus a dirty word.

We have never said dogmatically that we have a total solution.

But in denying the need to discuss fundamentals - and this applies at NEDC as well - we are left in the position where the Government claim they are having consultations one minute, and say next - to repeat a recent phrase "the lady's not for turning."



It is because we have had forced upon us the fact that consensus is not what you seek and co-operation is not what you are entitled to expect, that we have requested this meeting so that we may place before you those short and medium term actions necessary to give our industry hope, our economy an incentive and the working people relief.

The prime economic need is for expansion.

Prime Minister, you should have heard the warnings of the CBI representatives at the NEDC last week.

They said that up to now the effects of the recession have been mainly to cause firms to slim down their workforce, but the coming six months could see a radical change in the pattern: instead of cutting back firms, major firms, may have to close completely.

De-industrialisation is not just a danger in the future, it is happening now - and the worst is yet to come.

therefore

Our first point is that there is a need for emergency action to help our manufacturing industry in the form of a cut in

the minimum lending rate from 16% to 12%.

That is a need, and a figure, reflected in motions to be considered at the C.B.I. Conference.

Not only will this alleviate the serious cash flow problem facing much of British industry, it will also help bring down the value of the pound and so help industries engaged in exporting and import substitution.

Which leads to our suggestion on trade.

We must recognise the damage that the combination of a high pound, a lack of an interventionist industrial policy, and the largely free access of foreign goods to our markets is having in aggravating the crisis in manufacturing - with the lowest output for 12 years.

It is our view that we must take steps :-

1. To adopt selective controls on imports in key industries threatened with extermination.
2. to adopt a longer term policy for planning growth of trade in those core

- 4 -

industries. We cannot afford the  
disruptions we are suffering - for  
example in fibres this week.

It is vital that this Government accept that some degree  
of planning of trade is necessary.

Thousands of workers are out of a job, hundreds  
of companies are facing crisis and bankruptcy  
because Government and Whitehall fail to grasp  
this nettle.

Ordinary Trade Union members cannot understand this reluctance.

The Government should also be introducing schemes to provide  
selective regional and industrial assistance to British industry,  
but it is no good doing this through the tax system because  
that only helps the rapidly diminishing <sup>number of</sup> firms who are profitable  
enough to pay tax.

Instead it has to be done through agencies such  
as the NEB and Industry Act Schemes. Unfortunately,  
the Industry Secretary has singled out this area of  
public expenditure for one of the biggest cuts of  
all.

In this respect we need to stop wasting our North Sea Oil.

At the moment it subsidises this Chancellor's earlier rash tax cuts and unemployment, and leads to an overvalued pound.

It fails to assist the structural change needed in British Industry, or to build up our economic and social infrastructure. We ought to be using this windfall to build up both State capital expenditure and manufacturing investment. At present we are squandering it.

A policy for the use of North Sea Oil revenues to assist industry<sup>is</sup>/singularly and regrettably absent.

I return to the subject of expansion - this time in the public sector.

Prime Minister, we find the Government's ideological mistrust of the public sector incomprehensible.

We know that the public sector does not have a bottomless purse.



We believe that the Government's ideological blinkers have prevented you and your colleagues from seeing the interdependence of the public and private sectors.

They do not inhabit two separate worlds, they depend upon each other for orders and services.

Prime Minister, the Government has not set resources free for the private sector by cutting public expenditure; the only thing you have done is cut the order books for British firms.

For every job you cut in the public sector you are cutting a job in the private sector as well.

But the argument goes deeper than that.

Cuts in education mean that the skills of the workforce will eventually suffer.

Cuts in the health service and the factory inspectorate mean more days of production are lost from accidents and illness.

Cuts in environmental services and in transport weaken the overall ability of British industry to compete, as well as leading to a deterioration in the quality of life.

And nationalised industries have a part to play.

We believe through modernisation and investment programmes, they can play a major part in the long-run recovery of the British economy.

We believe that such a programme, financed out of North Sea Oil revenues would be both imaginative and provide benefit for many years to come.

But the Government's attitude is to cutback the nationalised industries.

Railway electrification could make a major contribution both to employment creation and to energy saving.

The Chancellor of the Exchequer is fond of quoting from his experience at economic summit meetings.

The one part of the Venice Summit Communique which the Government appears to ignore is that dealing with energy conservation and the expansion of the coal industry - prime candidates for the use of our North Sea oil revenues.

The Government's policies to the coal and steel industries defy logic and commonsense.

The BSC would like to buy NCB coking coal but they can't because they are trapped in their cash limit box.

The NCB would like to offer lower prices to the BSC, but can't because they too are trapped in a cash limit box.

The result is that both coal and steel industries are contracting and areas such as South Wales and the North East are in danger of becoming an industrial wasteland.

Every other coal and steel industry in Western Europe receives some form of national or EEC assistance.

All we are saying is that the British Coal Industry should receive the same sort of subsidies as those given to the West German coal industry.

Those subsidies ensure that West German coal from each individual pit is able to compete with imports.

Because the British coal industry is more efficient than the West German coal industry the costs of any such scheme of subsidisation would in fact be less than those in Germany.



We also look for direct action from the Government to help the unemployed and to expand training.

As a matter of extreme urgency the Government must provide finance for the plan of the Manpower Services Commission.

We have heard statements from the Secretary of State for Employment about the future of the Youth Opportunities Programme.

But it is no good promising help for one part of the MSC's plans while taking resources away from other parts.

For that, Prime Minister, is what is happening at a time of increasing unemployment; the Government has cut resources to the MSC and is planning further cuts still.

This is an intolerable state of affairs.

There is an undeniable demand for extra resources for the MSC and for the Department of Employment's special measures.

Lastly, let me deal briefly with the world economy.

You may argue, Prime Minister, that our problems cannot be divorced from the problems facing the Western World.

That is, of course, to some extent true, though it has to be said that our unemployment rate is much higher than ~~that~~ in West Germany or Japan.

But leaving that on one side, what depresses us is the absolute lack of imagination being shown by this Government in dealing with the World economic problems.

We should be ashamed that the President of the World Bank , Robert McNamara, should have singled Britain out for specific criticism because we have cut our aid budget.

A bold and imaginative plan for the developing countries, as proposed by the Brandt Commission, would not only help the developing countries but also provide opportunities for production and employment in British factories.

A co-ordinated ~~reaction~~ by the OECD countries could bring enormous benefits.

But the approach of the Government is absolutely negative.

Prime Minister, in conclusion I want to reiterate our concern about the level of unemployment.

The T.U.C. does not bandy phrases about lightly.

When we say that unemployment could lead to increased social unrest it is because we are deeply apprehensive about unemployment and its effects.

You should be apprehensive too.

Social unrest would be bad for the country, bad for the Government and bad for the trade unions.

It gives us no joy to be harbingers of bad tidings; we are only reporting to you what our officials are telling us every day of the week in the depressed regions of the United Kingdom.

There is a growing resentment over the never ending stream of factory closures and lay-offs.

Working people and their families are becoming increasingly fed-up with the savage cuts in public spending.

Frustration and despair amongst the unemployed may soon turn to anger expressed in a direct and forthright way, unless the Government are seen to be tackling the problem of unemployment.

Prime Minister, you cannot shut your eyes to the increasing problems caused by unemployment.

Neither can you ignore the fact that a modern and industrial economy cannot be run on the basis of the Government confronting the trade union Movement which accounts for well over half the working population.

Prime Minister, now that unemployment has reached over 2 million we urge you to think again and change course.

Unless steps are taken soon unemployment could well be 3 million by 1981. This is not a price the nation can afford to bear.

Not a price we are prepared to pay.



WORLD AT ONE

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Well this morning's news of 4,000 ICI redundancies has come as a top level TUC delegation was preparing to see the Prime Minister in Downing Street this afternoon. According to one of them, David Basnett, they will be expressing their anger over the consequences of creating unemployment and urging the need to change Government policies so as to halt rising unemployment and the decline of British industry. I asked Mr. Basnett, the General and Municipal Workers' leader how he would answer Mrs Thatcher if she tells the TUC what she told the Tory Conference, that the Government is pursuing the only policy that gives any hope of bringing people back to lasting employment.

Mr. Basnett: We will say to her that the evidence is quite to the contrary. We have industries which are disappearing from the scene, will not return, we're losing export markets we won't be able to regain. Our country's being flooded with imports which are pushing aside and killing some of our industries. And she is, the Government itself, is directly curtailing public expenditure and killing jobs in the public services and the public sector. Now how that is a route to permanent employment, I don't understand.

Mr. Day: But she may put to you, Mr. Basnett, what she and certainly the Chancellor of the Exchequer have often said. That the way to get unemployment down or to stop it rising is for moderation of wage increases.

Mr. Basnett: Yes, she will certainly express that. But wage increases in themselves are clearly not the cause of inflation. You only have to read for instance the newspapers and listen to what the major companies which are becoming bankrupt say are the causes. They identify two causes. And we really should identify these. One is high interest rates and the other rate is the high exchange rate. And for the Government to go around pretending high wages increases is nonsense. And it's certainly something which industry itself doesn't accept.

Mr. Day: The Prime Minister may point out to you that one of the big unions, the AUEW, has agreed a settlement in single figures in the interests of keeping men in jobs in the Midlands.

/ Mr. Basnett:

Mr. Basnett: I've not the slightest doubt that there will be a chance, and not a faint chance, that the Prime Minister will mention that fact. In fact the engineering industry national settlement really, as we both know, doesn't affect the settlement in the engineering industry. Rather than the negotiations, the real negotiations which will go on at a local level for wage increases. But, trade unions do take into account the effect of what they're claiming on their members' situation and in industry, in the state of an industry. They'd be foolish not to do so. But you can't conclude on what has happened in one industry what is going to happen in another. For instance, I don't think for a moment that the miners would accept 8½% nor indeed do I believe the Government will even offer it to them.

Mr. Day: What is your view of what appears to be now the Government's target for public sector wage increases in the coming year, namely that they should be in single figures, that is to say below 10%?

Mr. Basnett: I'd prefer to answer that question when we see what they offer the miners. The Government have a very clear incomes policy. That policy is to try and restrict those in the public services their increases. But within that, the weak is the weak and the strong is the strong, we'll see how they behave in that during the coming wage round. Beyond that they rely on exhortation. There are things the Government could do at the moment to regenerate and help British industry and put people back in jobs. For instance in using properly our North Sea oil resources instead of wasting them as they are at the moment to subsidise unemployment.

Mr. Day: Mr. David Basnett, whose TUC colleagues will be seeing the Prime Minister at Downing Street in a couple of hours' time.

Lad Rd. - T  
CC B14/10

THOSE ATTENDING THE TUC MEETING AT 1600 ON TUESDAY 14 OCTOBER

General Council Members

Mr. A.W. Fisher - Chairman  
Mr. T. Parry - Vice Chairman  
Mr. D. Basnett  
Mr. J.R. Boddy  
Mr. R.W. Buckton  
Mr. F.J. Chapple  
~~Mr. A.M.J. Christopher~~  
Mr. L. Daly  
Mr. G.A. Drain  
Mr. T. Duffy  
Mr. J.F. Eccles  
Mr. A.M. Evans  
Mr. K. Gill  
Mr. W. Greendale  
Mr. C.D. Grieve  
Mr. L.G. Guy  
Mr. T. Jackson  
Mr. F. Jarvis  
Mr. C. Jenkins  
Mr. W.H. Keys  
Mr. G. Laird .  
Mr. G. Lloyd, CBE  
Miss A. Maddocks  
Mr. W.H. Maddocks, MBE  
Mr. J.W. Morton  
Mr. J.G. Murray  
Mrs C.M. Patterson  
Mr. A.L. Sapper  
~~Mr. A. Scargill~~  
Mr. A.R. Smith  
Mr. L. Smith  
Mr. T. Thomas  
~~Mr. S. Weighell~~  
Mr. W. Whatley  
Mr. L. Wood

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Autonomy <sup>to</sup> Dr. Jagan.

Control <sup>to</sup> health service. →

Nationalised Industries - Price.

Lidyanawin → M.S.C.

World Economy - Russian.

World W. Problems.

Out aid budget - Co-ordinated Program

The Rt. Hon. L. Murray, OBE - General Secretary

Mr. N. Willis - Deputy General Secretary

Mr. K. Graham - Assistant General Secretary

Mr. D. Lea - Assistant General Secretary

Mr. B. Callaghan

Mr. B. Barber

Mr. A. Cave







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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14 October 1980

C. Whitmore, Esq.,  
10, Downing Street

Dear Cogh



PRIME MINISTER'S MEETING WITH THE TUC GENERAL COUNCIL

If the subject of the Engineering Employers Federation settlement is raised in today's discussion it will need careful handling. Although in the circumstances the 8.2 per cent agreement is encouraging there are two points about it which need to be borne in mind:-

- (a) the figure is for an increase on basic (minimum) national rates - it can be added to by local in-plant bargaining, so that the outturn in many cases will be higher; and
- (b) many firms will not even be able to pay as much as 8 per cent. BL cars for example have offered 6.1 per cent and are very anxious to settle below 7 per cent.

For these reasons it would be unwise to give too great a public welcome to the settlement at the meeting. It would be sufficient to say that the settlement shows very clearly which way the wind is blowing, but to stress strongly that it does not by any means set a norm, and very many firms would not be able to pay as much.

Yours sincerely,

Peter.

P.S. JENKINS

MR WHITMORE

cc Mr. Lancaster

Ford at Halewood

Top Copy filed a Ind Pct.  
 Oct 20: Ford Halewood  
 Productivity.

Industry Private Office rang this morning to say that they now had some further information about the industrial relations position at Halewood. They said that Ford had told them that there had been 40 stoppages at Halewood since August, which the Ford management said were due to workers refusing to co-operate in running the plant in the way the management wanted. As a result, Ford have written to Ron Todd, the TGWU official who deals with Ford at national level, to say that the disputes had to stop or else there would be <sup>no further</sup> investment at Halewood. Ford have also sent a confidential copy of that letter to Len Murray, but Todd does not know this.

MS

14 October 1980



*clm*

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

13 October 1980

Clive Whitmore Esq  
Principal Private Secretary  
to the Prime Minister  
10 Downing Street  
London SW1

Top Copy filed on H.A.P.: Oct 80.  
Ford Halewood Productivity.

*Dear Clive,*

FORD HALEWOOD PRODUCTIVITY AND GOVERNMENT ASSISTANCE

You asked me on the telephone earlier today for a short note on the remarks made by the new Chairman of Ford of Britain, Mr Sam Toy, reported in the Times and the Financial Times last Thursday. I enclose cuttings from the Times and the Financial Times.

2 The position at Halewood is as reported in the press. The company has suffered a rash of small disputes and as a result of this and machinery failures has failed to meet targets. This is especially damaging when they are anxious to meet customer demand for the new Escort promptly. They are taking rigorous action but the message is clear; there is a real possibility of cars being imported to keep the dealers happy and they will think twice about massive investments in the future unless there is an improvement. Ford do not seek to put all the blame on their workers; they admit - as did Mr Toy in his remarks - that there have been teething troubles with new equipment but stand by their view that niggling disputes and uncooperative behaviour have been a major factor.

3 The Government has contributed £75 million under Section 7 of the Industry Act to the programme which covered the new engine plant at Bridgend, the Halewood assembly facility and limited expenditure elsewhere. Some £70 million is also due in quasi-automatic Regional Development Grants.

4 I hope this meets the points in which the Prime Minister was interested, in relation to her meeting with the TUC tomorrow.

*Yours sincerely,  
Cecily Morgan*

HP

CATHERINE BELL  
Private Secretary

# controls

The Commission's recommendation to invoke previously un-used powers is bound to affect employment in the industry. The recommendation to follow the commission's failure to secure an extension of an earlier voluntary agreement.

Member governments have been asked to make written submissions on their views in advance of a meeting next week of the tripartite committee. It is expected that that committee will probably reach strongly because of the further threat to jobs.

British steelmakers have been the most vigorous in pressing for imposing the treaty's powers. The West German companies have been the most vehement in their opposition to the Commission's plans but there were signs that their unity may be under pressure.

But Dr Dieter Speichmann head of the Thyssen group, said that article 58 has nothing to do with restructuring of the European steel industry.

"This cost us a great deal of money and I think the German Government understands that all this effort cannot be conducted by someone else's political decision. Introduction of these powers would be like food rationing during the war—without any real solution to the problem."

# Rank expects decision on Toshiba

By Catherine Gubb  
The Rank Organisation expects a decision from Toshiba on the future of Rank-Toshiba, their joint loss-making West Country television set manufacturer next week. Rank offered its 70 per cent stake to Toshiba nearly two weeks ago.

Mr Shoichi Saba, Toshiba's president, meets Mr Harry Smith, Rank's chairman, today. It is expected to include some discussion of the withdrawal of Rank's directors as in Toshiba's text for the listing of their shares in which

dealings start today on the London Stock Exchange.

Mr Rodney Rycroft, a Rank spokesman, said yesterday that an official response to the withdrawal from Rank-Toshiba was not expected until the Toshiba executives had returned to Tokyo.

Rank-Toshiba was set up two years ago to make colour television sets and audio equipment for the home and European markets. Its profits were then assumed falls in inflation and sterling but these proved drastically wrong within a year. Trading losses in 1979 were

£1.09m and will be substantially larger this year. After a study of the European markets the partners decided that Rank-Toshiba was not viable in its present form.

A strong pound, continuing inflation and higher interest rates have all affected the original projections, while over-supply in Europe led to tough competition.

The options given to Toshiba, which included £1m of the £10m start-up capital, are in the eye of Rank and could be reduced to a third party or to close the

company down, with 2,700 redundancies in Devon and Cornwall. It appears reluctant to take that course.

The future of RRI, Rank's distribution and service company, which handles Rank-Toshiba's output, also depends on Toshiba's decision.

It made profits of £800,000 in 1979 but is probably going to losses this year. Ranks plans to sell it, possibly to Toshiba, but if there are no takers it too will be sold. It will witness the continued closure costs and trading losses for the two businesses could total £25m.

# Headlines

From Ian Murray  
Paris, Oct 8  
The Mini M... arrived at the Paris-Mont... Show this morning a week late and... doing... succeeded in making headlines.

It was given a long appraisal on Europe 1, the radio station with the widest audience, during the morning peak listening hour and a long... in Le Figaro and... in Le Figaro... the Metro succeeded in pushing a test on the Rolls-Royce Silver Spirit into second place. The paper's motoring correspondent says: "One has to lift the... for a long way" to the designers for creating so much space inside the car. Le Matin saw the Metro as "the ideal small car" which many European constructors would have liked to have created."

Metro strike ends: Ferry-rectifiers who had downed... at Longbridge, Birmingham where Leyland's new Min Metro is being made, ended their strike last night. The... went back to work on the recommendation of their shop stewards. Another 40 on the... shift are expected to follow as today.

Production of the new model was not affected

# Ford chief's output warning to Halewood workers

By Peter Waymark  
The 13,000 Ford workers at the Halewood plant on Merseyside were given a blunt warning yesterday that no new models would be made there in future unless there was a dramatic improvement in productivity.

Mr Sam Toy, the new chairman of Ford of Britain, said production of the new Escort, which went on sale on September 26, was running at only 60 to 65 per cent of schedule. He went on: "The fellows are just not cooperating. Unless they produce more in line with

the schedules, the Escort could be the last new motor car we launch at Halewood."

Mr Toy said attempts to introduce greater efficiency have been frustrated by the workers' inertia. He rejected union claims that the difficulties were being caused by new machinery.

"We have a dealer body out there successfully selling the Escort and we cannot deliver. It is vital to have better production out of Halewood and we have invested to get it—£240m in three years."

Production schedules for the Escort were modest compared with those at Saarlouis in West Germany where the car was also built, Mr Toy said. Saarlouis was generally reckoned to be twice as productive as Ford's British plants.

Output of the Escort at Halewood has been running at only 250 to 300 a day against the target of 450 to 500, and Mr Toy said they might have to consider importing cars from Saarlouis to make up the shortfall.

"Our industrial" relations people are working daily to get the message across to the fellows that they must produce. After all, it is in their interests as well as ours."

Mr Toy said 1980 sales generally had held up surprisingly well and Ford was sticking to its original forecast of total registrations around 1.5 million. Next year, Ford predicted a total car market of around 1.4 million, with a poor start and a recovery in the third or fourth quarter.

# Volatile interest rates blamed for run on America's second largest trust

# Bankers plug the leak in Liquid Assets

Concern about the effect of the volatility of interest rates on mutual funds operating in the American money markets has been sparked by a most unusual rescue operation mounted by Salomon Brothers of New York and the First National Bank of Chicago.

The banks have been advisers to a group called Institutional Liquid Assets of Chicago, one of whose funds has been involved in long-term treasury securities investments and which has faced large withdrawals in recent weeks as interest rates have shot up.

above the market price to secure the group. First National of Chicago returned a \$1m advisory fee to the group, which was used to offset the \$215.4m of securities on Monday.

The banks had to move swiftly to staunch a run of redemptions and the possible collapse of Liquid Assets, America's second largest trust.

Had the run been allowed to continue and the fund become unable to meet its commitments, it would have caused severe losses in many institutions and dislocation of the fixed interest markets.

The flood of redemptions began in August but the pace quickened in September with large withdrawals from the part of the fund invested in government securities.

According to *Donoghue's Money Fund Report*, the industry newsletter, institutions withdrew \$430m in that month, cutting the value of the government securities portfolio by about 30 per cent.

The fund's yield has fallen out of line because the bulk of its investments were tied up in longer term assets, but when interest rates were lower.

On September 30, its port-

Mr Robert Brooker, Liquid Assets chairman, said the combined injection of cash from the banks should allow the fund to meet further redemptions and to restructure its portfolio so that the yield was more in line with competing investments.

A spokesman for Salomon said the bank was willing to absorb the loss to protect those clients whom it had put into the fund and who had stood to lose money.

Rival fund managers on Wall Street were curious that Liquid Assets had allowed its portfolio to become so distorted. All insisted that this was a difficult problem and that

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 Continued on Back Page  
 Conference reports, Page 12

FINANCIAL TIMES 9/10/80

# Halewood men warned to increase Escort output

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A WARNING that "the Ford Escorts will be the last new car to go to Halewood" unless the workforce at the Merseyside plant improves its performance was given yesterday by Mr. Sam Toy, new chairman of Ford of Britain.

