

Confidential Filing

EC Labour and Social
Affairs Council: Draft Recommendation
on Reduction and Reorganization
of working time.

European Policy

June 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
6.6.84 14.6.84 28.6.84							
PREM 19/11/84							

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cc: Nick Owen

10 DOWNING STREET

From the Private Secretary

6 June 1984

EC LABOUR AND SOCIAL AFFAIRS COUNCIL: DRAFT RECOMMENDATION ON THE
REDUCTION AND REORGANISATION OF WORKING TIME

The Prime Minister has seen the Chancellor's letter of 5 June to your Secretary of State and the Foreign Secretary's minute of the same date. She understands that your Secretary of State doubts whether the negotiating tactics suggested by the Foreign Secretary can be successfully carried out without being accused later of bad faith.

The Prime Minister shares these reservations. While obviously not wanting to give needless offence to the Presidency at this meeting, the Prime Minister believes there is no prospect that the UK can assent to a recommendation which goes contrary to our industrial policy. She has commented that the effect of the recommendation is to impose equality of inefficiency throughout the Community.

I am sending copies of this letter to Roger Bone (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Henry Steel (Law Officers Department), Anthony Cary (Minister of State's Office, FCO) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

David Normington, Esq.,
Department of Employment.

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PRIME MINISTER ①

DRAFT RECOMMENDATION ON WORKING HOURS

The Chancellor also opposes signature of this recommendation.

The Foreign Secretary does not support it in substance but believes we should play for time. While this might avoid offence now, it could cause trouble later, if, having achieved all the changes to the text we were seeking, we still opposed it. Mr. King does not believe the FCO's halfway house is tenable and believes that the choice remains

i) sticking to our principles and offending the French who are very keen to see the recommendation as an achievement of their Presidency

or ii) negotiating the best text we can and then agreeing.

Mr. King, having considered the arguments more fully, believes we should go for (ii).

Note: This was meant to read (i) to which PM would have answered yes. Agree?

No - this goes ^{AT} contrary to our industrial policy. The EEC is setting a kind of equality in efficiency. No. Stick to our principles i.e. (i).

5 June 1984



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

5 June 1984

The Rt. Hon. Tom King MP
Secretary of State for Employment

Tom King

**EC LABOUR AND SOCIAL AFFAIRS COUNCIL:
DRAFT RECOMMENDATION ON THE REDUCTION AND
REORGANISATION OF WORKING TIME**

I have seen a copy of your letter of 31 May to Geoffrey Howe. I have also seen Andrew Turnbull's and Norman Tebbit's letters of 4 June. *attached with AT?*

I agree that we should not accept this recommendation, even with the amendments which you will try to negotiate. The thrust and tone of the recommendation run counter to what we have said consistently since 1979 about pay negotiators' objectives. Although I appreciate you plan to take steps to limit the damage which subscribing to such a recommendation would cause in future pay negotiations, I fear the damage would remain, particularly in the public sector.

Although isolation is always uncomfortable, I do not believe we should shy away from it where there are sound reasons for resisting EC proposals. And there is no link between the refund regulations which govern how our budget refund will be paid, and this Council recommendation.

I am sending a copy of this letter to the Prime Minister, Geoffrey Howe, Norman Tebbit, Michael Jopling, Michael Havers, Malcolm Rifkind and to Sir Robert Armstrong.

NIGEL LAWSON

Nigel Lawson

05 JUN 1984

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PM/84/91

PRIME MINISTER

EC Labour and Social Affairs Council on 7 June: Draft
Recommendation on the Reduction and Reorganisation of
Working Time

1. I have seen your Private Secretary's letter of 4 June about Tom King's letter to me of 31 May. I have also seen Norman Tebbit's letter of 4 June on the same subject. *- attached*
2. I agree that there is little if anything to commend a proposal which could affect our approach to the question of working time in the UK and which our industry opposes.
3. The difficulty is that the Mitterrand government in particular attach importance to getting agreement on this recommendation, which is for them the most important item on the agenda for the Council this Thursday. They want to make more of the "social" dimension of the Community.
4. We should not agree to proposals incompatible with our industrial strategy. But at this particular juncture, in the run-up to the European Council, we should try to handle this in such a way as to avoid a head-on collision with the French and other Member States.
5. I therefore suggest that at the Council, Tom King begins by recalling our strong reservations. He would then go on to make every use of our considerable bargaining power to negotiate the further important changes which he describes in his letter. If he is successful and only our assent stands in the way of adoption, he should still endeavour to

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reserve our position. We should then consider in the light of the Council how best to proceed.

6. Copies of this minute go to Tom King and the other recipients of his letter.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

5 June 1984

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JF6615

Secretary of State for Trade and Industry

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

4th June 1984

N. Timball.

ASG
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D. Tom.

