

PREM 19/2584

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AGRICULTURAL WAGES BOARD

AGRICULTURE.

MARCH 1983

1989 File box 19

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PREM 19/2584



Mr Brown
cel

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 January 1989

Dear Shirley,

FARM INCOME

The Prime Minister was grateful for your Minister's minute received on 20 January which she has seen and noted.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office), Jonathan Taylor (H.M. Treasury), Stephen Pope (Northern Ireland Office), Keith Davies (Welsh Office), Uriel Jamieson (Scottish Office) and Trevor Woolley (Cabinet Office).

Yours,
P.G.

Paul Gray

Mrs. Shirley Stagg,
Ministry of Agriculture, Fisheries and Food.

pm

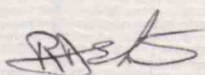
PRIME MINISTER

FARM INCOME

You may like to glance over the weekend at the note from John MacGregor that has come in this evening, although there is no need for you to respond to it.

He points to the substantial reductions in UK farm incomes as conventionally measured. Quite fairly he points to the shortcomings in these measures; but does not emphasise the point as strongly as he might. It was clear to me when I worked on agricultural matters in the early 1980s that these are very inadequate measures of farmers' living standards.

Mr. MacGregor also fairly points to the differences between recent performance of different sectors of UK agriculture and different parts of the country. The fact that the sharpest squeeze has fallen on the cereal sector does mean that it is the most articulate section of the industry that is now feeling the pinch. On the other side of the coin is that these are just the sectors of the farming industry that have done best over the last couple of decades and that can probably live with a squeeze. The poorer sections of the farming community - basically livestock farmers in the north and west - have not done at all badly over the last year or so.


Deputy Clerk
PP. PAUL GRAY

20 January 1989

SL2ASH



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P.01241

PRIME MINISTER

ILO Convention 99: Minimum Wage Fixing
Machinery in Agriculture

(E(A)(84)9)

Flag A

BACKGROUND

Ministers have long had reservations about statutory machinery for setting minimum wage levels. In particular, they consider that such machinery is likely to take too little account of market forces and the ability of employers to pay. It also runs contrary to the Government's view that people should be encouraged to price themselves into jobs.

2. Previous Ministerial discussion of the issue (summarised in the Annex to this brief) has tended to focus on Wages Councils. Despite the arguments for abolishing or substantially modifying the Wages Council system, the view has been taken that such action would be incompatible with our international obligations under International Labour Organisation (ILO) Convention 26. This convention is binding until it is denounced: denunciation is not possible before the period of 12 months beginning in June 1985.

3. There is also a system of determining minimum wages in agriculture: the Agricultural Wages Boards (AWBs). There are three AWBs, one each in England and Wales, Scotland and Northern Ireland. They are established by statute. The legislation is separate from that governing the Wages Council system. There is also a separate ILO Convention (no 99) dealing with minimum wage-fixing machinery in agriculture. This may be denounced during the 12 months ending on 22 August, 1984. The possibility of



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denunciation would not arise again until 1993. If the Convention is to be denounced, there must be previous consultations with representatives of employers and employees (ie the CBI and TUC). These should begin no later than Easter.

4. The issues are discussed in the memorandum E(A)(84)9 by the Minister of Agriculture, Fisheries and Food, which also summarises earlier Ministerial correspondence. The Minister identifies three main approaches:

- i. not to denounce ILO Convention 99, and hence to retain the AWBs;
- ii. to denounce Convention 99, but to retain the AWBs at least for the time being;
- iii. to denounce Convention 99 and abolish the AWBs.

5. The Minister recommends option i. He argues that the AWBs have served their industry well and have not had the damaging economic effects sometimes attributed to machinery for fixing minimum wages; that other options would be likely to be contentious and resisted by both trade unions and employers; and that they would create additional uncertainty in the agricultural industry, which is already apprehensive about the possible effects of changes in European and domestic agricultural policies.

MAIN ISSUES

6. In considering the options the Sub-Committee is likely to concentrate on the following issues:

- a. Are the AWBs, on balance, useful or otherwise?