Halewood, recently modernised at the cost of £207m, has been producing an average of between only 250 and 300 new model Escorts a day compared with the scheduled 450 to 500.

About half the shortfall has been due to "niggling labour disputes and labour inflexibility," he said, although Ford admits that it might have been attempting to build up production from new equipment more quickly than was realistic.

The group's determination to improve productivity at all its plants by introducing new working methods has also made

the position at Halewood worse.

Mr. Toy said that the schedule for Halewood was set at a particularly high level. It was below that for the Saarlouis plant in West Germany where the Escort is also produced.

"The fellows just are not giving up the co-operation we were looking for. There needs to be a dramatic improvement in some areas," he commented. "The whole of our organisations and industrial relations people are working on this daily to get it through to the fellows that they must produce."

By the end of last week Ford had 16,500 firm orders for the new Escort. So far, Halewood has produced 8,600, about 6,000 short of target.

Output of the old Escort, a less-complicated car to assemble, reached 1,000 a day at peak periods.

The company so far has no plans to bring in more Escorts than previously planned from West Germany. But Mr. Toy made it clear this was a possibility. "This is why we are structured on a European scale, so as to have that flexibility."

Ford was usually "twice as efficient and twice as productive" at Saarlouis as at its British plants.

Of the cash so far spent at Halewood, where 11,000 are employed, in the body and assembly plants, £150m was directly associated with the introduction of the new Escort—the only car made there. The U.S. board recently authorised another £135m to be spent by 1985 for further improvements.

Car registrations, Page 7; Japanese car exports and Lucas deal, Back Page

based on in higher price most nationalised indus-  
 pay settlements should be to single figures—passed prices.

The Government already power to block some price increases by nationalised tries as a result of leg's inherited from the last G ment.

The problem is that t strain on prices could force nationalised indus- exceed their cash limits. ever, the Government i worried about the impact private sector of big increases by state ind and the impact on inflati

At this stage Ministe reluctant to acknowledge they want a formula to public sector costs. Appa Mrs Thatcher has made u to some colleagues that determined to find a v exporting proper contro, state industries.

Editorial Comment, Pa

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3 months	1.64	1.59 ds 1.28
6 months	2.10	1.95 ds 1.90

# Fraser poll hits Sydney shares

BY JAMES FORTH IN SYDNEY AND PATRICIA NEWBY IN CANBERRA

A SERIES of opinion polls forecasting defeat for the Liberal National Country coalition of Mr. Malcolm Fraser, the Prime Minister, in the Australian general election on October 18 has led to one of the heaviest bouts of selling in years on the Sydney stock exchange.

After a fall of 28 points of the Sydney All Ordinary Shares Index on Tuesday, the market fell another 19.34 points yesterday to reach 949.80. This amounted to a loss of 4.7 per cent for the two days.

Despite talk among dealers that a correction to the recent rapid upsurge of share prices was overdue it was clearly the polls which triggered the sudden fall.

Yesterday the Moran Gallup poll published by the weekly news magazine The Bulletin showed Labor Party support at 50 per cent compared with the Liberal-National Country coalition at 43 per cent.

This was an improvement in one week of 3 percentage points in support for the Labor Party, led by Mr. William Hayden. The poll was taken over the weekend of September 27 and 28, before the parties opened their campaigns.

Selling on the stock market was across the board, with dramatic falls by market heavyweights such as Broken Hill Proprietary. Speculative oil and mine exploration stocks, which had been setting the pace for the market's recent rise, also fell sharply.

The polls suggest that there has been a marked swing to Labor among the middle class middle income voters, and that the leadership qualities of Mr. Hayden, who took over from Mr. Gough Whitlam as head of the party after Labor's defeat in December 1977, have played a large part in rallying support to Labor.

Mr. Hayden's approval rating is now 45 per cent and Mr. Fraser's 37 per cent.

Mr. Fraser's party has responded to the bad news from the opinion polls by embarking on a more aggressive campaign to highlight the difference between the Government and opposition.

The Prime Minister has given major speeches warning of the Socialist influence of Labor's Left wing and accusing it of being an apologist for the Soviet Union.

He has reminded the electorate repeatedly of the disastrous economic management of the Whitlam Labor Government.

Labour is beginning on with its campaign of promises of promising a 1 per cent for Australian families through tax cuts, job creation, increases on petrol, and a better housing, health and welfare benefits.

T  
 getting to

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## MEETING WITH THE TUC GENERAL COUNCIL

### 1. OBJECTIVES

1.1 We agree with the Steering Brief's first three objectives, but we do not see "avoiding an open breach" - suggested as a fourth - as an objective in itself. We suspect that the TUC will decide beforehand whether they wish to stage a partial or total walk-out. We see no case for trimming the substance of what you have to say - though obviously the tone should be conciliatory - in the false hope that you could discourage this walk-out - if it has been decided upon. It will not be any more difficult to make the Government's case at the end of the meeting to the wider public - which is what counts - if the TUC have walked out. It might even be easier.

1.2 We suggest that objective (ii) - posing and answering the question "What can the unions do to help combat unemployment?" - is the most important one. If we get this message over, particularly to the wider audience, the rest should come right.

1.3 We feel the brief lacks punch in places and suggest a few points to draw on below.

### 2. OBJECTIVE (i): DEFENDING THE ECONOMIC STRATEGY

2.1 Of course the economic strategy is not negotiable. If the TUC choose to restate their recommendations for economic strategy, you and the Chancellor, perhaps helped by Terry Burns, should try to draw them into an analysis of where their prescriptions would lead us: in essence, more spending would mean more inflation, less jobs in the future. Although most of them are unconvertible, there are differences of opinion within the General Council. If some of the sensible voices are heard to say afterwards that they had to agree with some of what you said, this will blunt the public impact of the TUC's unthinking criticism. Everything we can do to expose the fallacy of an "alternative strategy" is useful - and will become more so as we reach the unemployment peak over the next year or two.

I have  
written  
him  
P2..

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## OBJECTIVE (ii): A POSITIVE ROLE FOR THE UNIONS IN COMBATTING UNEMPLOYMENT

- 3.1 We must try to convince the unions themselves (and, just as important, the wider public audience through press briefing afterwards) that there is a role for them in combatting unemployment. We suggest five main points.
- 3.2 Pay moderation
- 3.2.1 The message that unions should moderate their pay demands has a place here, but we do not think it is the central point you should be aiming to get across. It has been heard before and we know the unions will overtly reject it. It is essentially negative and there is an opportunity to be positive. (In the private sector, it is really for employers to take the lead in standing firmly for very moderate settlements, and explaining the consequences of higher settlements to employees on a company-by-company basis. We cannot actually hope to push unions to a position where they are asking for moderate pay: their function is always to ask for more. We hope to make them less demanding in the sense that they will not be willing to fight as hard as before. But the main factor here at present is the fear of unemployment, and the main job falls on employers.)
- 3.2.2 However, where the Government is the employer, there is a moral as well as a logical dimension to the case for moderation, and we think you should put it forcibly. One way of putting this is:

"Last week I saw two reports next to each other in the same newspaper. One reported Len Murray's criticisms of our decision to tie pensions to prices instead of prices or earnings in future, and called for pensioners to receive more. Next to it was a report of public service unions considering a plan to present a common front against the Government's cash limits. Of course, I don't know how accurate this is. But I wonder whether those who favour such a campaign also want to see more money for pensioners. If so, where do they think the money comes from? When the Government is having to look hard at every penny it spends, would it really be right for public service workers - whose jobs are much more secure than most in the private sector - to try and bust the cash limits so that we spend

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more on public service pay? If they succeeded, this could only mean that we had less available for those who need it. You probably know that an extra 1% on public service pay costs over £300 million. That's a claim on real resources that could be spent in many other ways."

- 3.2.3 On Nationalised Industries, you could refer explicitly, as you did in the Conference Speech, to the impact of coal and other energy prices on manufacturing industry - perhaps mentioning the Bowaters case where energy costs were one of several factors.
- 3.3 Opening up the rules on apprenticeship and training. There are several points to make (some of them are in D/Em's brief; some are not):
- 3.3.1 Although the TUC itself has seen the need to reform the standards of industrial training, the response of the unions concerned has been to hang onto the old system. We cannot afford to refuse to change. In Germany there are far more young people undertaking apprenticeship and training than here. It is desperately important that people should use the opportunity of recession to acquire more skills for when the upturn comes. But the natural tendency of companies themselves is to slow down - pressing the unions less hard for changes and taking on less people. There is a role here for Government, through the MSC, and we recognise it. We are spending £ on it. We are ready to consider spending even more. But why should we spend more, if the unions are not prepared to change their habits too?
- 3.3.2 How can unions justify restrictions on people over 17 taking up apprenticeships?
- 3.3.3 What about the pay of young apprentices? We have heard many reports that companies are unwilling to take them on because the rates are too high. [Jim Prior's paper on industrial training for E describes restrictions on apprentices and the high wage costs of apprentices and other trainees as two of the fundamental weaknesses of the present system.]
- 3.3.4 What can be done about restrictions on accepting men who have trained at skill centres? If we then find that the people who have been trained are not allowed to take up jobs, is this money worth spending?

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## Getting new technology adopted

3.4.1 We know that the natural reaction of people is to prefer the old ways of doing things. But our competitors are adopting new techniques all the time, and we have no choice but to stay in this race. The new Metro is a good example of the latest techniques being adopted by BL (with large-scale funding by the taxpayer) so that they can produce the small car just as competitively as anyone else. There is a role for Government here. But what can unions do to remove some of the blocks on adopting new technology? For example, there is great resistance in the Civil Service to using new word processors.

3.4.2 Why does every advance have to be fought for - with management on one side and unions on the other? What can the unions do to get a wider understanding that new technology brings new jobs? It is no coincidence that the car industry which has gone furthest in adopting the new techniques - the Japanese - is the most successful in the world. The following quote from one of Jim's speeches might be useful:

"It's low productivity that destroys jobs, not high productivity. Over a period of 20 years from 1954 in a total of 82 manufacturing industries in this country, the number of jobs fell by 600,000. Yet over the same 20 years, the 10 manufacturing industries which achieved the highest productivity increases created an extra 165,000 jobs."

3.4.3 With unemployment of 2 million, how is it possible that a recent NEDO report\* forecast that the main constraint on expanding the computer industry will be a shortage of trained people for the next 4 or 5 years? It estimated that 24,000 more people were needed now with new skills and 500 a month after that. Surely Government, management and unions can get together to solve this problem, recognising that each may have to be prepared to make changes? Can we make some progress on this in the NEDC machinery? (If you use this example we might need more background from DoI.)

3.5 Efficiency and Demarcation (See D/Em's briefing note).

---

\* Computer Manpower in the 1980s - NEDO



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## 3.6 Employee Involvement in Companies

3.6.1 This follows logically from the points above but is something the TUC would not expect to hear from you. You could say:

"These problems can't be solved at meetings like this. Whether we agree or not about macro-economic strategy, we all know the economy would be stronger and job prospects better if we made some of the improvements I've been talking about.

These are really issues that need to be sorted out at industry level and at company level. I know that managers have often been slow to involve their own work forces in their plans for the future and their problems. We see examples of this at meetings I hold /the Bowaters case was a striking example/. Although we don't favour legislation to make this happen, we do think that companies and unions should work much more closely together. Where necessary, trade unions should take the initiative in approaching management and asking to discuss the problems of their company, asking for more information about their prospects and what the unions can do to help improve them.

It would be quite wrong for you to think that we are opposed to work force representatives wanting to have an influence on their companies. On the contrary, we favour it. We want to see it exercised as a responsible influence. The real problems of our economy exist at the levels of companies and industries: if management and work forces can get these problems sorted out together, we shall all find unemployment falling and living standards rising."

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*Mini Minutes*



*colours*

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

*TL  
m1.*

13 October 1980

C. Whitmore, Esq.,  
10, Downing Street

*Dear Clin*

SUPPLEMENTARY BRIEFING FOR THE MEETING WITH TUC GENERAL  
COUNCIL: 14 OCTOBER 1980

Following the intelligence that the TUC intended to use  
the arguments raised in the paper by Peter Forsyth and  
John Kay of the Institute for Fiscal Studies, I attach  
supplementary briefing on this point.

The Prime Minister may also find it useful to have summary  
briefing, mostly extracted from the main material already  
provided covering the following:-

- (a) the crucial points that ought to be made  
at the meeting;
- (b) the main facts that have to be faced about  
the present situation;
- (c) some crunch points which might be made if  
the opportunity offers, on the Isle of Grain  
dispute and the Monopolies and Mergers Commission  
reports of British Rail's commuter services and  
the inner London letter post;
- (d) areas for constructive agreement;
- (e) points which might be made in opening  
and closing the meeting.

*See also  
Flag B  
2*

I hope this extra material is useful.

*Yours  
Peter*

P.S. JENKINS

~~Notes~~Kay/Forsyth Thesis

1. Peter Forsyth and John Kay of the Institute for Fiscal Studies published a paper in July 1980, "The Economic Implications of North Sea Oil Revenues":-
  - a. North Sea oil increases income through increase in tradeable goods with which we can buy tradeable goods from abroad.
  - b. But to use increased income in well balanced way, consumers will want to increase spending also on non-tradeable goods of the sort we cannot directly buy abroad with our oil (houses, entertainment)
  - c. These must be produced at home; so we will need structural adjustment from tradeables sector to non-tradeables. That will be achieved by a higher real exchange rate, increasing competitive pressure on UK tradeables sector
  - d. Pain of adjustment eased by investment abroad to keep down exchange rate and prolong period of increased purchasing power abroad.
  - e. The Government should use North Sea tax receipts to cut PSBR, thus allowing domestic interest rates to fall, and so encouraging private investment overseas.
2. Points to make
  - (a) Analysis of effects of North Sea oil broadly in line with Government's.
  - (b) Abolition of exchange controls will encourage investment overseas.
  - (c) Government already using North Sea tax revenues to ease pressure on PSBR, public spending and burden of tax.
  - (d) MTFS shows sensible possible path for decline in PSBR over medium term as % of GDP. North Sea revenues contributing to that.
  - (e) Cutting PSBR further to allow lower interest rates would not necessarily encourage fall in exchange rate. There could be a loss of output, improving the current account, and raising the exchange rate. This effect was ignored by Forsyth/Kay.
  - (f) [See separate briefing on North Sea Oil Fund]
  - (g) [Forsyth/Kay say investment in UK less profitable than investment abroad; and that investment in UK manufacturing would not enable us to take maximum advantage of increase in income]

Crucial Points

- i. Government shares TUC's objective of healthy economy and concern about unemployment.
- ii. Control of inflation is Government's main contribution to recovery, maintaining lasting employment
- iii. Government will stick to Medium Term Financial Strategy to that end.
- iv. Only industry's efforts can improve productivity and competitiveness: crucial for prosperity
- v. Government willing to continue dialogue with TUC, co-operate in areas of common interest

Facts to be faced

1. Prices

[a. RPI peaked at 21.9% (May 1980 increase over May 1979)]

But

b. now only 16.3% (August)

c. £ appreciation since May 1979 has had impact effect of c.4%

d. oil price shock had direct impact effect of c.4%

e. prospects good: CBI survey show few firms planning increases: favourable effects from wholesale prices still coming through

2. Nationalised industry prices

[a. up 26% in year to August; further increases on way]

b. 10% increase in n.i. price rises = 0.8% increase in RPI

c. increases made larger by past attempts to keep prices below economic level

d. partly due to excessive pay increases (Telecomms 23%)

e. shows necessity of pay moderation

3. Unemployment

[a. seasonally adjusted, excluding school leavers, was 1,783,500 in September]

b. Government concern

c. Government policy aimed at securing lasting employment

d. Industry must endure pay moderation

4. Welsh economy

a. unemployment problem widespread; but Wales suffers disproportionately from difficulties of coal and steel rundowns

← b. 18,000 new jobs in pipeline over coming years helped by Government assistance

c. INMOS project to create 2000 jobs over time

d. Additional Government money has been allocated for factory building in steel closure areas

e. Assisted area status of travel-to-work-areas most affected upgraded



5. Money and interest rates

- a. recorded rate of increase distorted by effects of removing corset - removal does not affect underlying conditions
- b. PSBR concentrated in first half of year
- c. bank lending may come down
- d. announcement in due course on roll-over
- e. MTFS remains cornerstone of policy
- f. remains intention to reduce interest rates, but must depend on monetary developments and prospects. To reduce MLR regardless of monetary prospects would simply result in a speedy reversal - in no-one's interest
- g. responsible pay bargaining will reduce financial pressures on companies: company described at NEDC would save £7 million from 4% off pay increase, only £1.5 million from 4% off MLR

6. Burden on private industry

- a. Government aware of difficulties, especially for manufacturing
- b. partly due to world recession
- c. also due to years of poor productivity performance: UK made and sold  $\frac{1}{2}$  million fewer cars than 15 years ago, rest of Europe 4 million more
- d. low profits reduce investment, hence cut competitiveness and job prospects
- e. biggest single relief will be moderation in pay
- f. when able to ease tax burden, will bear in mind problems of private industry
- g. loss of competitiveness due more to pay increases than to exchange rate level. Only satisfactory way to improve competitiveness is reducing costs, increasing productivity.

"Crunch" points

(i) Isle of Grain dispute

Background

- Under a TUC agreement, the GMNU have sole rights to represent ladders
- The CEEB have said the site will be closed down if lagging work does not continue
- The AUEW(C), AUEW(E) and EETPU have provided 57 "trainee" ladders to do the work at bonus rates lower than those demanded by GMNU ladders. AUEW claim that by supplying these ladders, they have protected the employment of 2,000 other employees on site
- TUC have drawn up solution requiring all ladders to be paid under common site agreement limiting bonus earnings. This requires withdrawal of the 57 "trainee" ladders and their replacement by GMNU members. AUEW(E) and EETPU unlikely to accept this.
- Department of Employment doubt if TUC right on substantive issues; but Government welcome TUC efforts to bring about solutions in similar cases. Therefore best to keep low profile.

Speaking Notes

- (a) All regret such inter-union disputes
- (b) Glad that TUC are making efforts to resolve

(ii) MMC Report on British Rail's Commuter Services (published in October 1980)

The Report did not focus on labour productivity as the primary cause of inefficiency. Nevertheless, it did identify a number of problems:

- between 1970-80, labour productivity increased by only 5% (as compared with 97% between 1960-70)
- since 1977 productivity has hardly increased at all
- but in 1979, 120,000 "mandays" were spent in negotiation and consultation!
- more overtime is being booked than necessary in order to maintain earnings.
- rostering of train crews leading to two shifts overlapping in the middle of the day when passenger demand is very low.
- an average of 3.6 hours (45%) per shift spent by drivers actually operating trains (result is twice as many drivers as guards)

(ii) MMC Report on Inner London Letter Post (published 31 March 1980)

- Report found complaints about deterioration of London letter service fully justified.
- Between 1968-79, productivity in Inner London declined by 20-25%. (PO argue that this is due to declining traffic and high fixed costs - report did not agree.)
- PO unable to demonstrate any significant manpower savings in Inner London following partial mechanisation.
- Seniority system puts new recruits at a disadvantage and hinders recruitment.
- UPW (Union of Post Office Workers) opposition to part-time and casual labour particularly strong in Inner London.
- Report found amount of overtime worked in Central London excessive.
- Traffic measurement and work study inadequate because of UPW opposition to attempts to improve either.
- UPW Executive believe future for their members lies in a mechanised, more productive business. But this attitude not fully reflected at branch level.

(iv) For other positive points, see Annex B to original briefing:-

- Potential for new investment will only be realised if productivity improved
- Efficiency of nationalised industries and level of pay settlements determines their price increases
- Efficient training systems will contribute to prosperity
- Greater flexibility, less rigid demarcation will secure long-run jobs
- Union structure, inter-union disputes, machinery, union democracy could all be improved.



Areas for constructive agreement

- i) Continuing dialogue in NEDC
- ii) Continuing <sup>work</sup> of EDCs and SWPs: to highlight problems, help towards greater efficiency
- iii) More positive use of public purchasing to help industry (as announced to NEDC in July). To contribute to industrial efficiency, help launch new, especially high technology products, not to prop up inefficient companies.
- iv) Training - TUC co-operation on training invaluable. Needs to be carried further.

Opening points

- Government shares TUC's objective of healthy growing economy
- Government's prime task to get conditions right for industry to create prosperity and jobs
- top priority to control inflation: reduces competitiveness  
undermines investment  
discourages consumption
- reflation now would aggravate inflation, delay recovery  
(cf Venice summit, IMF meeting)
- firm restraint of monetary growth only sure way to control  
inflation (Last Government introduced monetary targets)
- hence medium term financial strategy - the right sort of  
"national economic plan"
- recent monetary developments only reinforce need to stick to  
strategy
- unemployment a matter of concern
- industry's competitiveness and efficiency crucial for securing  
employment
- Government keen to apply strategy pragmatically where room for  
manoeuvre - support for NEB, assistance for BSC
- Government willing to continue dialogue inside and outside NEDC
- plenty of areas for co-operation: NEDC  
EDCs/SWPs  
Training

public purchasing initiative

Closing points

- common objective of competitive efficient economy providing lasting growth, employment, welfare
- Government's policies directed to that end
- inflation control is pre-condition
- "alternative strategy" would exacerbate problems in long term (reflation, import controls, shorter week on same pay, lame duck support, increased public expenditure, 4% drop in MLR, action to reduce exchange rate, use of oil revenues for direct help to industry)
- moderate pay to maintain competitiveness and jobs
- management and unions must improve industrial performance; eradicate inefficient practices, reform training
- no part of Government strategy to engineer unemployment; PM at Party Conference said "bounden duty" of Government to do what it can about it
- Government ready to continue dialogue with TUC, through NEDC and directly as today
- Government eager to co-operate in work of NEEC, EDCs and SWPS, specially in improving performance;  
on review of training etc.

RESTRICTED  
COVERING RESTRICTED AND COMMERCIAL IN CONFIDENCE



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

10th October 1980

T. Lankester Esq.,  
10 Downing Street  
LONDON  
SW1

Prime Minister

I really don't think you  
need read beyond Annex C.