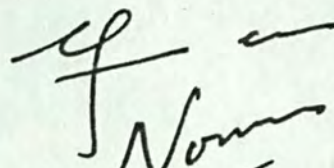
EC LABOUR AND SOCIAL AFFAIRS COUNCIL

DRAFT RECOMMENDATION ON THE REDUCTION AND REORGANIZATION OF
WORKING TIME

Thank you for copying me your letter of 31 May to Geoffrey Howe. I see little merit in the draft Recommendation and a considerable risk that, if any action was taken under it to reduce the working week other than through customary collective bargaining, unit costs would be increased to the detriment of our competitiveness and ultimately to employment. I would have preferred that we continue to oppose it.

2 I do recognize the tactical difficulty, should it indeed turn out that we were opposed by all the other nine Members, including the Germans. But I am sure that we should not agree to the Recommendation, even if we are wholly isolated, without the agreements in the text on unit costs, reorganization rather than reduction of working time and the role of the public sector which you will be trying to negotiate. And I have to say that I have some anxieties about our agreeing even on those conditions.

3 I am sending a copy of this letter to the Prime Minister, to Nigel Lawson, Geoffrey Howe, Michael Jopling, Michael Havers, Malcolm Rifkind and to Sir Robert Armstrong.


NORMAN TEBBIT

10 JUN 1934

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b.c.N.O. MFJ



10 DOWNING STREET

From the Private Secretary

4 June 1984

Dear David,

EC Labour and Social Affairs Council Draft
Recommendation on the Reduction and Reorganisation
of the Working Time

The Prime Minister has seen your Secretary of State's letter of 31 May to the Foreign Secretary. She disagrees with his proposal to vote for the draft recommendation which she believes is inconsistent with the line the UK Government has been taking, and inconsistent with what she herself has said at the meeting with international trade unionists last Thursday. She does not consider that even with the changes to the draft suggested and even with the riders which would be expressed, the draft could be supported without weakening the Government's position. She does not find the issue of the Job Release Scheme sufficient justification for voting for a recommendation which, as your Secretary of State admits, he would normally vote against. The quantity of refunds we receive will not be influenced by our stance on this issue.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food, Henry Steel (Law Officers' Department), Anthony Cary (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

David Normington Esq
Department of Employment

MFJAAM

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PRIME MINISTER

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*Please Call Mr. King
No. It is flatly
contrary to what I said
on Thursday*

Mr. King is recommending that the UK vote
for the draft recommendation on reduction
and reorganisation of working time. They
believe they can get sufficient emphasis
on reorganisation and enter sufficient
caveats on reduction.

*spelled
at this
recommendation. The
reason for it can be*

I think you should look carefully at this.
Our stance on reduced working hours has
been a firm one and it cannot be made easier
by signing a piece of paper like this.
Why the Germans are caving in I don't know.
I find the argument about refunds and the
Job Release Scheme feeble. Our refunds
are decided separately and voting against
this recommendation need not prevent those
refunds being attributed to JRS. The
argument that we cannot vote against a
recommendation favouring early retirement
and still collect money to favour an early
retirement scheme is also weak. We are
not being offered choice of voting for
reorganisation of working time and against
reduction.

Agree ask Mr. King to reconsider?

1 June 1984

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Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

The Rt Hon Sir Geoffrey Howe QC MP
 Foreign Secretary
 Foreign and Commonwealth Office
 Whitehall
 LONDON
 SW1

31 May 1984

Dear Geoffrey,

EC LABOUR AND SOCIAL AFFAIRS COUNCIL

DRAFT RECOMMENDATION ON THE REDUCTION AND REORGANISATION OF WORKING TIME

I should like to seek colleagues' agreement to the line I am proposing to take on the above draft recommendation, which will be the main item at the meeting of the Labour and Social Affairs Council in Luxembourg on 7 June.

We have always been profoundly sceptical about the usefulness or desirability of this recommendation and have taken a consistently critical attitude to many of its main provisions. In particular, we have argued that reductions in working time are usually offset either by improvements in productivity or extra overtime leading to increases in unit costs and do not generate more employment. We have therefore maintained a general reservation on our position but have sought to amend the text to emphasise the paramount importance of maintaining competitiveness and to reflect the differing practices in member states. I intend to press for further changes on 7 June to sharpen up the reference to the containment of labour costs, to remove the reference to the public sector, and to ensure that the recommendation gives equal weight to the reorganisation as compared with the reduction of working time.