Your colleagues (Chancellor, Sir  
Keith, A Prior) can deal with  
the detailed points in the voluminous  
Annex D.

Dear Tim

MEETING WITH TUC GENERAL COUNCIL 14 OCTOBER: STEERING BRIEF

.... I attach, as requested, in your letter of 29 September, a  
concerted brief for this meeting. It has been prepared  
with the help of DoI and DEM officials and includes at  
Annex B in line with the Prime Minister's suggestion,  
|| some positive points that could be put to the TUC.

TL

10/10

The advice on handling of the meeting does not at this  
stage presume the Prime Minister's agreement to the  
Chancellor's suggestion that Mr Terry Burns might be present  
and ready to give a short resume if that seemed appropriate.  
Mr Burns would obviously draw on material of his own if  
asked to take part in the discussion.

Some of the briefing material covers policy areas to be  
discussed at the Prime Minister's 13 October meeting on  
monetary matters. Clearly she will need to have in mind  
when using it the outcome of that meeting.

Copies of this letter and attachments go to the Private  
Secretaries to the Secretaries of State for Industry and  
Employment.

Yours ever  
Peter.

P.S. JENKINS  
Private Secretary

10 OCT 1980





# 10

MEETING WITH THE TUC GENERAL COUNCIL 14 OCTOBER: STEERING BRIEF

Organisation

1. Sections I to IV of this brief cover, respectively, Government and TUC objectives, advice on handling of the meeting and the line to take. At Annexes A and B are speaking notes covering general economic strategy and particular points that Ministers could raise. Annex C gives some suggested points for possible use in summing-up, and Annex D contains a comprehensive set of briefs on individual issues that the TUC may raise. The Departments of Employment and Industry have contributed many of the individual briefs.

## I GOVERNMENT OBJECTIVES

2. The Government's main objectives at this meeting should be:

(i) to make clear that Ministers share the TUC's objective of a healthy economy and their concern about unemployment; but to reiterate their belief that their present economic strategy is the only means of restoring a healthy economy and that they will not be deflected from it.

(ii) to discuss with the TUC the part they can play in achieving economic recovery and a reduction of unemployment. This includes not only moderation in pay settlements but also improvement of industrial performance through things like improved working practices and radical reform of some training arrangements, which are important to improving productivity.

(iii) to avoid being drawn into a "negotiating" posture: the overall strategy is not negotiable and over the medium term inflation will come down further though the level of transitional unemployment will depend on pay behaviour. But the willingness to continue a dialogue, in NEDC, and elsewhere, on particular policy issues should be made clear.

(iv) to try to avoid an open breach with the TUC - eg a walkout by some members of the General Council - so that the media can be told the meeting has been a constructive one.

## II TUC OBJECTIVES

3. The TUC's decision to seek the meeting was taken on the eve of its Congress with the objectives of:-

- (i) furthering its Campaign for Economic and Social Advance, first adopted at the 1979 Congress (the objectives of which are most recently expressed in the attached resolution of the 1980 Congress - see Annex E)
- (ii) demonstrating to sections of its membership opposed to any dialogue, and possibly favouring more direct action, that it was a proper and continuing role of the TUC to make representations to the Government;
- (iii) seeking to build publicly on wider expressions of concern, particularly about the level of unemployment and the problems of manufacturing industry;
- (iv) if at all possible to tell the media immediately after the meeting that the Government was unwilling to temper or change their economic policies and apparently unconcerned about their effects on employment.

Recent reports - see the Financial Times Article at Annex F - suggest the TUC may stress that in the absence of policy changes, rising unemployment may lead to social unrest, eg in South Wales.

4. The main policy change the TUC will recommend is general "reflation" (primarily through major increases in public spending) with the object of securing an early expansion of output, which they see as necessary to cut unemployment, to reduce increases in unit production costs and inflation, and to encourage the adoption of new technology. In addition they may press for early reductions in interest rates and the exchange rate (if necessary through a monetary target loose enough to allow intervention) and for a greater readiness to introduce direct import controls to protect particular "core industries". As part of their call for a more interventionist industrial policy, they can be expected to press for a new investment facility to channel £1 billion a year into industrial investment, provided equally by the Government (from North Sea revenues) and City institutions. The Financial Times article at Annex F reports that the TUC "will emphasise that there cannot be a proper recovery without a national economic plan". The TUC have said this year in NEDC that they "completely reject" the monetarist approach to the control of inflation.

### III HANDLING OF THE MEETING

5. The Prime Minister will no doubt wish first to welcome the General Council and to emphasise the Government's view on the identity of broad

macro-economic goals between all parties - ie defeat of inflation, sustainable economic growth and reduction in unemployment. Differences are about means not ends.

6. Traditionally, the TUC often nominate only one spokesman and this could be Alan Fisher\* (General Secretary of NUPE and this year's Chairman of the TUC). He is likely, however, after short introduction, to invite Len Murray and then possibly others to speak. As the TUC sought the meeting, Mr Fisher might be invited at the outset to indicate how they wish to proceed. Before beginning detailed discussion it might then be best for the Prime Minister or Chancellor to put on record very briefly the Government's general position. The speaking notes at Annex A are intended for that purpose.

7. During the ensuing discussion, the material at Annex B could be deployed as appropriate and the background and defensive briefs at Annex D should help in picking up individual points made by the TUC. The Employment Secretary will be able to deal with any TUC points on employment and trade union legislation.

8. Some points which might be used in summing-up are at Annex C. These would give a firm basis for subsequent briefing of the media.

#### IV LINE TO TAKE

9. Given the objective of avoiding an unnecessary public row with the TUC, which may be just what some elements on the General Council want to see, it will be important to present the Government's necessarily firm position sensitively. The use to be made of the Annex B material - on areas apart from pay where trade unions have a direct effect on the pace of economic improvement - may accordingly need to be decided as the meeting progresses. It might not be productive to debate the points at length. Annex B covers the various labour relations issues noted in Mr Lankester's letter of 29 September and, as a concrete example of the importance of co-operation on productivity, notes the part employees have to play in improving the efficiency of the nationalised industries to the benefit of the whole economy.

\* See now also the reports at Annex F

A

## SPEAKING NOTES ON THE ECONOMY

Agreement on objectives

1. Government share TUC aim of a healthy growing economy with increasing living standards. Policies aimed at setting the right conditions in which industry and commerce can work most effectively to raise prosperity and provide soundly-based new jobs. Differences with TUC relate to means not ends.

Priority to control of inflation

2. Government's firm view, in the light of the hard experience of recent years, is that sustainable economic growth can be achieved only if inflation is reduced and brought under lasting control. High inflation reduces competitiveness, undermines investment and discourages consumption. It is the real enemy of jobs. This is accepted internationally. Venice Summit of industrialised countries and recent annual meeting of IMF agreed among other things on importance of getting inflation down and on dangers of reflationary moves which would simply stoke up inflation and precipitate worse recession. In Britain, any attempt at "reflation" of demand now would result not in any sustainable increase in output or employment but simply in further inflation and delay in eventual recovery.

Monetary policy

3. Only sure way to control inflation is through strategy which includes firm restraint of monetary growth. Last Government similarly accepted need for monetary discipline and introduced specific targets for monetary growth. Recent progress on restraining monetary growth has been disappointing, though most recent signs are more encouraging. But Government's approach is medium term and recent developments reinforce need to stick to the medium term financial strategy which sets a path for reduction in the trend of monetary growth over period to 1985-84. [If TUC mention "national economic plan": strategy is a "national economic plan" for the variables a Government can sensibly hope to act on.]

Unemployment and pay

4. Government fully share TUC's concern about unemployment. But as explained in the NEDC discussions, there is a strong link between pay increases and unemployment at a time when monetary and fiscal restraint are imperative. Do not want to repeat this at length here; but convinced that the main answer to the unemployment problem lies in much more moderate pay settlements from now on, in both the private and public sectors. Already some encouraging signs this being taken to heart in industry as the economic realities come to be better appreciated. In the public sector the Government will be doing all it can, through cash limits, to encourage moderate settlements.

[For further briefing, see D8 below]

Continuing dialogue

5. Government keen to apply overall strategy pragmatically in those areas where there genuinely is room for manoeuvre - continued support for NEB, extra assistance for BSC, evidence of this. They attach real value to continuing dialogue with the TUC about all economic matters - building on series of NEDC discussions. Amidst sometimes heated debate on macro-economic matters, not to lose sight of important micro-economic issues. Earlier this year [the Prime Minister] took time to chair personally a NEDC discussion on the economic impact of micro-electronics. [She is] planning to take the chair again in a few months when research and development comes under discussion in the Council.



B

Annex B

POSSIBLE POINTS TO MENTION TO THE TUC

This annex contains briefing on the following points which Ministers may wish to raise during the meeting.

- 1 Investment and the role of unions in raising productivity.
- 2 Trade unions and performance of nationalised industries.  
*What are you prepared to do to raise output to a more Japanese standard? Efficiency is not the issue*
- 3 Trade union restrictions on training and apprenticeship.
- 4 Efficiency and demarcation.
- 5 Need for trade union reform.
- 6 Public purchasing.
- 7 Government support for NEDO

(i) Investment and the role of unions in raising productivity

1. First priority for investment and growth is lower inflation. But vital too to reduce barriers to growth of new firms and industries. Hence determination to remove unnecessary controls and improve incentives to enterprise. Action here important for higher profitability which is key to more investment opportunities being taken up. Wilson Committee, as other studies before it, showed there is no general shortage of funds for investment where returns right.

2. Foolish to hide major difference between Government and TUC on role of state in industry. But the Government not at all doctrinaire about this issue. Continued financial support for the NEB and decision on further investment for INMOS shows that we see a ~~continuing~~ role for Government in high risk areas of new technology, for example.

3. Strict limits on what Government can do to increase investment and secure economic growth once it has set the right climate. Important to engage all in industry on the need for improved productivity through better working practices, more flexible training methods, and rapid exploitation of profitable new technologies and products. Only in this way will the potential for new investment be realised. Big scope for trade union co-operation on these issues to improve the prospects for economic growth.

## NATIONALISED INDUSTRIES: CONTRIBUTION TO GENERAL SPEAKING NOTE

It is particularly important in the nationalised industries for the trade unions to work closely with management to reduce costs and match pay demands more closely to increases in productivity. In those industries which face international competition, such as steel, survival depends upon it. The level of efficiency of other basic industries, such as the public utilities, feeds through to the prices they charge, which affect the whole economy. Nationalised industry price increases rose at a disturbing rate last year - 10% ahead of the RPI, and it is essential that this should not continue. In some cases the excess price increases reflected excessive pay settlements. It is not sensible to avoid price rises in the face of rising costs by increasing subsidies or borrowing: these would produce further increases in the money supply and higher interest rates. The only way to bring nationalised <sup>industry</sup> price rises down to a more acceptable level in most industries is to cut costs and improve efficiency, and to agree pay settlements which reflect the growth in productivity. It is an urgent need for the competitiveness of the whole economy that every effort is made to control costs in this area.

## TRADE UNION RESTRICTIONS ON TRAINING AND APPRENTICESHIP

Background Note

1. There are two aspects of trade union restrictions on training. Firstly, the trade unions restrict entry to formal apprenticeships through industry agreements (to which employers are parties) on apprenticeship rules. Secondly, in many industries entry to particular jobs is restricted to those who have served a full apprenticeship and this makes for difficulties with the integration of skillcentre trainees.
2. Industry apprenticeship agreements (of which there are about 80) lay down the restrictions on age, duration of indenture, rates of pay etc which are characteristic of the apprenticeship 'system'. Recognition of full craft status is generally given only to those who have completed an apprenticeship. Nevertheless many jobs no longer require the amount or type of training provided by a formal apprenticeship in other cases new skills not covered by this form of training are necessary.
3. Restricting recruitment to time served men results in unnecessary inflexibility in responding to the changing needs of industry.
4. The MSC's Training for Skills Programme for Action (TSPA) included many recommendations giving more flexibility. The TUC, as members of MSC, support the objectives of TSPA. They are also expected to support the recommendation of the review of the Employment and Training Act commissioned by MSC which proposes that the criteria of TSPA should be applied more rigorously.
5. The Engineering Industry Training Board published proposals for radical changes to the engineering apprenticeship system. These were not acceptable to trade unions at the local level. Employers and educationalists were also unhappy about some of them. Discussions are still continuing at national level between the Engineering Employers Federation and Confederation of Shipbuilding, and Engineering Unions. The EITB is continuing to seek ways of achieving the aims of their proposed reforms and its Chairman Lord Scanlon is attempting to present the reforms in a way which will provoke a positive response from major unions and others concerned.

6. The great majority of skillcentre trainees do get jobs in their own trade. The greatest resistance to these trainees is in the coal and petroleum, metal manufacture, shipbuilding and marine engineering, vehicles and chemicals and allied industries, in larger companies and in areas of high unemployment.
7. MSC have pegged away at local levels, not without success, exploring better working relationships with firms, talking to local union representatives, biasing the final stages of courses to employers' needs; introducing job rehearsals and developing services to employers (mobile and sponsored training).
8. All this has helped to improve results. MSC have also talked to trades union leaders; who are sympathetic but not in practice helpful, though the TUC has always helped where it could. But with the recession, unions are becoming more defensive, and firms, no longer so short of craftsmen, are less anxious to overcome the many obstacles.

#### Points to Make

9. The Prime Minister may wish to draw on the following points:-

(1) The TUC have shown a positive attitude towards reforming the structure and developing the standards of industrial training. Through their membership of the MSC they give support to adult training and retraining under the Training Opportunities Scheme; they have supported the principles of the Training for Skills Programme and their submission to the review of the Employment and Training Act recognised that there was a need for changes and development. Since 1964 trade unions have been represented on industry training boards. But, in practice, little has been done by the unions to change the current apprenticeship system or remove the obstacles faced by skillcentre trainees.

(2) Despite the problems the recession is causing, what more can the TUC do to persuade individual unions and their members to reduce the emphasis on acceptance only of "time-served" men and allow skillcentre trainees to take the jobs for which they have received training.

(3) How do they propose to encourage reform of the apprenticeship rules that discriminate against people who do not enter an apprenticeship at 16/17 years of age?

(4) How can apprenticeships be modified so that the demands for new skills brought about by new technology can be rapidly met?



Points to make

1. A German worker's pay is double that of his British counterpart - and the German works fewer hours and gets longer holidays. I am sure the TUC don't want that - nor do I - but we all know it is because, whereas in the mid 1950s productivity was amongst the highest in Western Europe now it is the lowest among developed European nations. The low level of industrial efficiency compared with our competitors is the key problem in what some call the real economy. Unless we can improve it there is no chance of sustainable improvements in living standards.

2. This is a problem that can only be put right by those who operate in industry - by workpeople, trade unions and management. Management isn't perfect, moreover on many issues eg on the dangers of not adopting new technology the TUC has adopted a generally positive stance. But no one can deny that efficiency has been held back by the rigid allocation of work to particular groups of workers, or to members of particular unions. The rigid demarcation between production and maintenance and between one maintenance job and another has been a major cause of overmanning across a wide spectrum of industry. This rigidity rather than lack of investment or differences in how hard we work is crucial to our competitiveness.

3. There are signs that things are changing and that more flexible working practices are being accepted eg in parts of the motor industry. There are also examples of shop stewards putting forward imaginative proposals for more flexible and efficient working - all too often though only when faced with the imminent closure of a plant. It is then often too late.

4. According to Roy Grantham who is of course a director of the firm productivity at Talbot UK is <sup>up</sup> by 30% over last year. But why did it need the ground to open under their feet before they produced this splendid result. What is needed is increased acceptance of increased efficiency and greater flexibility throughout the economy as a means of ensuring jobs in the long run. Government look to the TUC to help bring about this acceptance.

PM'S MEETING WITH TUC

NEED FOR TRADE UNION REFORM

1 The Prime Minister might accept at the outset that change in the trade union movement is the responsibility of the trade unions. Government has no direct locus. On the other hand, unions have considerable capacity to influence industrial performance. No Government can be indifferent to the effects of union structure, attitudes and behaviour.

2 It has long been recognised, both inside and outside the trade union movement, that there are too many competing unions and that their internal organisation needs to be improved. Progress in most areas has, however, appeared painfully slow. What are the trade unions doing about it? Some problem areas are, for example:

(a) Union structure. Despite steady decline in numbers of unions in recent years and shift to larger unions, there is little sign of a more rational structure in many industries. Many managements have to negotiate with upwards of a dozen unions. Progress has in some cases (eg printing, banking and insurance) seemed to be backwards rather than forwards.

(b) Inter-union disputes. Enormous damage can be done by long-running inter-union disagreements, often by delaying major investments (eg Hunterston). The TUC disputes (Bridlington) machinery is slow-moving and is not always respected.

(c) Union democracy. There is a good deal of evidence that full-time officials and stewards are often out-of-line with members' feelings. More active involvement of all members would be a healthy sign. This might be encouraged if officials did not sometimes seem more concerned with political than industrial matters. Greater reliance on election, rather than

appointment of officials might help. (The Employment Act is intended to encourage greater use of secret ballots generally.)

(d) Union discipline. Officials often seem reluctant to discipline members or branches which do not accept union authority. This seems a recipe for anarchy.

3 The public, who are frequently affected by union behaviour, surely have a right to expect that trade unions will organise their affairs responsibly. This must involve a willingness to take initiatives and seek to exercise authority and influence in favour of sensible solutions. Authority can be legitimised by more democratic procedures. The TUC itself should not seek to shelter behind the "autonomy" of individual unions. Similarly individual unions should be prepared to give leadership to their members. Otherwise the public standing of trade unions will continue to decline.

Public purchasing

Sir Keith Joseph told NEDC in July that the government will try to use public purchasing more positively to help industry. Aim of this initiative is closer relationship between government departments and suppliers so that, for example, companies stand better chance of being in a position to meet Department's needs, Departments' specifications are aligned with those of potential overseas buyers, pre-production and bulk orders can be considered in cases where these might help to launch important, especially high technology, new products. Government is asking nationalised industries and local authorities to co-operate in this initiative. NB not a "Buy British" campaign to prop up inefficient companies, but the use of public purchasing as a lever to improve industrial performance (somewhat on Marks and Spencer lines).

[See also D12]

Government support for NEDC Economic Development Committees and Sector Working Parties

Government has expressed strong support in the NEDC on a number of occasions for work of EDCs and SWPs. At its best their work is an excellent example of the co-operative approach between management and unions to industrial problems which the government believes is essential. Committees cannot be a substitute for strong management or responsible trade unions in individual companies. But they can help to highlight problems and opportunities, to create a climate favourable to industrial change and, where necessary, be a goad to less efficient companies in their industries.

[See also D17]

Possible points for use in summing-up

- (a) there is a common objective in establishing a competitive and efficient economy, that can provide growth, high employment and secure jobs;
- (b) the Government's policies are all directed to that objective, the prime need being to get inflation permanently under control;
- (c) the elements of the so-called "alternative strategy" eg reflation, import controls, a 35 hour week without loss of pay, subsidisation of failing industry, increased public expenditure, are no realistic answer. They would make our long term problems worse.
- (d) quite apart from the need for moderation on pay, an inescapable responsibility rests on industry - management and unions - to improve performance. For example, inefficient working practices need to be eradicated and radical reform of some training arrangements is long overdue.
- (e) the level of unemployment reflects our long-standing poor industrial performance as well as the world recession. It is no part of the Government's strategy to engineer it; indeed the Government is concerned to ensure that individuals suffer as little as possible from our inescapable transitional problems.
- (f) the Government remain ready to continue a dialogue with the TUC on general economic issues through NEDC and directly on specific matters of concern.



D

Annex D

BRIEFING ON DETAILED POINTS THE TUC MAY RAISE

This annex contains background briefing and speaking notes on the following points which the TUC may raise:

- 1 Why inflation must be reduced.
- 2 Recent monetary figures and interest rate prospects.
- 3 Distributional effects of 1979 and 1980 Budgets.
- 4 Public sector pay and cash limits.
- 5 Competitiveness and the exchange rate.
- 6 North Sea oil fund.
- 7 Nationalised industries.
- 8 Pay, inflation and unemployment.
- 9 Impact of public spending cuts on employment and the construction industry.
- 10 Impact of cuts on the health services, social services, and social security.
- 11 Costing of TUC's alternative policy proposals.
- 12 Public procurement.
- 13 Import controls.
- 14 Import penetration monitoring.
- 15 Regional industrial policy.
- 16 Assistance under Sections 7 and 8 of the Industry Act 1972.
17. "Industrial Strategy": role of NEDC.
- 18 European industrial policy.
- 19 New technology: Government support.
- 20 Special employment measures.
- 21 Training proposals.
- 22 Reductions in hours/work-sharing.
- 23 The true levels of unemployment and vacancies.
- 24 Employment effects of new technology.
- 25 Telecommunications monopoly.
- 26 The Post Office.
- 27 Iron and Steel.
- 28 Shipbuilding.
- 29 Aerospace.
- 30 Motor vehicle industry.
- 31 The engineering industry and CSEU.

- 32 Finniston Report.
- 33 Textiles, clothing and footwear.
- 34 Paper and board industry.
- 35 National Enterprise Board.
- 36 Economic situation in Wales.
- 37 Oil and energy prices.

## WHY INFLATION MUST BE REDUCED

1. Inflation imposes severe economic and social costs on the nation. Social consequences are perhaps most evident in the effect of inflation upon the distribution of income. Some groups, particularly those capable and prepared to exercise their industrial muscle, can sometimes manage to keep their wages ahead of prices - though perhaps at the cost of their own or other people's jobs. Others however - some of the low-paid or the elderly on fixed incomes - are less able to protect themselves against rising prices. So it tends to be the weakest groups in society who suffer most from inflation.
2. Secondly inflation retards economic growth and makes unemployment higher than it otherwise would be. When inflation is high, it tends to be unstable: the UK inflation rate has varied from over 25% to under 8% in the last five years. This variability makes it difficult for both producers and consumers to assess future price levels; and this in turn influences their spending decisions.
3. Producers are discouraged from expanding output and undertaking new investment because they are uncertain whether this will be profitable or not. Also, because high inflation leads to high interest rates, producers become less willing to borrow in order to finance new ventures. Lower output and lower investment of course means less growth and higher unemployment.
4. Consumers too are affected by high and unstable inflation rates. For simple precautionary motives people tend to save more when inflation accelerates; also since inflation erodes the purchasing power of wealth held, this encourages people to save more so as to rebuild their real value. But the corollary of higher savings by the personal sector is lower consumption; and that again means less output and hence fewer jobs.
5. The damage that inflation does is widely understood. The communique after the Venice Summit of Western leaders noted that: "Inflation retards growth and harms all sectors of our society. The reduction of inflation is our immediate top priority and will benefit all nations. Determined fiscal and monetary restraint is required to break inflationary expectations".

## INTEREST RATES AND MONETARY GROWTH

## Background

The preliminary estimate for banking September suggests that £M3 grew by between  $\frac{1}{2}$  and  $\frac{3}{4}$  per cent in banking September. This follows two months of rapid growth during which £M3 rose by a total of 8 per cent. Recorded £M3 has risen by 25½% at an annual rate since February against the Government's target range of 7-11%.

The rapid expansion in the recorded rate of increase in July and August was caused largely by the ending of the corset in June. The corset, which had been reintroduced by the previous administration in June 1978, gave rise to substantial "disintermediation" as the private sector increased its holdings of 'near-money' assets not liable to corset penalties. With the end of the corset, the banks have been able to restructure their balance sheets; and business that had been forced into non-bank channels returned to the banking sector. The effects of this "reintermediation" cannot be quantified precisely but our best estimate is that the underlying monthly growth of £M3 in both July and August was 1 to 2 per cent.

Defensive

- i) The effects of the ending of the corset should now have been largely absorbed in recorded monetary figures.
- ii) In assessing monetary conditions and framing policy we do not rely simply on one statistical measure. Importance is attached to looking at a broad range of indicators and opinions. Other indicators, as well as much opinion in the business and financial community, suggested that monetary conditions were tighter than the £M3 figure indicated.
- [iii) If the TUC urge a substantial immediate cut in MLR to help industry:] As the Government has said, it remains the intention to reduce interest rates - hopefully in the reasonably near future - but this must depend on monetary developments and prospects. This month's figures are encouraging.

But to reduce MLR substantially now regardless of monetary prospects would simply result in a speedy reversal, which would be in no one's interest.

Positive

- i) The rate of growth of the money supply is now expected to drop significantly. Bank lending is expected to moderate considerably in the second half of the financial year as inflation abates. Public sector borrowing is also expected to be substantially lower in the second half of the year, chiefly because of the uneven pattern of receipts and expenditure throughout the year.
- ii) Responsible pay bargaining will do a lot to reduce the financial pressures on companies, and thus keep down their need to borrow. Pay moderation will also keep down public sector borrowing. That is the best way to help interest rates come down soon.
- iii) The National Savings Package announced on 9 September should help to finance the PSBR, easing the pressure on the gilt-edged market and hence on long term interest rates.

14 OCTOBER MEETING BETWEEN PM AND TUC GENERAL COUNCIL: DEFENSIVE BRIEF  
ON 1979 AND 1980 BUDGETS

Burden of personal taxation

Taking account of cuts in income tax as well as increases in indirect taxation, it is not the case that taxpayers are worse off as a result of the two Conservative Budgets. It is true that the burden of income tax and of taxation overall was increased slightly in the 1980 Budget (this was necessary in order to cut the PSBR and keep the money supply under control); but the burden of taxation was reduced substantially in the 1979 Budget. On the assumptions in the MTFs there would be scope for tax reductions in the medium term. The income tax burden in the current financial year will be considerably lower than in Labour's last year of office.

Budgets have increased inflation

The increases in indirect taxes were necessary because North Sea revenues and public expenditure cuts have not been sufficient alone to finance the cuts in income tax required to increase work incentives. The consequential reduction in the PSBR will ease the pressure on monetary growth, and reduce inflation in the longer term.

Effect on the low paid

Abolition of the lower rate band meant that more money was made available for increasing personal allowances, which have been increased by more than the rate of inflation in the past two years. Concentration on allowances means keeping more people out of the tax net and directs relatively more help to those on the lowest incomes and to families.

The indirect tax increases too have been generally progressive in nature, and so have hit the lower paid relatively less. VAT is a progressive tax, as Mr Healey has recognised, because of the zero-rating of "essential" items such as food, fuel, housing and children's clothing.

Highest paid have benefitted most

The top rates of income tax were previously amongst the highest in the world and reached at relatively low income levels. The 1979 Budget cut the top rate to around the European average. The cost of the higher rate reductions was small, and the beneficial effect on economic performance should with time benefit the whole nation. Higher rate thresholds were increased by only 11 per cent in 1980 to ensure a fair distributional effect between the higher and lower paid.



### Child Benefit

Child Benefit was raised in the 1980 Budget by 75p, to take effect from November. This is a rise of 18 $\frac{1}{2}$ %. It compares with a rise of 29 $\frac{1}{2}$ % in the RPI between April 1979 (the last time CB was raised) and November 1980 (forecast based on the Industry Act forecast in the FSBR). Thus CB has been less than inflation-proofed over this period. But:-

i. The April 1979 increase was a mid-year increase in advance of a general election, bringing forward an increase due in November 1979. The November to November increase in the RPI should be more like 16 $\frac{1}{2}$ %, ie below the increase in CB.

ii. The increase in CB was all that could be afforded at a time of stringency in public expenditure - other increases in social benefits were also restricted.

iii. For nearly all basic rate taxpayers in 1980/81 the increase ensures that they will be better off than they would have been if FAM and CTA's had been retained and uprated in line with prices since 1976/77 (the last full year of operation).

## PUBLIC SECTOR PAY AND CASH LIMITS

Factual

CBI data on average settlement levels for the 1979-80 pay round shows:

Public Services	14.0%
Manufacturing Industry	16.6%
Nationalised industries	17.6%
Financial and Commercial Settlements	20.6%

This data excludes cost of staged "catching-up" awards in respect of the previous pay round, which added about 10% to public service earnings in 1979-80.

At E(80)27th Meeting on 23 July the Prime Minister, in her summing up, said that the Government would make known publicly before the summer recess that it had in mind an assumption in single figures for pay increases in the public sector.

The Financial Times records Mr Heseltine as stating at the Party Conference on 8 October that the Government would be assuming "single figure" wage settlements by local councils and elsewhere throughout the public sector when setting cash limits.

Defensive

The Government is not "anti public sector" on pay or any other matter. But the public sector must take account of financial realities just as much as the private sector. This means the money available for pay settlements must be determined by what the taxpayer and ratepayer can afford.

Public service settlements in the last pay round have been significantly lower than those in manufacturing industry, and thus than those in the economy as a whole. But the actual increase in earnings for the public services was significantly higher as a result of "catching-up" settlements. The taxpayer and ratepayer cannot be expected to finance earnings increases on that scale next year.

Positive.

Ability to finance the public sector depends upon a prosperous private sector. For too long, the public sector has over-expanded at the expense of the private sector. In current circumstances, public spending and public borrowing have to be reined back.

The CBI figures show that we have succeeded in bringing the underlying rate of pay increases in the public sector under control after the "catching-up" difficulties resulting from the collapse of the previous administration's Pay Policy. But we need to go further. Excessive pay settlements in the year ahead would further undermine our international competitiveness and lead to a further unnecessary loss of jobs. This applies as much to the public as to the private sector. In order to ensure realistic pay settlements in the public services we shall be assuming increases in the pay provision in cash limits sharply lower than this year.

Private sector settlement levels have dropped significantly in the last few months and this must continue. Public service settlement must not be such as to deter the private sector from achieving realistic settlements.

HM TREASURY  
October 1980



## 5. COMPETITIVENESS AND THE EXCHANGE RATE

### A. Background/factual

Sterling has appreciated 7% against the dollar and 8% in effective terms since the beginning of 1980. The current rate is just under \$2.40 with an effective rate of around 76. Competitiveness has deteriorated sharply over the last eighteen months. A rough comparison between QIII 1980 and QI 1980 is as follows

UK labour costs relative to those in other countries in domestic currency (1)	exchange rate change (2)	Change in labour costs competitiveness (1) x (2)	Change in export price competitiveness
+ 21%	+ 17%	+ 40%	+ 17%

### B. Defensive points

Exchange rate: The Government has no exchange rate target (in either direction); its policy is to let the exchange rate be determined by supply and demand in the foreign exchange markets. This is an essential counterpart to monetary policy. There is nothing "artificial" about the present rate of exchange: indeed the Government abolished exchange controls and removed an artificial prop to the exchange rate which had existed for forty years.

Intervention to get rate down: The experience of other countries shows that inflow controls, including lower interest rates for non-residents, have no more than a very temporary effect at best. Higher interest rates in the UK are only a part of the reason why sterling is so strong - it is notable for example that sterling has remained firm recently in spite of a substantial rise in US interest rates; other factors such as oil are very important.



Competitiveness. As the figures [in A above] show our loss of cost competitiveness ~~owes~~ more to the much faster growth in earnings in the UK relative to other countries than it does to the rise in the exchange rate. The only satisfactory way to improve competitiveness is to reduce the growth in UK costs as quickly as possible, both by negotiating lower wage settlements and by improving productivity.

C. Positive points

Inflation. The high exchange rate has had an important influence on holding back increases in domestic prices both directly, by cutting the costs of imported raw materials and components, and indirectly by encouraging domestic producers to fix their prices competitively.

## 6. NORTH SEA OIL FUND

### Background

The TUC have long favoured the idea that the Government should set up a North Sea Oil Fund. The proposal is reflected in the Note of Dissent to Chapter 20 of the Wilson Report (signed by Sir Harold Wilson, Lord Allen, Mr Jenkins, Mr Mills and Mr Murray) which suggests that the Government should channel BNOG revenues, North Sea tax and royalty revenues and a proportion of British Gas's profits into such a Fund. The intention is that these funds would be used to restructure and modernise British industry. The idea is similar (and perhaps alternative) to another TUC proposal for a new investment facility jointly funded by the public sector and the long term investing institutions which would be administered by representatives of employers, employees and Government Departments.

There have been extensive discussions of the macro-economic effects of North Sea oil and gas revenues in the National Economic Development Council and the TUC proposal has been looked at in the context of these discussions. This is one of a number of proposals of the Wilson Committee which will be examined by the reconstituted NEDC Committee on Finance for Industry (the Baring Committee).

### Defensive

- a. North Sea oil and gas revenues are not a recently discovered pot of gold. They are already taken into account in the Government's medium term financial strategy.
- b. The Wilson Committee concluded that there was no evidence of good industrial investment opportunities being held back by shortage of funds. What is holding back investment at present are the uncertainties caused by inflation and very low expected rates of return.
- c. Most proposals of this kind are a cover for suggestions that there should be a change in Government priorities.



d. The previous Government considered the case for setting up a Fund of this kind but rejected it.

e. There is no reason to suppose committees of officials and others will allocate investment more successfully than the market.

Positive

The best way to help industry is to reduce inflation, get a proper balance between the public and private sectors, and reduce interest rates. Those are the objectives of the Government's medium term financial strategy, and the North Sea revenues are already contributing to the achievement of that strategy.

The two points which have recently attracted most interest are: the impact of EFLs and nationalised industry price increases.

BACKGROUND/FACTUAL

EFLs. In place for all nationalised industries. Arrived at by starting from the industries' approved investment programmes, estimating the extent to which the industries can finance these from internal resources on the basis of their Financial Targets and hence calculating their external financing requirements (EFLs). EFLs criticised recently for preventing profitable investment (NI Chairmen), and regarded with suspicion as instruments of pay control (unions).

NI Pricing. NI prices in aggregate have run ahead of RPI by some 10% over past year. Result of several factors: moves to economic pricing (especially by the gas/electricity industries), external price increases (eg fuel costs), need to restrain public expenditure by maintaining EFLs, and pay increases above general settlement levels. The differential between NI price increases and the RPI is expected to fall back over the coming year.

POINTS TO MAKE

EFLs. EFLs are not designed to restrict profitable investment. They are set, on the basis of reasonable economic assumptions, to finance approved investment programmes. They only "bite" if for example inflation (or pay demands) accelerate away more than expected when they were set. An element of squeeze is then healthy since it ensures the burden of adjustment required in the economy is shared by both public and private sectors. If, in these circumstances, NI borrowing were permitted to rise without limits, increases in public expenditure and the PSBR would result, leading to faster growth in the money supply or higher interest rates. EFLs are therefore an important part of sensible economic management. The pay assumptions on which EFLs are based will not be the same for all industries - different industries are in a different commercial position - but there is no intention in setting EFLs to penalise the NI sector unfairly as compared with private industry. But there needs to be some framework to parallel the competitive framework in which private firms operate and EFLs contribute to this. As the economy stabilises, with pay and price

increases coming down and becoming more predictable, the normal experience before 79-80 of natural shortfalls against EFLs may reappear and the criticisms of the system being made at present appear ill-founded.

NI Prices. The effect of NI price rises should be kept in proportion. Every 10% increase in NI prices adds 0.8% to the RPI. NI prices have risen rapidly in the past 12 months, partly for good reasons, partly for bad. Makes sense to increase prices to conserve scarce resources as in the energy sector and if costs unavoidably increase (such as the oil price). Otherwise we waste resources. Also makes sense to raise prices in the face of rising costs or falling demand if the alternative is: more borrowing, higher money supply, higher interest rates. But in some industries excess price increases have resulted from excessive pay increases: particularly high increase eg in Telecomms (23%). These increases have been regrettable. Not expect NI price increases to run ahead of the RPI now to the extent that they have done in the past year, but if they are to be brought right down there will need to be closer match in future between pay and productivity increases.

Pay, inflation and unemploymentBackground

1. The TUC has historically always avoided conceding that excessive pay settlements "cause" inflation. In a very real sense Government thinking is very much in line with this: in the long run excessive pay claims can "cause" inflation only if they are accommodated by a correspondingly high rate of monetary growth.
2. There is no denying that in the first instance, before corrective forces take effect, excessive pay settlements may be reflected in higher prices - so that failure of wage bargainers to adjust to slower monetary growth may delay the deceleration of inflation - or that excessive pay settlements are undesirable because of their effects on employment. Present circumstances - in which depressed home demand and fierce overseas competition are preventing many employers recouping excessive pay increases through price rises - show that the Wilsonian adage about "one man's pay increase is another man's price increase" needs reviewing. The key relationship to emphasise to unions, employees, employers is rather the link between pay and unemployment. The Chancellor's paper discussed at NEDC on 6 October explained the relationship fully.

Positive speaking notes

1. This Government, unlike its predecessors, quite accepts that pay increases alone cannot cause inflation. The fundamental cause is excessive monetary growth, without which increases in particular costs and prices cannot in the long run be reflected in a higher general price level. Hence our emphasis on monetary restraint.
2. Monetary discipline does not remove the need for sensible pay settlements. When as now profit margins are squeezed, because market conditions prevent higher costs being passed on, excessive settlements will simply create more unemployment. Even if in some cases higher labour costs can in the first instance be passed on in prices this will only delay and make more painful the process of adjustment to lower inflation.
3. Through pay moderation industry can keep to a minimum the transitional unemployment involved in the overdue adjustment to lower inflation.

Background /Factual

(i) The Government has not provided figures for total jobs lost as a result of public expenditure reductions because it does not accept that the employment effect of the reductions should be measured in that way. They are part of a policy to create the conditions for resumed growth and a sustained expansion of employment. Conversely failure to restrain public sector borrowing, interest rates, and inflation would worsen the longer term employment prospect.

(ii) The level of public sector demand is however of special concern to the construction industry, because the public sector commissions about 45% of all new construction work. After taking account of a projected increase in construction expenditure by the nationalised industries Cmd 7841 showed that total public sector capital expenditure on construction was expected to fall by some 3% in 1980-81 compared with 1979-80. The number of people employed on construction has only fallen by about 2% from 1.325 million in April 79 to 1.300 million in July 1980. However, total unemployment of those registered as last working in the industry has increased by 37% from about 163,000 in May 1979 to about 224,000 in August 1980. This compares / with a previous peak of about 209,000 in November 1977. (All figures given above are seasonally adjusted). The apparent discrepancy between the sizes of the reduction in employment and the increase in unemployment is in part to be explained by the tendency for unskilled labourers to claim that they previously worked in the construction industry when they register as unemployed, even if this is not the case.

(iii) The Government is of course committed to reducing unproductive employment in the public sector. Civil Service manpower stood at 732,000 in May 1979; it was down to about 700,000 on 1 July and the Government intend to bring the number down to about 630,000 by April 1984. ... Local authority manpower has fallen by about 1.8% from about 2,110,000 full-time equivalents in June 1979 to about 2,075,000 in June of this year. No information later than last year's annual figures is available for public corporation: employment in this sector has remained broadly constant at about 2,060,000 between 1978 and 1979.

## Defensive

### General

(i) There is no clear and precise link between changes in public expenditure and changes in the overall level of unemployment. The experience of the previous Government was that unemployment rose whether public spending was being cut or being increased.

### Construction

(ii) A third of the previous Labour Government's cuts in expenditure in 1977-78 fell on direct public expenditure on construction whereas on the same definition only a quarter of our reductions for 1980-81 fall on construction expenditure.

(iii) Output in the economy as a whole is expected to fall in 1980. This is part of the price we pay for squeezing inflation out of the system. Construction must accept its share of this but it should not be affected much more severely than other sectors of the economy.

(iv) We are committed to reducing Civil Service manpower and hope for reductions in local authority manpower. There is no point in keeping people in unproductive work when their salaries are paid by taxing the productive sector of the economy.

## Positive

(i) The public expenditure cuts are part of an overall economic strategy for the medium term to reduce inflation and strengthen the economy so as to get output and employment in the private sector growing again. The progressive reduction in public expenditure provided for in our plans will make it easier for us to achieve lower taxation, lower government borrowing, and lower interest rates. There is no other way to create the conditions in which the private sector can generate employment.

(ii) In the mid-1970's around 50% of new work undertaken by the construction industry was for the public sector; this proportion fell to below 45% in the last couple of years. We welcome this trend. The Government is determined to reduce the role of the state and so industry generally will need to look more to the private sector and abroad rather than the public sector.



(iii) Reductions in civil service manpower should not only save money over the long-term but form part of our strategy for reducing Government interference in the private sector. We want to reduce the financial<sup>and</sup> administrative burden on the private sector so that it is free to grow and create real jobs.

HM Treasury

9 October 1980

Background/Factual

The TUC's Annual Conference instructed the General Council to mount a campaign against health "cuts". The Unions strongly supported a Labour Party Conference resolution urging abolition of pay beds, an increased share of GDP spent on health and restoration of free NHS treatment.

The NHS will cost over £10 billion in 1980-81. The hospital and community health services are cash-limited. Spending on the Family Practitioner Services (GPs, drugs, dentists, opticians) is demand-determined.

The local authorities are responsible for the Personal Social Services and it is for them to decide on the level of services.

The health and personal social services account for about 13% of public expenditure (Cmd 7841).

Planned gross spending on health allows for demographic factors: the increasing needs of the elderly and very young.

Positive

- The health programme has continued to grow steadily.
- Despite the demands on public resources, and as promised, the Government has held to the previous administration's planned expenditure.
- No new charges have been introduced.

Defensive

2. Prescription charges will be increased to £1 on 1 December. This will still be only one third of the average prescription cost. The range of exemptions- for the poor, needy and elderly - has not been changed. Two-thirds of prescriptions are free.
3. Health spending plans have not been cut. The Government honoured its pledge to meet the cost of the Clegg-awards for nurses,

ambulancemen and ancillaries (offset by the proposals for improvements in manning).

4. The volume of health spending was squeezed by £160m (GB) in 1979-80 as prices rose faster than allowed for in the cash limits. Cash limits must be held if we are to control public spending. Other programmes were similarly affected.

5. How would the TUC find the resources to abolish charges and finance a 3% growth in the health service? It would cost £2bn in 1981-82 alone and considerably more in later years.

6. TUC opposition to pay beds is misguided. (The Electricians see a role for private health care for their members). Pay beds bring in £30 million p. a. for the health service.

7. Private sector medicine could reduce demands on the NHS and so help improve its services. There should be freedom of choice in health care as in other areas.

2x

H M Treasury  
9 October, 1980

Background

Expenditure on Social Security in 1980-81 is over £19 billion - more than 25 per cent of total public expenditure. This expenditure is demand-determined and not, therefore, cash limited.

Social Security benefits will be uprated from 24 November (two weeks later than would have been the case under previous legislation). Long-term benefits will rise by 16.5 per cent, short-term benefits by 5 per cent less - to 11.5 per cent. This lower rate recognises that they are not now taxed. Child benefit will rise by 18.75 per cent from £4.00 to £4.75.

The Government have issued a Green Paper proposing to give employers responsibility for paying first eight weeks of sick pay.

Earnings related supplements are to be reduced from January 1981 and abolished from January 1982.

Positive

- total expenditure on social security is still growing - by about 2½ per cent in real terms this year over 1979-80.
- \*[ - pensioners and other long-term beneficiaries have been fully protected from the effects of inflation (latest year-on-year RPI shows an increase of 16.3 per cent as against the uprating of 16.5 per cent) ]
- the Government has committed itself to uprating child benefit each year, subject to economic and other circumstances, so as to maintain its real value. (See also Brief No 3.)
- the Government has given special help in some areas, for instance, mobility allowance will be increased by 21 per cent to £14.50 and the Government has announced extra expenditure of £100 million in helping the needy with their fuel bills.

\*NB This point, while historically true, should not be expressed so as to allow it to be interpreted as a pledge for the future, which, in present public expenditure straits, would be unwise.