The text is a good deal better than it was but even then it is still unsatisfactory in many respects. It contains many of the worst features of EEC documents of this kind - of little practical significance, but carrying with it the implication that we want to see reductions in working hours as an aim

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of negotiation in collective bargaining. In normal circumstances I would oppose its adoption but I recognise that on this occasion there are difficult tactical considerations that must be borne in mind. The French want the recommendation for their own internal political purposes and will be pressing hard for its adoption. The Danes and the Germans, who have been our allies in seeking to amend the text, are likely to drop any remaining objections and no other state would support us in outright opposition. If we stand out against it we are therefore virtually certain to be in a minority of 9-1. We also need to bear in mind that the Job Release Scheme, which is covered by one of the heads of the draft recommendation, is a substantial item in our refund claim. At home our opponents will criticise us for blocking what will be represented as a measure which is both socially desirable and economically feasible, (given the safeguards for competitiveness) and will use it as an example of our lack of commitment to Europe only a week before polling day in the European Elections.

I have regretfully concluded therefore that subject to a satisfactory outcome of negotiations on the text, I should agree the recommendation at the meeting on 7 June. Our agreement will of course need careful presentation both to the Council itself and to the Press afterwards to avoid any impression that this runs counter to our aim of keeping down inflationary wage pressures and improving competitiveness. I propose therefore to issue a statement, particularly with UK employers in mind, putting the recommendation in the context of UK and Community policies to maintain competitiveness, pointing to the safeguards we have insisted on writing into the text as a condition of agreement, and making it absolutely clear that the recommendation should not be taken as UK Government encouragement to negotiators to agree reductions in working hours unless there are compensating savings in labour costs.

I am sending copies of this letter to the Prime Minister, to Nigel Lawson, Norman Tebbit, Michael Jopling, Michael Havers, Malcolm Rifkind and to Sir Robert Armstrong. I should be grateful if you and they could let me have any comments on the line I propose to take by Tuesday morning, 5 June.

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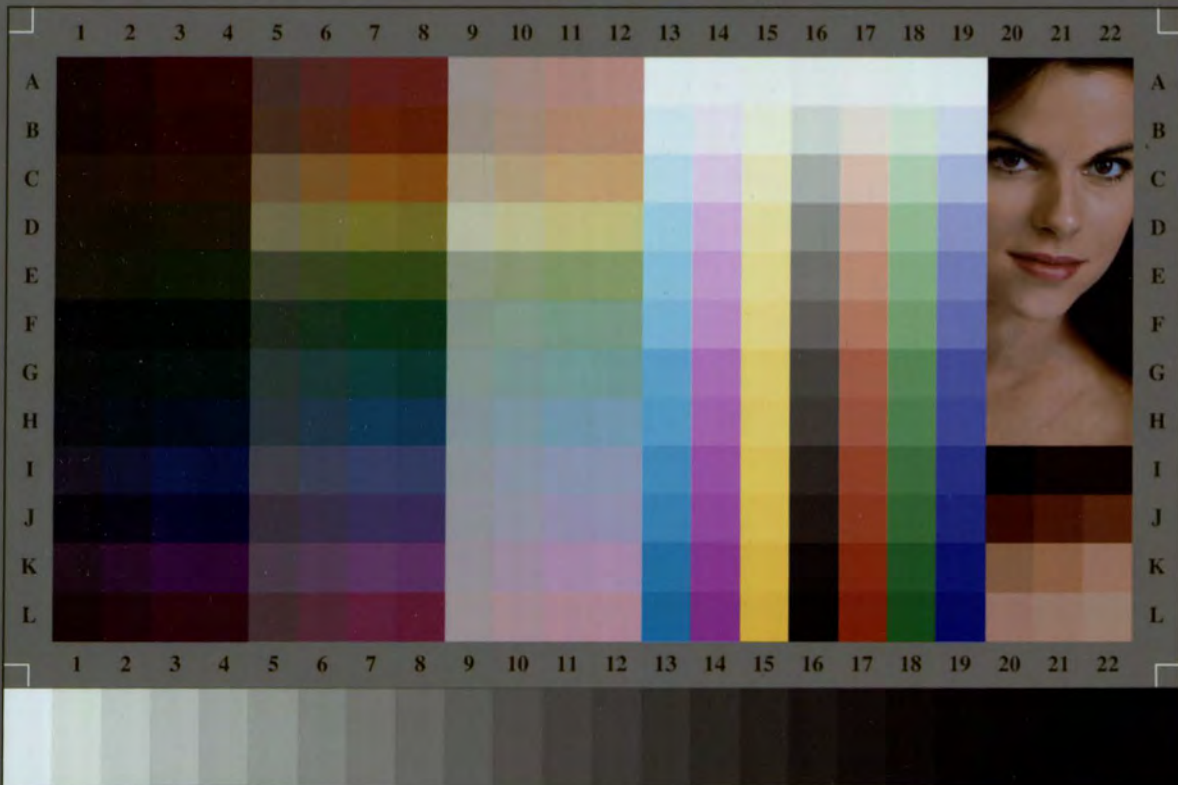
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