Defensive

- the country can only pay for the benefits it can afford. Social Security has increased by 50 per cent in real terms in the last ten years; since 1971 the social security programme has risen three times as fast as national income. Some cut-back in planned expenditure on social security is therefore inevitable when the Government is making massive efforts to ensure a return to prosperity through a reduction in public expenditure and the PSBR.\* [Nonetheless the Government has ensured that certain groups have been protected, namely the elderly, those on supplementary benefit, on Family Income Supplement and lone parents.]
- the reduction of 5 per cent in the uprating of short-term benefits recognises that these are benefits which should be taxed, and which, it is intended, will be taxed from 1982 - but which at present are not taxed. Taxation of short-term benefits is a measure that successive Governments have wished to introduce. Most long-term benefits are already taxable. It will ensure a fairer balance between in-work and out-of-work income. [There is a commitment to restore the reduction in invalidity benefit when this is brought into tax. For unemployment and incapacity benefits - the others involved - no decision has yet been taken. It will depend on circumstances at the time.]
- Earnings Related Supplement - with the proposed introduction of the Employers' Statutory Sick Pay Scheme from 1982 the case for an ERS in respect of sickness benefit is substantially diminished. As for unemployed, it is debatable whether ERS, which only goes to a minority, has ever helped significantly with constructive job search.

\* See footnote on previous page

Background

The Social Security (No 2) Act, 1980 provides, in Section 6, that the Supplementary Benefit paid to the families of strikers will be reduced by £12.00 a week from the assessed need. It also provides that tax refunds will be taken into account in assessing supplementary benefit for strikers' families - in other words, such refunds will no longer be included in miscellaneous income, the first £4 of which is disregarded when calculating supplementary benefit; strikers will also be debarred from receiving urgent needs payments for hardship, except in emergencies. It is also intended to bring supplementary benefits' payments to strikers into tax at the same time as unemployment benefit.

Positive

- supplementary benefit will not be wholly withdrawn from strikers' families, but the measure rests on the assumption that strikers will have made some provision for family support, either through strike pay or in some other way.
- the measure meets justifiable disquiet about level of social security benefits which strikers may claim on behalf of their families.

Defensive

- the measure is not an attack on unions but is designed to encourage strikers to make adequate provision for themselves and their families before going on strike. £12.00 is a reasonable amount to assume that the striker can provide for his family from his own resources (it is intended to increase this sum in line with pensions upratings). The reduction of £12.00 will be matched by a corresponding disregard, for Supplementary Benefit purposes, of the first £12.00 of strike pay. Also disregarded, as at present, will



be first £4.00 of wives' pay and a part of strikers' own part-time earnings (now £2.00, from November £4.00).

- it is probably only since 1966, when discretion was replaced by a legal entitlement to supplementary benefit, that it has been regarded as acceptable and proper for those on strike to have recourse to supplementary benefit.
- Supplementary Benefit is often not the principal means of support - wives' earnings, savings and the postponement of payments of debts constitute the way most strikers get by during a strike.

## COST OF TUC EXPENDITURE AND VAT PROPOSALS

The total cost of the TUC's proposals for increased public expenditure and a reduction in VAT to its previous levels is about £16½ billion in 1980-81 prices.

The TUC's 1980 Economic Review, published in February, contained various proposals for further public expenditure. Many of their demands were that cuts in expenditure be rescinded so it is safe to assume that the TUC are demanding at the very least the level of expenditure for 1980-81 provided for in the previous Government's plans of January 1979 (Cmnd 7439) this would cost some £5 billion in 1980-81 prices.

The following are the major quantifiable proposals in the Economic Review which are not included in the cost of returning to the previous Government's plans

	£ million (1980-81 prices)
(i) New £1 billion annual lending facility jointly funded and underwritten by the financial institutions and the Government.	approx 500
(ii) State Retirement Pensions equal to one third average earnings for single person and one half average earnings for married couples.	6,000
(iii) Inclusion of the unemployed in entitlement of long-term supplementary benefit rates.	65
(iv) Aligning child benefits to level of child support available for claimants of short term National Insurance benefits.	580
Total	<u>7,145</u>

In their paper for the May meeting of the NEDC the TUC urged the reversal of a number of policy decisions which had increased the RPI. By far the costliest of these proposals, as well as the easiest to quantify, was that the increase in

VAT be reversed. The additional revenue in 1980-81 as a result of increasing in VAT from 8%/12½% to a unified rate of 15% is put at about £4½ billion.

The total cost of these proposals is about £16½ billion, in 1980-81 prices. This is equivalent to about 20 pence on the standard rate of income tax.

HM Treasury

9 October 1980

Public procurementBackground

1. Purchasing by public bodies (including government departments, nationalised industries and local authorities) constitutes a substantial proportion of GDP; and is estimated at around £20 billion in 1978/79. Concern has been expressed by industry and NEDO that, on occasion, public bodies have not given their suppliers the same degree of support as their competitors in other countries receive. As a result, some contracts may well have gone abroad unnecessarily and reduced the opportunities for British companies to develop a secure home market base on which to build up their capability for competing in overseas markets.

2. E Committee agreed earlier this year that purchasing departments should place greater weight than hitherto on ways in which they can help British industry to become more efficient and competitive. Although the Government does not exercise direct control over the purchasing policies of local authorities or nationalised industries, they are also being asked to co-operate.

3. A particular case the TUC delegation may wish to raise under this head is the computerisation of PAYE. When E Committee considered this matter in August it decided to refer it back for further study. The TUC may well urge that the contract should be awarded to ICL before January when new international obligations on non-discrimination take effect and in consequence changes will be necessary to the current ICL preference policy.

Positive

a) A very high proportion of public procurement has consistently been reported as going to UK suppliers.

b) Assistance for industry through public purchasing

The Government recognises that public purchasing can be used to help industry improve its efficiency and competitiveness. It is accordingly taking action to impress on public purchasers that in planning their requirements and in placing contracts they should give full consideration to industry's needs, especially in export

markets and the development of new products particularly in the field of advanced technology. Industry must respond by producing the goods required competitively.

c) The Secretary of State for Industry and NEDO presented papers to the NEDC in July on how public purchasers might make more enlightened use of their ability to develop British industry. This initiative was welcomed by all sides and further reference to the need for progress on this front was made at the TUC in Brighton.

#### Defensive

##### a) "Buy British" policy

The Government is anxious that public purchasers should buy British wherever possible. However, an indiscriminate "Buy British" policy would be contrary to our international obligations and both damaging in the longer term to industry and unfair to the taxpayer where it merely propped up the inefficient.

##### b) Computerisation of PAYE

The Inland Revenue are urgently considering the practicability and desirability of proceeding with the computerisation of PAYE in some less complex way than the proposals originally put forward. The Government will then decide whether the project should go ahead on a revised basis, and the appropriate form of tender. The decision to initiate the study does not reflect doubts about the capabilities of ICL, but concern over the complexity of the original proposals.

The Government recognises the importance of maximum feasible involvement of UK companies, and of ensuring a high UK content in the system.



PRIME MINISTER'S MEETING WITH THE TUC : TUESDAY 14 OCTOBER 1980

#### IMPORT CONTROLS

#### DEFENSIVE SPEAKING NOTE

More general resort to import controls would be inconsistent with our interest as a major trading nation, exporting some third of our GNP, and would be inconsistent with our international obligations in the GATT and the EEC. We are however ready to consider requests for action, through the EEC, against unfair trading or in cases where sudden surges of imports cause injury to domestic industry.

#### BACKGROUND

The current decline in industrial output, coupled with increasing levels of import penetration, has increased the pressure for import controls from many quarters.

The key factor here has been the relatively low growth of productivity in some UK manufacturing sectors compared with that in competitor countries, resulting in uncompetitive product prices made worse by a high rate of inflation. Import controls would treat the symptom rather than the disease, and they would do so in a way which would be likely to make the situation worse. Widespread controls would be bound to create distortions and bottlenecks in the economy which would reduce efficiency. They would encourage rising prices, thereby fuelling inflation and restricting consumer choice. The removal of the spur of competition would encourage complacency, and shelter the inefficient rather than lead to the modernisation and re-equipment required for improved competitiveness. To the extent that current performance is due to the high value of the pound, import controls by themselves would, if effective, drive the pound even higher and make life yet more difficult for our exporters.

Public attention is concentrated on the level of imports but neglects the fact that a third of our manufacturing output goes into exports, and millions of jobs depend on our maintaining access to and competitiveness in overseas markets. We export a greater proportion of our GDP than all our major competitors—double the proportion of Japan and four times that of the United States.

Although we are importing more, we are also exporting more each year, and our share of world trade over the last 6 or 7 years has been constant at about 9 per cent despite increasing competition. We are therefore particularly vulnerable to retaliation which could be expected to inflict damage on various industries other than those protected by import controls. We have therefore to be especially careful about setting an example in flouting trade obligations.





The Government does, of course, remain ready to consider requests for action when an individual sector is seriously disrupted by imports. Temporary action can be taken, consistent with our international obligations and with Community agreement, if it is believed that such industries face virtual extinction unless provided with a breathing space to adjust to market conditions. But such action is rare. Industries in trouble should therefore be encouraged to help themselves. Where possible they should seek to negotiate industry to industry arrangements with the exporting countries; there are a number in operation (in respect of motor cars and consumer electronics with Japan, and footwear with South Korea). Various forms of restraint operate against imports into the UK in the areas of: clothing and textiles; synthetic textiles; consumer electronics; footwear; steel; and cars.

Department of Trade  
7 October 1980

## IMPORT PENETRATION: TUC PROPOSALS FOR MONITORING AND TASK FORCES

Background

The TUC have advocated closer monitoring by EDCs/SWPs of import penetration in individual industries, and the creation of task forces in badly affected industries to visit companies and encourage them to increase their efforts to combat imports. This idea represents a more positive approach to the problem than the TUC's parallel proposal of import controls to protect "core industries".

Defensive speaking note

The NEDC has commended this approach to EDCs/SWPs as a constructive response to import penetration. I hope committees are acting on the suggestion where appropriate, but they <sup>are</sup> of course voluntary bodies and cannot be instructed to do this.



PRIME MINISTER'S MEETING WITH THE TUC:  
14 OCTOBER 1980

DEFENSIVE SPEAKING NOTES

Regional Industrial Policy

The changes in regional industrial policy will help to reduce public expenditure and intervention in industry so that we can create, once current pressures ease, a climate in which enterprise and skills are rewarded and industry thereby encouraged to expand.

The Government is operating a more selective, and thus more effective, regional industrial policy than before. The maximum help will now go to those areas with the greatest problems of unemployment and structural weakness in their economies. The coverage of the Assisted Areas is being reduced in stages from 44% of the working population as at present to around 25% by August 1982.

Regional Employment Expansion Premium (if advocated by TUC)

A variant of this, the Regional Employment Premium, was introduced in 1967. It proved disappointing and was withdrawn by the previous Government.

Department of Industry  
RPDG 1

2 October 1980

ASSISTANCE UNDER SECTIONS 7 AND 8 OF THE INDUSTRY  
ACT 1972

## BACKGROUND

The Government's responsibility to industry is to establish a climate in which enterprise and risk taking can flourish. A first priority is to bring down the rate of inflation and the policies being pursued in order to reach this objective may take some time to be effective. Recognising that the current level of profitability in manufacturing industry is very low, which, in turn, has a limiting effect on the scope for research, development and investment, some assistance to industry is still being provided, but at a lower level and on a more selective basis than hitherto.

2. Government policy to industry was set out by the Secretary of State for Industry on 17 July 1979 following a major review. As a result regional selective financial assistance under Section 7 of the Industry Act 1972, will only be provided where it is necessary for the project to go ahead.

3. Financial assistance under Section 8 of the Act (which applies throughout the country) continues to be available on a very selective basis. Eligible projects are those which are internationally mobile and those which lead to substantial improvements in performance or to the introduction of new products and processes. A key requirement is that the project must benefit net UK output or introduce a significant degree of innovation. *Assistance is only available to projects which would not otherwise go ahead as planned.*

4. For both Sections 7 and 8 the level of assistance is the minimum necessary to secure the project.

#### POSITIVE POINTS TO MAKE

##### 5. NATIONAL AND REGIONAL SELECTIVE ASSISTANCE

(i) Selective financial assistance continues to be available albeit on a more selective basis, to projects which meet the necessary criteria. Regional selective assistance is now only given where it is necessary for the project to go ahead in the form proposed. Previously, many projects were assisted even though they were sound industrial investments which would have gone ahead with or without Government help.

(ii) Support is concentrated, for both Sections 7 and 8, for those projects which lead to very substantial improvements in performance, particularly productivity, or which result in the introduction of new processes and products.

##### REGIONAL ASSISTANCE ONLY

(iii) Regional selective assistance provides a range of incentives which reflects the needs of investors. We have extended the exchange risk cover scheme on European loans to the end of 1981. We have introduced an in-plant training scheme which provides a valuable inducement, especially for major projects involving new technology which provide the sort of high quality productive jobs we are looking for.

##### 6. DEFENSIVE POINTS

(i) Sections 7 and 8 should be used to help companies through the recession.

Selective financial assistance is provided to specific





(v) What about specially hard-hit areas eg. Consett?

We shall make maximum possible use of regional selective assistance, as well as other Government incentives to industry available in Special Development Areas, to attract worthwhile projects to Consett. Regional selective assistance in the forms of grants and exchange risk cover on loans from the European Coal and Steel Community has helped to attract <sup>9</sup> projects to Corby since it became a Development Area last December; these projects involved investment of £11 million and ~~brought~~ <sup>created</sup> 1000 jobs. We hope to achieve comparable results in Consett.

## 'INDUSTRIAL STRATEGY': ROLE OF NEDC

Background information

At their recent Annual Congress, the TUC passed a motion advocating an Industrial Strategy through the NEDC to improve industrial performance and job prospects. The TUC strongly supported the previous Government's tripartite Industrial Strategy particularly in its emphasis on:

- i. asking tripartite NEDC committees to study and draw up plans for improving performance in some key manufacturing sectors;
- ii. using this framework to develop the Government's policies on financial assistance to industry, towards the NEB and on planning agreements.

<sup>present</sup>  
The Government decided to build on the NEDC rather than establishing a separate economic forum. <sup>Accordingly</sup> the NEDC has had a series of macro-economic discussions <sup>over the last</sup> ~~since the Government took~~ <sup>year</sup> ~~xxxxx~~, in addition to its normal diet of industrial and micro-economic discussions.

Positive points to make

- The Government attaches great importance to the NEDC as a major forum for discussion between itself and the TUC, the CBI and other important interest groups on economic problems and priorities and about ways of improving industrial performance.
- I myself took the chair at the NEDC last January and hope to do so again next February.
- It also values the work of the EDCs and SWFs. All the committees are working to a Steering Brief, drawn up by a tripartite Staff Group, which asks them to give high priority to securing action on changes they agree to be needed to improve the efficiency of companies in attracting, serving and retaining customers.

Defensive points

- In the Government's view the TUC places an unjustified faith in the ability of Governments to improve industrial performance; and certainly it is not for the Government to 'pick winners' by devising strategies for particular sectors.
- Jobs are created when customers are supplied with goods and services they want to buy. What the Government can do and is doing is to create conditions which encourage the satisfaction of customers at rising levels of productivity.
- The success of the Government's policy of giving priority to the control of inflation and creating a climate favourable to enterprise is central to the long term interests of industry.
- Of course, the Government maintains contact with individual firms; but we do not see a place for planning agreements. The idea proved a dismal failure under the last government, when only one planning agreement with a private sector company was ever completed.



EUROPEAN INDUSTRIAL POLICY - The Scope for Initiatives to Assist Industries in Crisis

Speaking Note

- 1 We judge Community initiatives in the field of industrial policy with their congruence with HMG's policy objectives.
- 2 There are no specific provisions in the Treaty of Rome which govern Community Industrial policy and no evidence of a Community desire for a cohesive and all embracing industrial policy.
- 3 However, the existence of similar problems facing certain sectors of industry throughout the Community (eg steel and shipbuilding) has led to a willingness among Member States to find common solutions. It is sensible that in such cases Member States seek not exacerbate problems by pulling against each other. The key to such solutions lies in Member States having common problems. There is only limited prospect of action where a Community wide crisis does not exist.
- 4 We support the Commission's initiative aimed at producing a co-ordinated Community strategy to the new technology created by the convergence of telecommunications and computerised information systems. We hope this will enable European industry to compete effectively against competition in the US and Japan.



EUROPEAN INDUSTRIAL POLICY - The Scope for Initiatives to Assist Industries in Crisis

Background

There are no specific provisions in the Treaty of Rome for a Community industrial policy. Rather the Treaty concentrates on provisions designed to promote free and fair competition between enterprises in Member States. Such emphasis reflects the different economic circumstances prevailing in the last 1950's and the differing industrial philosophies of the Member States. These differing industrial and economic philosophies continue. So long as they do, a Community wide strategy for industry cannot be achieved.

However the existence of similar problems facing certain sectors of industry throughout the Community has led to a willingness among Member States to seek common solutions. For example, the agreement reached on a regime for trade in steel and for aids to both steel and shipbuilding. It is clearly sensible that in sectors in difficulties Member States should work together and not exacerbate problems by pulling against each other.

Thus Community industrial policy is very much linked to the crisis situation faced by individual industrial sectors. These crisis situations must be common to Member States as a whole. If they are not, Member States are reluctant to give up their own freedom of manoeuvre for the sake of, perhaps, only a few of their partners.

At the other end of the spectrum, high technology, the Commission have taken an initiative aimed at producing a co-ordinated Community strategy and the challenge of the new technology created by the convergence of telecommunications and computerised information systems (known as telematics). We support the initiative which if brought to fruition should enable Community industry to compete more effectively against competition in Japan and the US.

The annex to this note deals with the funds available for industry and employment from the European Regional Development Fund and from the European Social Fund.



## EUROPEAN REGIONAL DEVELOPMENT FUND

Speaking Note

The European Regional Development Fund is one of the more important Community structural instruments, and one from which we get a substantial net benefit. 95% of Fund resources are allocated according to national quotas; at 27% ours is the second largest after Italy's

The fund can aid industrial and infrastructure projects. In the case of the former these have to already be receiving national regional aids. Fund aid would therefore not act as an incentive to companies so it is retained by the Government as partial repayment of the national aid. This allows the Government to make available a higher level of regional aids than would otherwise be the case. The benefits of the Fund can therefore be spread more widely.

On the infrastructure side the money is passed on to local authorities and other bodies concerned and used to reduce the cost to them of carrying out their projects (for instance by reducing the amount they have to borrow). Because of the need to contain public expenditure they cannot use the money for additional expenditure.

Since the inception of the Fund in 1975 some £558 million has been allocated to the United Kingdom. Of this, £163 million was allocated last year.

6 October 1980



EUROPEAN SOCIAL FUND

1. The European Social Fund is essentially an employment fund, providing assistance for schemes for the training, re-training and resettlement of unemployed workers.
  
2. In 1979, the UK was allocated £130 million from the Fund (25.4% of the budget), of which £66 million was for schemes for young people and £50 million was for training for the unemployed in areas of high unemployment. This year we are likely to be allocated about the same amount in money terms.
  
3. The TUC's recent proposals on Special Employment Measures included a reference to the possibility of their proposals attracting Social Fund assistance. Certain of their proposals would indeed attract assistance, but the amount of aid would vary between schemes and additional domestic public expenditure would be a necessary pre-requisite.



PRIME MINISTER'S MEETING WITH THE TUC : TUESDAY 14 OCTOBER 1980

NEW TECHNOLOGY : GOVERNMENT SUPPORT

Background Note

The TUC Congress called for controls on the introduction of new technologies and sufficient funds to develop them.

2 The Department of Employment has provided a separate brief about the employment implications of new technology.

Speaking Note

We must make the most of the opportunities offered by new technologies. Primarily this depends on companies being willing and able to respond to change quickly enough. The last thing we can afford to do is to try to slow this process down. The Government's job is to create an economic climate in which industry can confidently take risks and invest in the research and development (R&D) needed to exploit the new technologies.

But while the main initiative must lie with industry there is a case for the taxpayer to give some support to industry, especially for basic long term R&D. This is done through the Department of Industry's R&D Requirements Boards. In addition this Government, as the last one, is encouraging companies to be more aware of new and under exploited technologies. Particular assistance is given to microelectronics through the Microprocessor Application Project and the Microelectronics Industry Support Programme\*; more generally the development and launching of new products and processes is supported through the Product and Process Development Scheme.

Department of Industry  
ICB

October 1980

\*Footnote. The allocation for this 5 year scheme was reduced by the present Government from £70 million to £55 million.

## MEETING BETWEEN PRIME MINISTER AND TUC

## SPECIAL EMPLOYMENT MEASURES

## THE TUC PROPOSALS

1. The TUC wrote to the Secretary of State for Employment on 7 August 1980 outlining proposals for the expansion of the Special Employment Measures in view of the rapid increase in unemployment. TUC estimated the cost of the proposals at £450m net of savings in social security benefits and flowbacks to the Exchequer so the gross cost must be approximately £1 billion. The proposals include:

- i. an increase in the size of the Youth Opportunities Programme (YOP) together with a crash programme of apprenticeship training awards
- ii. provision of more temporary employment and training opportunities
- iii. increase in the periods of statutory notice and consultation periods on redundancies
- iv. a counter redundancy training scheme
- v. payment of compensation for 12 months under the Temporary Short Time Working Compensation Scheme
- vi. a new employment and training subsidy payable for additional workers recruited and being trained
- vii. a reduction in the age of eligibility under the Job Release Scheme to 60 for men and 55 for women (currently 60 for disabled men, 64 for non-disabled men and 59 for women).

## THE SPECIAL EMPLOYMENT MEASURES

2. At present the special employment measures comprise:
  - a. YOP provides work experience and preparation for unemployed young people
  - b. Special Temporary Employment Programme (STEP) provides long term unemployed people with temporary employment on projects which benefit the community

- c. Temporary Short-Time Working Compensation Scheme encourages employers to adopt short-time working instead of redundancies, and
- d. Job Release Scheme enables employees approaching statutory pensionable age to make way for unemployed people in return for a weekly allowance.

At the end of August 1980 DE estimated that some 219,000 people were being kept off the unemployed register as a result of the special measures.

#### LINE TO TAKE

3. Both the present and the previous Government have carried out an annual review of the special employment measures to decide the shape and scale of the programme for the forthcoming financial year. At the last review the Government recognised the value of the special employment measures when it decided to maintain the overall impact of the measures for this financial year. At the same time the Government agreed to expand YOP by 20%. The annual review of the measures is now taking place but no decisions have been reached as yet.

[CONFIDENTIAL - The TUC members of MSC, Mr Graham and Mr Keys, know that MSC have recommended to the Secretary of State expansions of YOP and STEP. The MSC proposals have to be presented to the Select Committee on Employment and will be published in due course.

The Secretary of State will take account of MSC views when he submits to colleagues shortly his proposals for the future of the special employment measures<sup>7</sup>.

## TRAINING PROPOSALS

(i) "Out-look on Training - Review of the Employment and Training Act 1973"

The report on the review of the Employment and Training Act 1973 commissioned by the Manpower Service Commission was published on 31 July. The report recommends the continuation of the existing institutional structure. The MSC would review the coverage of industrial training boards to see whether any change in the number is desirable. The Exchequer would cease to pay the boards' operating costs and the requirement that there should be an affirmative resolution in Parliament for a levy of over 1 per cent should be removed. Firms would no longer be able to claim automatic exemption from levy on the ground that they had training arrangements adequate for their own needs. MSC financial support would continue for key skills training. The report also recommends that public training policy should concentrate on:-

- (a) ensuring that there is an effective training contribution to the profitable exploitation of new technology, increased productivity and faster economic growth;
- (b) extending vocational preparation for young people;
- (c) increasing opportunities for adults to enter skilled occupations or update their skills;
- (d) introducing efficient training methods and ensuring appropriate standards are set and attained.

The TUC representatives on the Review Body were Frank Chapple (SETPU), Ken Gill (AVEW - TASS) and John Monks (of TUC staff). They supported all the recommendations of the Review Body. The MSC has invited comments on the report by 20 October.

It is likely that the TUC will strongly support the report's recommendations.

The Commission itself will consider the Report on 30 October and then present its considered views to the Secretary of State for Employment.

The Secretary of State has welcomed the Report as a basis for public debate about the future of industrial training policy.

(ii) official working group on industrial training

An interdepartmental working group of officials has been considering the options for future industrial training policy. The Secretary of State will be circulating their report to 'E' Committee for consideration on 16 October. His paper should therefore be available before the meeting with the TUC representatives.

(iii) MSC's proposal for a new "training initiative"

At its meeting on 22 July, the MSC considered a possible new training initiative focusing on vocational preparation for 16-17 year olds, reform of the apprenticeship system and training opportunities for adults. Detailed proposals will be considered by the Commission in conjunction with the report on the Employment and Training Act at the end of the month.

Department of Employment  
7 October 1980



## REDUCTIONS IN HOURS/WORK-SHARING

1 In this country the length of the working week, arrangements for holidays and other matters affecting working time are not, apart from some few minor exceptions, prescribed by Government but left to negotiations between managements and workers in each firm and industry. The Government does not propose to intervene in such matters and it was glad when the European Council in December 1979 broadly agreed that decisions about working time should be made in accordance with the normal practice in each country.

2 At the same time, there is a strong movement both in this country and elsewhere, and to some extent supported by the European Commission, towards reductions in working time. The Government has no wish to condemn this movement, nor does it regard existing arrangements as sacrosanct. If reductions in working time are regarded as improvements in working conditions, the Government is prepared to recognise them as legitimate objectives.

3 The Government however notes that it has never been suggested in this country that reductions in hours should be accompanied by reductions in wages. Inevitably therefore they will push up unit labour costs unless they are compensated by commensurate gains in productivity. The Government's view is that any reductions in working time must be viewed as part and parcel of the whole package of increases in remuneration, and must be viewed as part of a pay deal. Their effect on employment must be judged by their effects on competitiveness. If unit labour costs in Britain go up beyond those of our industrial competitors, we shall lose out in competitiveness, employment will fall and jobs be lost.

4 We recognise that in the past year or so there has been pressure for reductions in working time and that many such reductions have been achieved. We recognise the right of workers to press both for reduced hours and for pay increases; what we also recognise and want management and workers to recognise is that they will push up unemployment if our unit labour costs rise out of line with those of our competitors.

## WORK-SHARING AND UNEMPLOYMENT

5 Work-sharing is a vague term. If it means reductions in working time without compensating reductions in pay, all the studies that have been made by Government confirm the view expressed over two years ago that, in the short term,

such cuts would be compensated by overtime or increased productivity; and that in the longer term there might be dangers from a decline in industrial competitiveness. The Government has accepted the view of the European Council that some help to employment could be achieved by reductions in systematic overtime working except, of course, to the extent that this was unnecessary. We are continuing, together with our European partners, to explore the possibilities of various kinds of measures connected with work-sharing but it will, I think, be agreed generally that they do not offer much scope for increases in jobs.

6. The Temporary Short-Time Working Compensation Scheme is a practical form of worksharing. It helps to keep in employment people for whom full-time jobs are temporarily not available. The latest (September) figure for the people covered was 154,100.

Department of Employment  
7 October 1980

## THE TRUE LEVELS OF UNEMPLOYMENT AND VACANCIES

Unemployment

1. It is sometimes alleged that the unemployment count under-estimates the true volume of unemployment. This was discussed fully in the DE Gazette in May 1980. Certainly there are some omissions eg people who would like a job but do not register at employment offices - perhaps a little over 300,000 - most of them women seeking part-time work only. Some categories of sick and disabled are also excluded. However the official count undoubtedly includes some registrants who, for various reasons are not very keen on taking up employment (eg fraudulent claimants and some of the 90-100,000 occupational pensioners). Fuller details are attached7.

2. The present level of unemployment is high but comparisons with the worst years of the Thirties are inappropriate. Large parts of the employee population in those days were not covered by insurance benefit schemes and unemployed people in many occupations would not have tried to get a job through Employment Exchanges. The present figures have a much wider coverage than the figures in the Thirties.

Vacancies

3. At present it is calculated that about a third of all available vacancies are notified to employment offices, although the proportion varies for different occupations and for different parts of the country. When one considers the alternative methods of recruitment - for example, the local applicant recommended by one of a firm's workers - this is not a bad proportion.

4. We see no point in making the notification of vacancies compulsory. Compulsory notification has been tried in the past and, except in wartime, resulted in considerable evasion. As far as the MSC are concerned, they would prefer to attract employers by the good service they offer rather than by compulsion.

5. Nor would we be justified in asking the MSC to establish priorities for particular groups of people in submission to vacancies. We are already taking steps to ensure that registrants with particular handicaps receive special

attention - the disabled, the long term unemployed and so on. But the MSC will be best able to help such people if employers are confident that the most suitable applicants will be submitted.

6. There has undoubtedly been a decline in available job opportunities - though the number of new vacancies notified has not been falling as fast as the monthly count of outstanding vacancies. With more registrants to place vacancies do not remain unfilled for long; and employers with plenty of job seekers on their door steps do not need to notify vacancies.

## BACKGROUND NOTE

### THE UNEMPLOYED REGISTER

### THE MONTHLY COUNT

The monthly unemployment figures are a count of the unemployed people registered at a local employment office or a careers office as "seeking employment" and who are accepted by the staff of the local office as being capable of and available for work.

### NOT INCLUDED

Categories not included in the published totals are:

1. Temporarily stopped: people suspended by their employers on the understanding that they will shortly resume work and who are registered to claim benefit. (15,000 in UK in September)
2. Adult students: registered for vacation employment (150,000 in UK in September).
3. Severely disabled people registered as unemployed who are unlikely to obtain employment except in sheltered conditions (12,000 in GB in August).
4. Non-claimants seeking part-time work; people who are not claiming benefit and who are seeking work for 30 or fewer hours a week (40,000 in UK in September).
5. Unemployed sick: registered unemployed people who fall sick and switch to sickness benefit for more than a few days. (An estimated 50,000 people out of work and sick, including the unregistered).
6. Unregistered unemployed: people who are genuinely seeking work but are not registered with the public employment services. (About 300,000, mostly women).
7. Discouraged workers: jobseekers who have been discouraged by labour market conditions from entering or re-entering the labour market. (Number not known).

### SUGGESTED EXCLUSIONS

Some categories which have been suggested for exclusion from the unemployment count are:

1. Unemployables: people on the register who may be considered to be unemployable or virtually so by reason of physical or mental condition. There is no firm evidence, but subjective assessments showed that in both 1973 and 1976, two widely differing points in the economic cycle, about 135,000 unemployed men had poor prospects caused mainly by age, physical or mental condition.
2. Occupation pensioners: some of these will be retired with sizeable occupational pensions others will still be looking for work and it would be hard to justify excluding the whole category. (An estimated 90-60 thousand on the register aged 55-64).
3. Frictional unemployment : taken to cover people briefly unemployed as they move between jobs. Some commentators use the number on the register whose current spell of unemployment has lasted less than 4 weeks. As a proxy for frictional unemployment (about 300,000 in UK in September. The number varies according to the time of year because of the influx of summer school leavers).
4. People signing fraudulently. In the year to February 1980 about 25,000 fraud cases were identified. A considerable number of fraudulent claims remain undetected, although the amounts of money involved are believed to be small.
5. Voluntarily unemployed : people not really interested in finding work. (No estimates available).

6. Married women About 250,000 in UK in August although not all of these would have a husband working.

#### OFFICIAL VIEW

Whatever may be the reservations about how accurately, at the margin, the published totals represent the true net position, the successive unemployment counts are thought to be a reasonable indication of the movements in total unemployment over time.




## EMPLOYMENT EFFECTS OF NEW TECHNOLOGY

Effects on jobs

1. New technology will not of itself bring dramatic job losses across the economy as a whole; losses in some sectors will be balanced by gains in others. This is now accepted by informed opinion internationally and in the UK, including CBI and TUC. The analysis of the TUC report "Employment and Technology" is thoughtful and accurate. We all agree that we have no choice but to preserve our technological competitiveness internationally.

Government programmes to ease transition

2. There will be mismatch between job opportunities lost (mainly unskilled, affecting particularly women and young people) and demand for skilled and qualified labour created by technological change. While training and retraining are mainly the responsibility of industry, the MSC provides over 6,000 training places a year in new technology occupations; some of its programmes (such as the "Threshold" scheme for training computer programmers) are particularly aimed at the young and unqualified.



PRIME MINISTER'S MEETING WITH THE TUC  
TUESDAY 14 OCTOBER 1980

## TELECOMMUNICATIONS MONOPOLY

## BACKGROUND NOTE

On 21 July the Secretary of State for Industry announced to the House the Government's plans for relaxing certain parts of the British Telecommunications (BT) present monopoly. Under these plans BT will remain responsible for the main network; for commissioning most types of equipment; and for maintaining private exchanges. But competition will be introduced in the supply of subscriber equipment and in the use of BT's circuits for specialised services to third parties not already offered by BT (the commissioning of an independent economic assessment of complete freedom of use of these circuits was recently announced). In addition, we are examining whether the private sector should be allowed to provide alternative transmission services, such as satellite business systems.

2. Two unions are most affected. The Post Office Engineering Union has threatened industrial action in defence of the present monopoly. The Electrical, Electronic, Telecommunications and Plumbing Union, which represents employees of the telecommunications equipment manufacturers, sees advantages in the Government's proposals but fears that foreign firms will get most of the new business.

## POINTS TO MAKE

3. We must exploit the new Information Technologies (IT) to the full if British industry is to improve its international competitiveness. Otherwise a great opportunity will be lost and jobs put at risk. As telecommunications is a fundamental component of IT we need an efficient and responsive telecommunications service. The Government's proposals are designed to achieve this and we hope that the unions will give positive help in doing so.

4. The proposals include safeguards for UK suppliers. The new regime will be phased over about three years. But the Government will be approaching other countries with a view to achieving reciprocal trading opportunities.

5. Government's proposals should not put jobs at risk although of course new skills may have to be learnt. On the contrary,

/ the changes



changes should create more business, and hence more jobs, both within BT and outside, including both manufacturing and service industries.

#### JOINT VENTURES

6. The Government will welcome the participation of joint ventures with BT. The expanding field offers ample opportunity for this kind of private investment through which an overall increase in telecommunications investment is expected.

#### PROFIT SKINNING

7. The Government is aware of the danger here. The extent of further liberalisation of the use of the network will depend on the outcome of an independent study that has been commissioned.

Department of Industry

PT

7 October 1980

PRIME MINISTER'S MEETING WITH TUC:  
TUESDAY 14 OCTOBER 1980

THE POST OFFICE (postal side)

There is a separate brief on British Telecommunications.

2. This brief covers the two issues likely to be raised: privatisation of Crown Post Office counters; and the liberalisation of the postal monopoly. In addition it discusses restrictive labour practices in the Post Office.

PRIVATISATION

Confidential Background Note

3. Mr Tom Jackson (Union of Communications Workers) has inadvertently learnt (but has not yet made public) of Ministers' plans to take powers to set up subsidiaries in the (new) Post Office and to dispose of them. Ministers believe Girobank and Crown Post Office Counters are leading candidates for privatisation. Sub post offices are already in private hands. Mr Jackson is to see the Minister of State for Industry (Mr Butler) on the morning of Tuesday 14 October to discuss the situation.

Line to take (only if raised)

4. The Minister of State for Industry will have explained this morning to Mr Tom Jackson the Government's position on possible privatisation of parts of the new Post Office. Any decisions in this field would, of course, be taken only after careful consideration and full consultation.

POSTAL MONOPOLY Speaking Note

5. The recent announcement by the Secretary of State to amend the scope of the Post Office's monopoly for the coverage of letters is designed to improve the service to the customer.

RESTRICTIVE LABOUR PRACTICES

Background Note

6. Since the report of the Monopolies and Mergers Commission on the inner London letter Post, the Post Office has made quite a lot of progress in reaching productivity agreements with the Union of Communications Workers. As Tom Jackson has had to struggle against the more militant sections of his own

/ union



union to get the agreements adopted, he should not be pilloried personally for the fact that some restrictive labour practices still remain. Nor is the main reason for the possible privatisation of Girobank or the Post Office Counters to impose efficiency. The proposed relaxation of the postal monopoly is however a different matter and this may be quoted as an example of the kind of action the Government is prepared to take if nationalised industries do not provide a satisfactory service to their customers.

Department of Industry

ICE/PT

7 October 1980



PRIME MINISTER'S MEETING WITH THE TUC: TUESDAY 14 OCTOBER 1980

IRON AND STEEL: POINTS TO MAKE (DEFENSIVE)

EFL

- 1 The increase in EFL announced by Sir Keith Joseph on 26 September does not indicate a change in the Government's attitude to Nationalised Industries' Cash Limits. It is merely a temporary measure designed to tide BSC over until the new Chairman, Mr MacGregor, can present the Government with his Corporate Plan in December. The Government remains determined that there should be a significant improvement in BSC's financial position as quickly as possible, and that BSC should take whatever measures are necessary to achieve that aim.

FURTHER CLOSURES AND REDUNDANCIES

- 2 This is a matter for BSC. But, given that there has been a sharp decline in UK steel demand this year, resulting in severe underloading of BSC's steelmaking capacity, the Corporation will clearly need to take effective and determined action to improve its financial position. Further closures and redundancies cannot be ruled out.

MANNING LEVELS

- 3 Granted, production manning in some plants is up to ~~and sometimes above~~ European standards; but maintenance manning levels offer considerable scope for improvement.





PRIME MINISTER'S MEETING WITH THE TUC: TUESDAY 14 OCTOBER 1980

IRON AND STEEL: BRIEF

Background

- 1 On 26 September, the Secretary of State for Industry announced the increase of £400 million in BSC's external financing limit for 1980/81. This increase had been foreshadowed in the Secretary of State's statement to the House of Commons (26 June). At that time, The Government deferred taking a decision on EPL, as it wished first to have a report from Mr MacGregor, BSC's new Chairman. Meanwhile, BSC has continued to make losses, and the interim financial measures announced in the Secretary of State's 26 September statement were necessary to enable BSC to continue to meet its debts until firm decisions about BSC's future can be taken.
- 2 At the time the statement was made, care was taken to emphasise that this increase in the EPL was a temporary measure design to tide BSC over until Mr MacGregor could present his corporate plan to the Government in December, and that the Government remained determined that there should be a significant improvement in BSC'S financial position as quickly as possible. Since, however, there has been a sharp decline in UK steel demand in recent months, BSC's steelmaking capacity is still severely underloaded, despite the closures which have taken place during 1980. It will be necessary for BSC to take action to improve its financial position, and further reductions of manned capacity (resulting in redundancies and closures) as part of the new corporate plan cannot be ruled out.

Manning Levels

- 3 Although production manning in some of the newer plants (eg Appleby - Frodingham) is up to the standards of European competitors, maintenance manning (aggravated by practices such as craftsmans' demarcations and the craftsmens' mates system) offers more scope for improvement.

Department of Industry

7 October 1980

THE PRIME MINISTER'S MEETING WITH TUC: 14 OCTOBER 1980

## SHIPBUILDING

Background Note

The Government last year announced a framework of financial support for the shipbuilding industry for a period of two years.

Before the Recess Mr Butler told the House that British Shipbuilders (BS) expected their cash requirements for 1980-81 to exceed their external financial limit (EFL) of £120m by some £67m; that he was not convinced that sufficient action had been taken by BS to reduce their rate of loss; and that he had asked the Chairman to review the options for reducing BS' cash requirements for this year and next.

Ministers are now considering BS' response. A further statement will be made to Parliament.

In August the Secretary of State for Industry announced that the Government had decided to defer the introduction of private capital into the shipbuilding industry because of doubts about its future shape and viability.

BS' current strategy

The strategy which BS agreed with their unions involved a reduction of merchant shipbuilding capacity by about a third and a similar reduction in merchant shipbuilding employment, which has fallen from nearly 28,000 in mid-1979 to around 17,000 at present. Merchant building employment on Vesting Day, July 1977, was well over 38,000.

The market

The worst of the severe recession in world shipbuilding is over but the market is still very difficult. New world order levels are probably only around 50-60% of available capacity. BS' orders in 1978 and 1979 were only a little over half of their planned annual capacity. BS orders this year will be better, perhaps up by 30-40%. Despite improvement BS have not won enough orders quickly enough to prevent expensive gaps opening in the yards' programmes.

Exchange rate

BS have been hard hit by the strengthening of the £ against the Yen - around 30% appreciation against the Yen over the last 18 months.

Defensive Points to Make1. Government assistance to the industry

In 1979/80 £292m was made available to the UK shipbuilding industry, the largest single annual contribution during the last 6 years.

2. Possible further reductions in employment in merchant shipbuilding

The Government recognises that there has already been substantial contraction in merchant shipbuilding, achieved with union cooperation. Security of employment must, however, depend on progress towards viability.

3. Other countries giving more substantial assistance to their shipbuilding industries

Direct assistance to the UK industry compares favourably with that given by our major competitors. Those EEC countries which extend more generous credit facilities for their shipping industry do not also provide direct shipbuilding subsidies.

4. BS's financial difficulties

The Government's examination of BS's finances is not yet complete. A statement will be made to the House in due course. Ministers will be in touch with union representatives when we are in a position to say something.

5. Regional employment

The Government is well aware that employment in shipbuilding is concentrated in areas of persistently high unemployment. This was one of the considerations behind the provision of financial assistance for the industry.



PRIME MINISTER'S MEETING WITH THE TUC ON 14 OCTOBER 1980

AEROSPACE INDUSTRY

EMPLOYMENT (MID 1980)

Airframe:	BAE	57,000	}	70,000
	Shorts	6,000		
	Westland Helicopters	7,000		
Guided Weapons:	BAe			17,500
Aeroengine:	Rolls Royce mainly			54,000
Equipment:				<u>58,500</u>
				200,000
Direct related support (services, materials, electronics, etc)				<u>132,000</u>

Aerospace is an industry in which there has been continuing growth for many years and there are good prospects for stable or increased job opportunities. Limited problems will arise from time to time on individual contracts or projects but it is not expected that these will be serious. The industry has experienced considerable difficulty in finding sufficient skilled labour. The UK industry is generally competitive although productivity is not as good as its main competitors in the USA. As a heavily export-oriented industry, often working in a dollar dominated market (particularly on civil projects) the area of most immediate concern is likely to be the depressing effect on profits of the high exchange rate of sterling.

We do not anticipate that the aerospace industry will be the focus of many concerns on the part of the TUC in the context of the meeting but current issues which may arise are:

- a) the effect of the MOD moratorium and cutbacks: there may be concern in industry among unions about the effect of the cutbacks already announced and there may well be criticism of the Trident purchase and its effect on the MOD budget as a whole. However, we do not anticipate widespread redundancies in the industry at this stage although the loss of some future projects and orders is bound to have a limited effect. Some



important purchasing decisions have been delayed by the moratorium and this has increased uncertainty in the industry. Management representatives have also expressed serious concern that the moratorium will increase overall costs to HMG and that it may be necessary to extend it for a period longer than 3 months. The latter could hit industry hard.

- b) Jetstream: the MOD requirement for replacement aircraft for Devon and Pembroke communications aircraft has been caught by the current moratorium. MOD has been keen to avoid any implication that an order for Jetstream will automatically be placed after the moratorium is lifted. There will be continuing financial constraints and a decision on the priority of such an order will have to be made against that background. There could therefore be further delay before any order is placed, and BAe may decide to cancel the project if no order is forthcoming for Jetstream in the next few months.
- c) Sale of shares in British Aerospace: CSEU unions have been strongly opposed to the prospect of the removal of British Aerospace from the public sector to the private. They may claim that it will damage the prospects for those employed in the Corporation. Point to make: the British Aerospace Act provides for only one universal successor company. There will therefore be complete continuity between the Corporation and the new company so far as the structure of the business, employment, pensions and management are concerned. There is no reason why BAe Ltd should not be able to obtain the funds it needs for investment in the future. We expect it to meet its requirements from commercial sources; but we shall be willing to consider applications for launch aid on their merits, subject to constraints on public expenditure.

## THE MOTOR VEHICLE INDUSTRY

General Position

1 Production by the industry is forecast to fall by 9% this year and 12% in 1981. The number of cars produced is forecast to fall below one million units for the first time since 1957. Although production of cars for the home market has fallen by 20% from last year, the major manufacturers are still faced with high stocks, and all four are currently on short-time working.

2 The increase in import penetration has not compensated importers for the fall in the market, and sales of imported cars are forecast to fall by 8% in 1980 and to remain constant in 1981. Imports of commercial vehicles are remaining steady this year and are expected to do so again in 1981. Car exports are expected to decrease by value in 1980.

3 From June 1979 to June 1980, the number employed in the industry fell by 7%, from 457,000 to 424,000. 1980 output is forecast to fall by 9%, implying a productivity fall of around 2%. A larger fall may be expected in 1981 if output falls, as forecast, by 12%, while employment falls by around 6% to the region of 400,000.

4 Of the foreign-owned manufacturers, only Ford seems determined to maintain a major presence in the United Kingdom, and to be investing accordingly. The investment plans of the other two major foreign-owned companies are not known.

LINE TO TAKE (Defensive)

5 The difficulties of the UK engineering industry are a reflection of the state of world trade and the UK's general industrial situation. The Government is attempting to improve matters through its overall industrial and economic policies.

BL

6 BL's sales in 1980 are down 25% by volume, with a market share drop of 3 points to 18%. Most plants are on short-time working patterns in order to match the lower sales and reduce inventories.

7 The half-year results recorded a trading loss of £93.4m, with a pre-tax loss of £154.9m. Within this, Land Rover, Unipart and BL Commercial Vehicles recorded profits. BL is taking firm action to curb the cash out-flow for the second six months of the year and to remain within the agreed Government funding of £300m. However the company's redundancy and restructuring programme has been accelerated, and employment in the company as a whole will have fallen by 20,000 in 1980.





8 The LC10 programme (new middle-sized car due in 1982/83) has been approved by the BL Board and submitted to the Government. There is pressure from several sources for this programme to be approved quickly so that work can proceed. The Government's view is that decisions on the LC10 can only be taken in conjunction with decisions on the Corporate Plan, which is expected from BL later this month.

LINE TO TAKE (Defensive)

i) LC10

The BL Board has approved the LC10 programme and it has been forwarded to the NEB and the Department. The Secretary of State for Industry's approval will be required for this programme, and he will need to consider it carefully in the context of BL's forthcoming Corporate Plan - of which of course the LC10 programme forms an important part. So that no time is lost on the project while this consideration is taking place, long-lead funds have been provided for it.

ii) FURTHER FUNDING

The Secretary of State for Industry has already said in public that it will be very hard to convince the Government of the need to provide BL with further funds. Sir Michael Edwardes is well seized of this. BL is in the final stages of its corporate planning cycle and must be taking the Government's views into account.

## PROPOSED HINO TRUCK FACILITY AT WARRINGTON

Japanese Hino trucks have been assembled by a company called Harris in Eire from imported kits since 1967. There have been reports from time to time that Harris was planning to extend its operations into the UK; these have come to nothing. The current proposal is that a new company, associated with Harris, plans to distribute the trucks in the UK from a base in Warrington, where a factory unit has been leased for the purpose. It appears that actual assembly in the UK is not at present contemplated, and the trucks will be imported in built-up form from Dublin. The figure of 500 trucks in the first year has been mentioned, which would be about 1 1/2% of the medium heavy UK lorry market. The UK industry and unions are concerned that, at a time when truck demand has fallen sharply, a Japanese bridgehead will have been established.

The Departments of Industry and Trade have been examining the proposal carefully. Formal scope to prevent the investment does not exist, more especially since it is a proposal from within the EEC. The Department of Trade has examined the position on EEC origin rules and tariffs, without avail. Action under Article 115 of the Treaty of Rome, to inhibit the free circulation of goods not of community origin, would only be applicable if we had a formal restriction on Japanese truck imports which had the Commission's blessing.

The Department of Transport is checking the compliance of the Hino trucks in Warrington with construction regulations; a major problem, however, is the lack of a statutory right to inspect such vehicles before they can be licensed and used on roads (this will only exist when national type approval for commercial vehicles, as recently agreed by E Committee, is implemented).

The SMMT raised the issue at its recent inter-industry restraint talks in Tokyo, and was optimistic that the Japanese side, aware of the sensitivities involved, understood clearly that this project was unwelcome.

## LINE TO TAKE (Defensive)

We are very concerned about this. Government's and industry's concern was made clear to the Japanese at recent inter-industry talks in Tokyo. We are satisfied that Hino well aware of the sensitivities involved. But, as it stands it is an Irish proposal, from within the EEC. No EEC Government has the power to stop such a commercial proposal. We will keep a close watch on developments. Department of Transport will do all it can to check compliance of Hinos with construction regulations.



PRIME MINISTER'S MEETING WITH TUC: 14 OCTOBER 1980

THE ENGINEERING INDUSTRY AND THE CONFEDERATION OF  
SHIPBUILDING AND ENGINEERING UNIONS (CSEU)

Background Note

It may be helpful for the Prime Minister to know as background that on 22 September 1980 the Secretary of State for Industry met a delegation from the CSEU to discuss the problems of the engineering industry. The delegation comprised members from the AUEW, ASTMS, NUDUGM, TGWU and TASS. The discussion ranged over the Government's general economic policies as well as the special problems of various parts of the industry. The Secretary of State promised to respond to a written submission from the CSEU (not yet received) and offered further meetings to follow up particular points.

Department of Industry  
ICB

6 October 1980



PRIME MINISTER'S MEETING WITH THE TUC:  
14 OCTOBER 1980

FINNISTON REPORT

Background

The Committee of Enquiry into the Engineering Profession (the Finniston Enquiry) reported in January 1980. Its main recommendation was that the Government should set up an Engineering Authority by statute (although the body would have no powers requiring statute). On 7 August 1980 the Secretary of State for Industry announced that the Government would help set up a body to act as a focal point between engineers, employers and educationists, but set up under Royal Charter not under statute. The draft Charter is being discussed with interested parties, including the TUC whose representatives will meet the Secretary of State shortly.

Speaking Note

I appreciate that the TUC would have preferred to see an authority set up under statute on the lines recommended by Sir Monty Finniston's committee, rather than the body under Royal Charter which we have said we will help establish. You will be able to put this point of view fully to the Secretary of State for Industry when you meet him in the near future.

Department of Industry  
ICB

6 October 1980

## TEXTILES, CLOTHING AND FOOTWEAR

Background Note

The current unemployment situation in the textile, clothing and footwear industries is very serious. There have been a growing number of closures in 1980 and 50,000 jobs have been lost in the first six months of this year. Domestic demand is either stagnant, or, as in major sectors, declining. Despite this it remains a major manufacturing sector employing around 700,000 people (about 10 per cent of all jobs in manufacturing industry) and accounts for about 2 per cent of our gross domestic product and 5 per cent of our total exports.

2. The industry attributes its difficulties mainly to the strength of sterling; high interest rates; and continuing pressure from imports (low cost as well as from developed countries). The textile and clothing industry does not consider that the Multi-Fibre Arrangement (MFA) has been as effective in limiting imports from low cost sources as it had expected. The increasing competitiveness of the US industry is also causing considerable concern, particularly in the synthetic textile sector, as US producers benefit from controlled feedstock and process energy prices. As a result, there is substantial protectionist pressure from the industry.

3. Although the footwear industry faces the same economic problems as the textile and clothing industries import barriers are fewer, and selective - against China, Taiwan and South Korea, and some Comecon countries. The industry argue that it too needs the sort of wider protection afforded by the MFA.



## TEXTILES, CLOTHING AND FOOTWEAR

### SPEAKING NOTES

#### 1. Trade Policy

We are very much concerned about the problems of the textile and clothing industries, which are very important to the economy. The special position of trade in this sector is internationally recognised and we are committed to ensuring the strict implementation of the present Multi-Fibre Arrangement (MFA) and associated agreements affecting imports. We intend to press for a tough successor when the present MFA expires at the end of 1981.

#### 2. Imports of Synthetic Textiles from the USA

Earlier this year we were successful in obtaining Community agreement to impose quotas on US exports of polyester filament yarn and nylon carpet yarn. We are also aware of similar problems affecting carpets, sheets and other woven fabrics. But any case for restraints under the GATT has to be very strong to stand much chance of being accepted by the Community. We are maintaining a careful watch on the situation.

#### 3. Unfair or Dumped Imports

We have made our position quite clear - that we will seek action against unfair trading practices, where these can be established. Although the legal powers rest with the European Community, we will follow up vigorously any substantiated complaints from industry, subject only to internationally agreed rules and our obligations as a member of the EC.





#### 4. Domestic Economic Policies

We recognise that inflation, interest rates and the strength of sterling are bearing hard on many textile, clothing and footwear firms. However, any special measures of relief for firms in this sector, such as preferential interest rates, would only mean an increase in taxation elsewhere or in public borrowing. The best prospect for all industry is that public expenditure and inflation should be brought under control and the right basis created for an efficient and competitive economy.

#### 5. Government Aid to Industry and Employment

Financial incentives for investment in new assets continue to be available under the Industry Act for firms provided they meet the criteria for support.

As far as employment is concerned the Temporary Short Time Working Compensation Scheme is continuing until at least March 1981.

Nearly 70,000 workers in the textile, clothing and footwear industries, ie 10% of employees, have benefitted from this Scheme, representing some 40% of reimbursements approved for all industries. This should help relieve some of the immediate pressure which industry is facing, but in the long run our policies are designed to create long term job security.

#### 6. Public Purchasing Policy


We cannot require public purchasing authorities to buy British. Government has a Community obligation to advertise major public contracts for tender in the Official Journal. Even so, the great majority Over 90%



of central Government purchases of textiles, clothing and footwear is from UK sources. Local and health authorities are also bound by Community obligations and are responsible for their own purchasing decisions.

#### 7. Energy Prices

It is Government policy that energy charges should reflect the true cost of energy supply in the longer term. However, we recognise the industry's concern about the effects of energy prices on competitiveness. It was recently agreed in NEDO that comparative energy pricing data should be established. I would hope that firms in the textile, clothing and footwear sectors are co-operating in providing information to the CBI.



PRIME MINISTER'S MEMORANDUM WITH THE TUC: TUESDAY 11, OCTOBER 1980

Paper and Board Industry

The industry comprises some 145 mills operated by over 80 companies of which 6 produce over half the total output. Sales are almost £1,400m. There are distinct sub-sectors of the industry whose performance varies considerably. Import penetration has increased significantly to reach a record 50% last year. The UK finds it particularly difficult to compete in bulk lower value grades eg. newsprint. These can be produced more cheaply in Scandinavia and North America from integrated pulp and paper plants which also enjoy lower energy costs. As well as the low capacity working resulting from the current recession the UK industry is suffering from a high pound against the US dollar; this means cheaper imports from lower cost producers and stagnant prices in the UK for products, like newsprint, which are priced in dollars. The industry is a heavy user of energy and its energy costs are higher than its main competitors. So far this year, closures and other major redundancies announced have involved over 6,500 job losses.

The TUC, at its annual congress in September, passed an emergency motion on "the crisis in the paper industry" calling for cheaper energy, relief to offset the high exchange rate, selective import controls and forestry measures. The current major concern of the unions is the closure, in November, of Bowaters newsprint mill at Ellesmere port (over 1,500 jobs) together with a further 700 redundancies from Reeds newsprint cutback in Kent. The Prime Minister received an industry/union delegation about this on 3 October.

The following points could be made on Bowater:

- Acknowledge efforts made by management and other employees recently to improve performance and secure export orders.
- Potential for further improvement and Government has fully discussed with the company how it might assist with substantial new investment.
- Mill in a Special Development Area and investment would qualify for maximum level of Regional Development Grant.

Contd.



- Department of Industry also ready to consider selective financial assistance under its normal policies for supporting viable investment.
- Allied to the new investment, commercially negotiated reductions in the price of coal and wood were also in prospect.
- The package of help that could have been available was sizeable. It appeared to offer Bowater a viable basis for continuing production at Hersey mill. Government greatly disappointed that Bowater rejected this real alternative to closure. But has to accept that the final decision is for the company to make.

More generally, it can be said that while the industry is hard pressed, some major investment is being undertaken eg. in carbonless copying paper and soft tissue. Exports are also up despite the high pound. While short term working has increased, figures up to July still showed a third of operatives involved in overtime (though some decrease expected since). The high pound, while depressing UK prices for some paper products has also kept down prices of imported pulp used in the industry (40% of raw materials).

Productivity has been increasing but the industry accepts that it can be improved further. For example, a report by the Paper Federation in 1979 on the printing and writing sector showed that UK finishing processes were much more labour and cost intensive than those of main overseas competitors. While the threat of closure or redundancy can bring out greater willingness on the part of unions and management to improve performance, this can be too late; if some companies had acted to improve performance while trading conditions were better they could have been in better shape to withstand more difficult times.

Department of Industry

7 October 1980



THE PRIME MINISTER'S MEETING WITH TUC: 14 OCTOBER 1980

NATIONAL ENTERPRISE BOARD

Background

The Industry Act 1980 removed the NEB's functions of extending public ownership and of promoting industrial reorganisation and industrial democracy. It gave the NEB the new function of disposing of its assets to private ownership. Within this framework operational rules are set out in the NEB's new guidelines issued in August.

2. In line with its reduced responsibilities the NEB's funding has been substantially cut. It no longer has, nor would the Board welcome, a rôle to 'rescue' companies in difficulty.

3. When the previous Board resigned last November, the TUC were advised that a place on the new Board would be kept open for a trade union member. There was no response but recently the TUC have shown signs of greater interest. Despite the reservations of the Chairman, Sir Arthur Knight, trade union membership may be difficult to rule out if the TUC are keen.

4. A recent TUC report on Government aids recommended that the NEB should actively promote in its companies better industrial relations and fuller consultation with unions. The Secretary of State for Industry has replied that industrial relations are a matter for the companies themselves.

Points to Make

NEB Role

1. We see only a limited rôle for the NEB, in areas where time will be needed to restore full vitality to the private sector. Its task is to encourage private initiative and enterprise, not to promote public ownership.

2. The Board's main rôle will be in areas of advanced technology where the market has been discouraged in recent years.

3. As part of the Government's concern with the problems of the areas of high unemployment, in the new guidelines we have given the NEB a continuing investment rôle in the assisted areas. It has also been given a limited rôle in filling a gap in the provision of finance to small firms.

TUC Membership of NEB

4. (if raised) There are still vacancies on the Board. No doubt the TUC will wish to consider what contribution a trade union member could make to the Board's new rôle.

Industrial Relations

5. (if raised) It is clearly desirable that industrial relations are good. But the Government has no wish to involve the NEB in the relationship between companies and their workforce  
Department of Industry

7 October 1980

Economic situation in Wales

1. The overriding feature of the Welsh economy is the persistently high levels of unemployment. At mid-September 1980 there were 126,881 people unemployed, giving an unemployment rate of 11.7% compared with a rate of 8.4% for GB as a whole. The number of unfilled vacancies stood at about 5,500 (at employment offices and career offices)—a slight increase over the previous month.

2. There are three underlying features:

- i) the growth in the labour force (estimated at around 180,000 between 1976 and 1991 - an increase of 15% compared to estimated growth of 10% in GB);
- ii) the continuing loss of jobs in traditional industries: BSC are nearing completion of their plans to shed about 20,000 jobs in 15 pits from late 1979 (about 3,000 are still to be shed). The South Wales coalfield will be seriously affected by the steel rundown. The NCB locally assess that 6 pits face closure in the short term and a further 6 have to improve performance or face closure. If all 12 pits were to close 8,000 job opportunities would be lost. There is also concern for the future of Phurnacite plant at Aberaman which employs 950 people and 3,000 in the four supplying pits - but this is a matter for National Smokeless Fuels;
- iii) the general recession - excluding redundancies in the steel and construction industries, 22,000 redundancies have been notified to take effect in 1980.

Points to make

3. The difficult employment situation is not confined to Wales. It is a widespread problem, although Wales has the special difficulties in the steel industry to contend with.

4. The news for Wales is not all gloomy. There is evidence of a continuing strong interest in Wales as a location for development. There are some 18,000 jobs in the pipeline for Wales over the next 3 to 4 years arising from manufacturers'



projects which have either been allocated a Government financed factory or offered financial assistance. There is also the prestigious INMOS project which will create over 1500 jobs in the next 2 to 3 years and up to 2,000 jobs in the longer term.

5. We are concerned about Wales. That is why at a time when public expenditure is being held back, we have made additional money available for factory building in the steel closure areas - £15m for the Shotton area and £48m for Newport and Port Talbot - and upgraded the assisted area status of the travel to work areas most seriously affected.

6. We are giving consideration to the recommendation put forward recently by the Select Committee on Welsh Affairs. The Secretary of State for Wales will be responding to the report soon after the House reassembles.

Welsh Office  
9 October 1980



PRIME MINISTER'S MEETING WITH THE TUC  
TUESDAY 14 OCTOBER 1980

OIL AND ENERGY COSTS

BACKGROUND

The TUC may echo complaints that the energy costs of UK firms are higher than those in other countries.

SPEAKING NOTE

2. There are many factors influencing the price of energy in any given country. For example some other countries have more cheap hydro-electric power. Thus prices between nations will always differ. What we can achieve is the adoption of uniform pricing principles. The EEC has endorsed the principle of economic pricing, the only way to secure conservation and the development of alternative energy sources.
3. However where the fuel pricing policies of other countries are unfair we are prepared to take up the issue. The EEC has taken action on imports of certain goods from the USA on this basis.
4. We are also looking at whether there is further scope, within the policy of economic pricing, to improve the position of the industrial consumer. This subject was discussed by the National Economic Development Council on 6 August, which broadly endorsed the Government's energy pricing principles but expressed concern about their practical consequences for a number of energy-intensive industries. As agreed, CBI are coordinating collection of further information on international energy costs so that these can be more widely known.
5. Also our energy supplying industries must be as efficient as possible, and we have referred the efficiency and costs of the Central Electricity Generating Board to the Monopolies and Mergers Commission. But we do not believe that artificial reductions in the price of energy, paid for by the taxpayer, are a sensible use of UK resources.

Carried

ECONOMIC POLICY AND UNEMPLOYMENT

(Motions 63 and Amendments, 64 and Amendment, 65, 66, 67, 68, 69, 70 and Amendment, and 71)

Congress condemns the Government's deliberate strategy to take the number of unemployed to two million and beyond in the attempt to force working people to carry the burden of its economic policies.

Congress asserts that the Government's divisive economic policies condemn Britain to low growth and high unemployment throughout the 1980s, and are perpetuating unfavourable trading conditions in many industries such as printing and publishing. They are moreover leading to uncontrolled movements in currency rates, the destruction of companies, low investment, reductions in public spending, a higher rate of inflation and a general lowering of the standard of living. The slump in developed countries will do massive damage to the economies of Third World countries.

Congress welcomes the concern of the General Council to extend trade union services to the unemployed and further calls on the General Council to organise a Special Conference on Unemployment which would include a consideration of the role of the TUC's regional structure and other issues such as the 35 hour week, overtime and the monitoring of unemployment amongst part-time women workers.

Congress recognises that profound changes are now taking place in all modern industrial societies as a result of technological developments and that there is great potential for further change. A combination of these developments with the Government's policies is likely to create a social and economic crisis on a vast scale. Congress believes that it is necessary for the trade union Movement to develop its own longer term plan for social and economic development setting out the necessary priorities.

Congress demands an end to the narrow pursuit of monetarism and calls upon the General Council, in the continuing Campaign for Economic and Social Advance, to give a lead to all affiliated unions and their members by stepping up the battle for alternative economic policies designed to ensure full employment and a reduction in the rate of inflation by:

- (i) taking action to increase demand, including strict monitoring of import penetration backed by effective Government action, including cuts in interest rates and a more competitive exchange rate;
- (ii) reducing working hours and overtime with an immediate goal of the 35 hour week without loss of pay;

- (iii) resisting closures and redundancies, developing socially useful products, and large scale public works;
- (iv) an extension of special employment measures, and an expansion in Government training and retraining programmes;
- (v) providing greater regional aid and subsidies;
- (vi) reversing public expenditure cuts, and providing a higher and rising level of health, social services and educational facilities;
- (vii) an industrial strategy through the NEDC to improve industrial performance and job prospects, public ownership and a European initiative to save industries under threat;
- (viii) controlling the introduction of new technology with minimum impact upon existing employment levels and ensuring that sufficient funds are available to develop microelectronics and other new technologies;
- (ix) restoring an effective Prices Commission; and
- (x) taking urgent steps based on the report of the Brandt Commission to help underdeveloped countries and thus stabilise the world economy.

Congress instructs the General Council, through their representatives on the TUC-Labour Party Liaison Committee, to assist in the development of such an economic strategy with a view to its implementation by the next Labour Government.

Moved by  
Transport & General Workers' Union

Seconded by  
Amalgamated Union of Engineering Workers (Engineering Section)

Supported by  
Society of Graphical & Allied Trades  
Association of Professional, Executive, Clerical & Computer Staff  
National Union of Public Employees  
Inland Revenue Staff Federation  
National Graphical Association  
Bakers, Food & Allied Workers' Union  
Society of Civil & Public Servants  
National Union of Agricultural & Allied Workers  
Association of Scientific, Technical & Managerial Staffs  
The Fire Brigades Union

## TUC team to warn Thatcher on jobless

BY NICK GARNETT, LABOUR STAFF

TUC CONCERN with unemployment will be the main plank in arguments senior trade union leaders will make to the Prime Minister when they meet her on Tuesday.

This will be coupled with a warning of serious social unrest, possibly in South Wales, unless the Government alters its financial and economic policies.

Concern at the prospect of non-traditional forms of union protest is reflected in a meeting scheduled for next month in Cardiff between the TUC's nationalised industries committee and the Wales TUC. It is to discuss South Wales problems, generated particularly by difficulties within the steel and coal industries.

Mrs. Thatcher will be told that although the unions generally believe the economy is best managed by co-operation between governments and unions, any Government hope in achieving greater trade union co-operation, on such matters as pay, is dependent on policy shifts.

Most senior union officials

believe this will not happen in the near future. As a result, they feel the question of greater union co-operation is largely academic.

The TUC's economic committee yesterday adopted a broad strategy which will be presented to Mrs. Thatcher by Mr. Alan Fisher, the TUC chairman, Mr. Len Murray, TUC general secretary and Mr. David Bassett, general secretary of the General and Municipal Workers Union who was re-elected unopposed as chairman of the economic committee.

The meeting with Mrs. Thatcher will be preceded by a meeting of the TUC General Council.

Trade union leaders will again stress their view, shared by the CBI, that interest and exchange rates must be brought down and that there must be more financing of the Manpower Services Commission.

They will also emphasise that there cannot be a proper recovery without a national economic plan.

THE TIMES DATED 9 OCTOBER

PAGE 2

## Unions put high price on cooperation with the Government

From Paul Routledge  
Labour Editor  
Brixton

Trade union leaders yesterday took their first faltering steps towards a closer working relationship with the Government but set a price on cooperation that Mrs Margaret Thatcher is certain to find unacceptable.

The TUC economic committee agreed to put to the Prime Minister and senior members of her Cabinet a catalogue of complaints about the Government's monetarist strategy, including a warning that rising unemployment could lead to widespread social unrest.

The union decision came shortly before Mr James Prior, Secretary of State for Employment, argued at the Tory Party conference that the TUC and the Government should seek common ground. He afterwards spoke of the need for a continuing dialogue with the TUC.

Mr Prior said: "I know there are difficulties, but if they reflect the mood of the shop floor, union leaders will recognize that we have to cooperate more".

That view received a lukewarm welcome from union leaders, who insisted that the talks next Tuesday between the TUC General Council and the Cabinet are designed to drive home their anger and distress about ministerial social and economic policies.

Mr David Basnett, who was re-elected chairman of the economic committee yesterday, said: "When we go in to see the Prime Minister it will be to try to make the Government understand the damage its policies are doing. It is tearing the social fabric apart and crumbling British industry with high unemployment, high interest rates and high exchange rates.

"If the Government wants to talk about some sort of U-turn, of course we will be pleased to listen. But what needs to be recognized is that it is government policies that are causing the major part of the damage".

It is a measure of the caution on the trade union side that in the talks at 10 Downing Street, the TUC has decided that only three union leaders will be allowed to present their case to Mrs Thatcher's ministerial team.

Apart from Mr Basnett, this role has been given to Mr Len Murray, general secretary of the TUC, and Mr Alan Fisher, the public employees' leader and this year's chairman of the general council.

They will speak to a brief prepared by Congress House staff, the first of which was disclosed in *The Times* yesterday. Ministers will be accused of going back on the 1984 all-party pledge to create full employment in the United Kingdom and urged to adopt very different economic policies, including a 4 per cent cut in interest rates.

These proposals will be presented by the unions as a "national economic recovery plan" that the Cabinet should seize on as an opening to wide-ranging consultation with the unions.

Without such a reversal of existing strategy, there can be no cooperation, the unions will affirm.

Union leaders regard the Downing Street talks—the first serious meeting between the TUC and the Government since the general election 18 months ago—as a last opportunity to reach some sort of understanding before the winter pay bargaining season opens.

55 KERSEN BOMENLAAN

OVERIJSE 1900

BRUSSELS.

Home. Brussels  
657.30.05

Top Copy filed on P.M.  
Feb 80: Mtyr with Tail  
incl; Subsequent Correspondence.

7th October 1980.

Dear Prime Minister

I have no magic formula to ensure that your meeting with the TUC is constructive, but I hope these personal thoughts might be helpful to you.

First the background to the meeting. The Labour Party is wallowing, broken backed, and the TUC preoccupied with inter-union disputes and the reprimanding of its most outspoken general councillors. This leaves the Labour Movement devoid of leadership to a degree unprecedented in my experience. The implications for industrial relations are worrying.

With a period of rising unemployment stretching ahead, the danger posed by Labour's self-persecution is that the frustration generated by prolonged and widespread unemployment might be turned into trade union militancy of a rabid kind.

←

For the moment, unemployment understandably is having the opposite effect. Wage bargaining in the private sector in particular, reflects the concern of people not to price themselves out of a job. Such Common sense, however, needs reinforcing by sound leadership at the top of unions, pointing out the longer term benefits to workpeople and the country of moderation in wage claims at this time. Without such guidance, group loyalties in trade



unions might be exploited by the militants and extremists. Good sense could then be overtaken by misguided militancy. The TUC too, is confused and divided. Remember, it does not reflect the views of the rank and file membership.

It represents the activists, who run the branches, pass resolutions, elect delegates (and sometimes call strikes unofficially). Paradoxically, it is the democratic right of trade unionists to be apathetic towards trade union activities, which is preventing the TUC from reflecting the views of ordinary trade unionists. The TUC is clearly aware of this mammoth communications gap, but trapped by its remoteness and conservatism. The trigger to the changes needed is to release leadership initiative at the top and bottom of the movement and widen the use of the secret ballots. The method of electing the general council should be changed, to make the leaders of the small unions less dependent on the block votes of the big unions and accordingly more willing to speak their minds on the big issues of the day without losing their general council seat (as I did in 1972, after six years service).

Shop steward's duties should be clearly defined in union rule books. This would produce a better type of shop steward and insulate them from political disruption. The increasing use of secret ballots for important union decisions

speaks for itself. It liberates the innate common sense, which is found in abundance amongst ordinary people. These are feasible reforms which would work wonders for British trade unions and the country - challenging, balanced leadership at the top, and less disruption on the shop floor. These decisions taken quietly in secret ballots would seal these democratic reforms. British unions may be the oldest in the world, but age is not a virtue unless it brings some degree of wisdom.

How for the meeting with the TUC

Despite predictable TUC fulminations at the meeting, I believe many general board members want a regular dialogue with your and your ministers. Knowing the government is determined to bring down inflation, they realise that the stark alternative to voluntary incomes restraint is high unemployment.

On the other hand, the TUC is firmly committed to "free collective bargaining" - at least under this government. The deadlock could be broken by dining for three or four meetings over the next few months, gradually broadening the scope of discussion at each stage. The scenario might look as follows -

First meeting.

Ritual denunciation of government policy and its defence by ministers. Also

presentation of TUC's own plan for the economy.

### Second meeting

A follow-up meeting to discuss aspects of the TUC plan (young people - training - mobility, etc). (without commitment, of course).

### Third meeting

CBI representatives brought in and issues like overtime, productivity, synchronised pay claims considered. Perhaps too, issues like the desirability of works councils being formed, as a basis for improved consultation systems and profit sharing schemes. This would be a desirable dialogue anyway, but it would stretch the TUC and CBI and deflect some of their fire power away from the government.

This strategy of phased involvement of the TUC/CBI would have the following implications.

- (a). It would help the TUC to keep itself busy by turning it from mere denunciation to hard discussion.
- (b). You would also be keeping it busy with top-level discussions during its winter campaign on unemployment - so blunting the impact of demonstrations and rallies.
- (c). The government would be seen to be looking for solutions to difficult problems.
- (d). The TUC/CBI involvement might lead

to some interesting developments. CBI leadership is waxing as TUC leadership wanes. This may be the route to "concerted action programmes" at a later stage.

The formula I have set out is what I would like to see if I was with the TUC delegation coming to see - in short, if you get it working you will be giving a fillip to the moderate element on the General Council. I look forward to seeing you soon - meanwhile, good luck with the meeting.

Yours sincerely

Jack Peel

PS See the cover story in "Engineering Today" - I am neither a "Judas" nor a "Saviour" of trade unions! As a modest Yorkshireman I consider myself as a mere "Good Samaritan" - binding up trade union wounds and pointing them in the right direction!!

JAP



100 RD  
For record form  
with future briefing  
and historical letter

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

7th October 1980

Tim Lankester Esq.  
10 Downing Street  
LONDON  
SW1

Full briefing in folder  
annexed to file.

Dear Tim,

PRIME MINISTER'S MEETING WITH THE TUC GENERAL COUNCIL ON  
TUESDAY, 14TH OCTOBER

As requested in your letter of 29th September, a brief for this meeting is being prepared in consultation with other Departments. This will be with you as requested by close of play on 10th October.

The Chancellor, on his return from Washington, has been thinking about the best tactics for handling the meeting. He agrees completely that the Prime Minister should not seem to be wholly on the defensive and could well raise some positive points, as you have mentioned, with the TUC representatives. On the other hand, tactically and presentationally it will be desirable for the Government to show every willingness to listen to and discuss the TUC's case. This may argue for reserving counterpoints for the second part of the meeting.

The Chancellor has seen also the letter from Lord Watkinson dated 1st September and feels that his first suggestion might be useful. Any formal presentation of the economic facts in a manner which made the TUC feel they were being subjected to a "lecture" would probably do more harm than good. But the Chancellor feels that there may be merit in having Mr Terry Burns at the meeting, who could be ready at the Prime Minister's request, at a suitable point, to give a short resume, speaking as a professional. This way of handling the point would allow the Prime Minister to judge at the time whether it would be advisable to ask Mr Burns to speak.

Yours,  
Peter

P.S. JENKINS  
Private Secretary

18 OCT 1980

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L G A



RESTRICTED



*File* *Out*  
b.c. Mr. Wolfson  
Mr. Hoskyns

10 DOWNING STREET

*BF 10-10-80*

From the Private Secretary

29 September 1980

I understand you have spoken to Mike Pattison about briefing for the Prime Minister's meeting with the TUC General Council on 14 October. I think the Prime Minister will require a concerted brief, and I would be grateful if the Treasury could prepare this in consultation with other Departments as necessary.

The Prime Minister has said that she does not wish to be wholly on the defensive at this meeting, and that she would like to take up a number of positive points with the TUC. She has suggested as possible examples, trade union restrictions on training and apprenticeships, trade union restraints on efficiency through demarcation, etc., and the need for trade union reform. There may be other areas where the Prime Minister could "go on the offensive" with the TUC. I would be grateful if this general point could be borne in mind in preparing the brief.

As you know, there will be a briefing meeting with the Ministers concerned just before the meeting with the TUC.

I am sending copies of this letter to Ian Ellison (Department of Industry) and Richard Dykes (Department of Employment).

T. P. LANKESTER

*RRB*

Peter Jenkins, Esq.,  
HM Treasury.

RESTRICTED

MR. YANDLE

Incl P.S.  
BF 13/10/80 fe. 11

The TUC General Council will consist of about 45 members. We have agreed that they should arrive from 1530, to allow them to get themselves together before the meeting with the Prime Minister.

The meeting will need to take place in the State Dining Room, with the TUC delegation assembling there as they arrive.

M. A. PATTISON

18 September 1980

Sp.



*file KPo*

10 DOWNING STREET

PRESS OFFICE

You may now make it known that the meeting has been arranged for this date.

M. A. PATTISON

18 September 1980



file 116

10 DOWNING STREET

*From the Private Secretary*

18 September 1980

We were in touch with you yesterday about possible dates for the Prime Minister's meeting with the TUC General Council.

The meeting has now been set for 1600 hours on Tuesday 14 October. The Prime Minister would like the Chancellor of the Exchequer, the Secretary of State for Employment and the Secretary of State for Industry to be present. She would like to have a briefing session with them beginning at 1500 hours.

We expect the main meeting to continue until at least 1800 hours.

I am sending copies of this letter to Richard Dykes (Department of Employment), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

M. A. PATTISON

A. J. Wiggins, Esq.,  
H.M. Treasury.



10 DOWNING STREET

From the Private Secretary

18 September 1980

BT 13/10.  
(Link with other papers)

I am writing to confirm our telephone conversations earlier today about the arrangements for the TUC General Council to meet the Prime Minister. We agreed that the meeting should take place at 1600 hours on Tuesday 14 October at No. 10. The Prime Minister would be entirely happy for the General Council to assemble here from 1530 hours.

We will be letting the date and time be known in response to enquiries from this afternoon.

MAP

David Lee, Esq.

2.



RP

10 DOWNING STREET

THE PRIME MINISTER

17 September 1980

Dear Mr. Murray,

Thank you for your letter of 16 September letting me know that your General Council would like to meet me to discuss the economic situation and, in particular, unemployment.

I should be very happy to have such a meeting. I understand, however, that there are some difficulties about finding an early date for it. As my office explained when they were in touch with your people the week before last, I cannot see you this week or next because I shall be paying official visits to France, Greece and Yugoslavia. I had hoped therefore that we might be able to meet in the week beginning 29 September shortly after my return, but I gather that this is not easy for you and your colleagues because of your existing commitments. My office will now be in touch again with yours to explore possible dates in the week after the Conservative Party Conference. I am sorry that we cannot meet any earlier.

Yours sincerely  
Margaret Thatcher

The Right Honourable  
Lionel Murray, OBE.

NM



Press office

# TRADES UNION CONGRESS

CONGRESS HOUSE - GREAT RUSSELL STREET - LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams: TRADUNIC LONDON WCI

a(D/Imp)  
HMT  
D/ind.

September 16 1980

YOUR REFERENCE

OUR REFERENCE  
LM/DL/MV

DEPARTMENT  
Secretary's

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

Dear Prime Minister

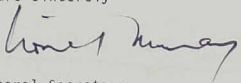
## Unemployment and the Economic Situation

Our annual Congress, at its recent meeting in Brighton, expressed deep concern at the deteriorating economic situation and in particular at the rise in unemployment to more than two million.

The General Council are requesting a meeting with you at the earliest convenient opportunity to inform you of their concern, and to discuss what action is needed, including measures to increase the levels of demand and employment, to reduce interest rates and lower the exchange rate, to reduce import penetration and to restore industrial investment.

I look forward to receiving your positive response to this request.

Yours sincerely



General Secretary

Mr. Fisher

① Share concern.

Politeness Approach.

I.C.I redundancies.

No magic button.

② 30's.

③ Wants get to full employment by  
w/lection on top of w/lection.

First Concern - Agreed solutions.

- Consensus, Co-operation.

(ii) Wage expansion. - Close down.

(iii) Cut in M.L.R. 16-12%.

Cash flow matters

High Pound →

Key Industries threatened with cutback.

Selective Regrain Industrial Production

→ North Sea Oil - Structural Change

- Expansion in - British industry.

Mr W Pitt *and M*

NOTE FOR THE RECORD

I have established that the 'World this Weekend' did in fact state in its intro: "The TUC wants a meeting with the Prime Minister; they asked for one three weeks ago and are still waiting for a reply."

This intro apparently arises from a statement later in the programme by Terry Duffy, AUEW: "We have requested ourselves a meeting with Margaret Thatcher. I am sad to say she has not even responded in the affirmative or the negative to say that our request to meet her is being considered."

The full transcript of this passage is attached.

Derek Lewis, the editor of 'World at One' today, was very concerned about this error. I asked him to correct it and gave him the following on-the-record quote:

"In a statement today No 10 Downing Street said: We have not yet received any letter from the TUC seeking a meeting with the Prime Minister. We are, of course, aware that the TUC wishes to discuss the economy with the Prime Minister but no approach has yet been made by the TUC."

I emphasised our concern to get the facts straightened out and I stressed the hope that 'World at One' would make the correction.

While Mr Lewis was clearly worried about the error, he did say that at that stage - 12.15 pm - he was not covering the subject today. I said that I nonetheless hoped that he would take the opportunity to put matters right.

No letter had been received from the TUC before the broadcast at 1.00 pm

BERNARD INGHAM

15 September 1980.

TERRY DUFFY - EXTRACT FROM INTERVIEW ON MLR AND ECONOMIC STRATEGY  
Transcript from BBC Radio 4, World this Weekend, 14 September 1980

INTERVIEWER: ... So Sir Michael is asking for a cut in the interest rate and for the imposition of import controls and saying very much the same thing to the Prime Minister as the TUC said at Conference two weeks ago. The TUC wants a meeting with the Prime Minister to discuss the present position, and indeed, they asked for one 3 weeks ago, they're still waiting. And Mr Terry Duffy, the president of the AEX amalgamated union of engineering workers is, for once, glad to ~~be~~ find himself on the side of the employer:

DUFFY: All Sir Michael is doing, and I believe the CBI as well - Ray Pennock, they're just echoing what we've been saying for so long. We expected that the CBI and Sir Michael Edwardes would now bring pressure on the Government. So yes, we are on the same platform as Sir Michael Edwardes, the same as Sir Ray Pennock. Whether the Prime Minister will heed the advice, she's repeatedly saying noU turns now. I feel that she should do an about turn never mind a U turn. We've requested ourselves a meeting with with Margaret Thatcher. I'm sad to say she has not even responded in the affirmative or the negative to say that our request to meet her is being considered. You see our task is irrespective of the Government that's in power, we don't always work with the Labour Government when they're in power. Our task is to improve society. That's our responsibility, and an added responsibility that we have. We're prepared to meet anyone. Our country's more important than Governments. So we wish not just to receive a lecture from her but to suggest the remedies we feel are needed to put us back to where we were once before, where we still are, the finest democracy in the world. And it behoves the Government of the day to meet all parts of our society.

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file CC:HM/T 4K.  
Ind PA

10 DOWNING STREET

*From the Private Secretary*

9 September 1980

I enclose a copy of a letter to the Prime Minister from Lord Watkinson, in which he sets out his advice for her projected future meeting with the TUC. (The underlining is the Prime Minister's).

We are expecting a formal approach from the TUC this week, probably leading to a meeting after the Prime Minister's visit to Greece and Yugoslavia which will take place in the week beginning 22 September.

The Prime Minister has sent a brief reply to Lord Watkinson but she thought that your Secretary of State and the Chancellor of the Exchequer would be interested to see his letter.

I am sending a copy of this letter to John Wiggins (HM Treasury).

M. A. PATTISON

Richard Dykes, Esq.,  
Department of Employment



Re: DS

10 DOWNING STREET

THE PRIME MINISTER

8 September 1980

Dear Harold

It was kind of you to write to me on 1 September, with your advice for the meeting I am likely to have with the TUC.

I have taken note of your suggestions, which will be of great help in preparing for the meeting.

I agree that we must be constructive.

Yours ever,  
Margaret

The Rt. Hon. The Viscount Watkinson, C.H.

LPO

MR. INGHAM

MR. LANKESTER (O/R)

In response to an enquiry from Michael Edwards (D/Mail), following a story in the 'Spectator', I confirmed that:

- 1) the dinner had taken place on 30 June;
- 2) the names of the three trade union leaders.

I said the dinner was informal and that the Prime Minister sees unionists, as she sees others, occasionally, whether at meetings or for a meal. I gave the names of the others present and pointed out that three were industrialists.

Asked what they talked about, I said that, given the people present, the topics of conversation would be fairly obvious, but stressed that this was an occasional, informal dinner and nothing out of the ordinary.

4 September, 1980

*Liz Drummond* L.D.



MR WHITMORE

o/R

TUC

You will know that the TUC have told the world that they want to see the Prime Minister. But they have not formally approached us.

Equally, Bernard Ingham has told the world (but not the TUC) that the Prime Minister will see them.

There is time available on Friday 12 September. If no formal approach appears in the course of Thursday, you may think it worth checking with David Lee whether a letter has gone astray.

1. JL to see  
2. na MIA 8/1x

MIA

3 September 1980

Spoke to Dennis here  
who said he had spoken  
to anti ~~com~~ ~~for~~ ~~over~~ ~~and~~  
why for a meeting.

ALL  
Sue

PRIME MINISTER

*Back to MAP, inc*

Here is a letter from Lord Watkinson, setting out his advice on how you might handle the TUC next week. I attach a draft reply.

Would you like copies of the letter sent to the Chancellor and Mr. Prior?

We have still not had a formal approach from the TUC, but there is time available from 1100 until lunch time on Friday 12 September. Content that we should offer this slot if we are approached? You might want to make the first half hour a briefing session with colleagues.

*MAP*

*We shall need*

3 September 1980

*to prepare the meeting  
very carefully.*

FROM VISCOUNT WATKINSON, P.C., C.H.

TYMA HOUSE  
SHORE ROAD, BOSHAM  
CHICHESTER  
WEST SUSSEX PO18 8HZ  
BOSHAM 573139

Sept 1<sup>st</sup> 1980

RZ

Dear Margaret

At least some members of the TUC will come to your meeting prepared to be unreasonable at hoping that afterwards they can say that this was your attitude and not their own. I think there would be a bad thing for government at this time. So forgive me for bothering you with a suggestion that I believe might help. Go the route of more diary meetings with union leaders than most people!

First they will be inadequately briefed on the facts. So why not offer them a formal Treasury briefing on the economic trends. Not from Ministers but from officials also. If protocol is a problem NEDC could arrange.

Second they will expect to be rebuffed. So why not suggest that the government would back, with its own money, any programme of information agreed by CBE & TUC dealing with what can be done now to mitigate unemployment by re-training, job experience etc. and what might be done to maintain or improve base for the future by better productivity & efficiency.

Things are rough enough for people to expect  
a constructive lead from the government. Not in the  
sense of a change of policy but in the sense of spelling  
out about how the policies we aimed at.

We all need to see a bit of a glimmer somewhere  
down the end of the tunnel, perhaps even the TVC  
would like even to that.

In all this I believe that you should  
take the time that our problems should unite us  
and not divide the nation.

Very best wish

J -

Arnold

for file

## Engineering union asks to see Mrs Thatcher

By Our Labour Staff

Engineering union leaders are to press the Prime Minister to meet them partly to discuss what they described yesterday as the frightening implications of a union survey of unemployment among their 1,200,000 members.

District responses to a call from the Amalgamated Union of Engineering Workers (AUEW) for an instant profile of job losses suggest that 70,584 members have been made redundant during a period which Sir John Boyd, the union's general secretary, yesterday said covered the past three months.

The survey results, to be laid before a meeting of the Confederation of Shipbuilding and Engineering Unions (CSEU) next week, indicate that in all there have been 193,307 redundancies in engineering and related industries.

The AUEW will seek agreement from the CSEU executive to a formal request for a meeting with Mrs Margaret Thatcher at which union leaders intend to press for urgent action.

Sir John said that the union was enlisting the support of thirty big employers' associations in its attempt to press the Government to reduce interest rates, impose selective import controls and take other measures.

Mr Terence Duffy, union president, said: "We feel that the engineering industry is the hub of the wheel if we are going to regenerate the economy and bring prosperity to this country".

They wanted to discuss with the Prime Minister not only imports but also, for example, assistance on energy costs enjoyed by manufacturers in some competing countries.

Sir John disclosed figures suggesting that 70,584 workers had been put on short time. That figure was not broken down into those in the AUEW and those in other unions and did not include the effect of recent announcements by Hoover and British Leyland.

He said that some district officers might have returned figures which included engineers employed in non-engineering firms, although he believed those did not account for a high proportion.

The Engineering Employers' Federation may want to discuss in more detail with the union the basis of its figures, since they present a considerably more gloomy view than even the federation's own grim picture.