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- b. What is the bearing of current discussions about the CAP, and speculation in the media concerning possible changes in domestic agricultural policy?
- c. What would be the likely reaction of employers and trade unions to an announcement of an intention either to abolish the AWBs or to denounce Convention 99?
- d. What are the implications of decisions on the AWBs and Convention 99 for future decisions on the Wages Councils and Convention 26?


Merits or demerits of the AWBs

7. Ministers are familiar with the general argument against minimum wage fixing machinery - that it is either effective (in which case it is damaging to employment) or ineffective (in which case it is not needed). There is no clear account in E(A)(84)9 of why this argument does not apply equally to the AWBs. We are told that the system does not lead to wages being higher than they otherwise would be; if so, it is hard to see why the trade unions are deeply attached to it.

Bearing of discussions on Common Agricultural Policy

8. E(A)(84)9 argues that it would be wrong to import new uncertainties into an industry already apprehensive of the possible effects of changes in agricultural policies. On the other hand, the decision whether or not to initiate consultations on a possible denunciation cannot be delayed until, for example, the likely outcome of negotiations on the CAP is clearer. The Sub-Committee may well take the view that the Government must decide what is, on balance, the right course and act on it.

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Employer and trade union reactions


9. It is not wholly clear from E(A)(84)9 what the reaction of the employers would be to the demise of the AWBs. It is said that there would be opposition from "those employers who value the Boards as a tried and tested system for determining minimum wage levels". Can we be sure that this is the view of all employers or even a majority of employers? Is it merely a reluctance to face change? Would not the employers be capable of bargaining effectively on a voluntary basis as in most other industries?

10. The Sub-Committee may feel however that in present circumstances they will need to consider carefully the likely reaction of the trade unions and the public perception of the Government's stance in the wake of the controversy about GCHQ. Bearing in mind the TUC's claim that the action at GCHQ is contrary to the Government's ILO obligations, any action on the AWBs in the next few months - even if merely confined to denunciation of Convention 99 - be seen as a further step in confrontation between the Government and the trade union movement generally?

Wages Councils and ILO Convention 26

11. As the previous Ministerial correspondence has pointed out, there is no unbreakable link between decisions on the AWBs and Convention 99 and decisions on Wages Councils and Convention 26. On the other hand, there has been a tendency in previous Ministerial discussions to suggest that it will be desirable, when international obligations permit, to denounce Convention 26; and Ministers will need to be clear how they could defend such a decision if they had previously accepted, by failure to denounce Convention 99 (or even to launch consultations), that there would be no change for at least a decade in the AWB system.

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12. A possible approach, which would keep most of the options open, would be to denounce Convention 99, but to state publicly that the Government had taken no decision on whether or not to abolish the AWBs; that it intended to do so as part of a more general review of statutory minimum wage-fixing machinery, including the Wages Councils; and that it was denouncing the Convention simply to leave all possibilities open in advance of that review. Such an approach might however be open to the same objection of heightening confrontation with the trade union movement. It might indeed widen the area of controversy by calling into question the future of the Wages Councils generally.

Announcements

13. If the Sub-Committee decide that consultations with a view to denunciation of Convention 99 should be launched, the consultations will naturally become public knowledge. There would probably be advantage in a formal announcement, in particular to make clear any wider intentions. If the Sub-Committee take this view, you will wish to invite the Minister of Agriculture, Fisheries and Food to circulate a draft.

HANDLING

14. You will wish to ask the Minister of Agriculture, Fisheries and Food to introduce his memorandum. The Secretaries of State for Northern Ireland and Scotland might then be asked for comments, since there are separate AWBs for those countries. The Chancellor of the Exchequer and the Secretary of State for Employment will wish to comment from the standpoint of the Government's general policy on wage-determination and any interaction between the issues in E(A)(84)9 and the issues raised by the Wages Council system; the Secretary of State for Employment may also wish to comment on likely trade union and ILO reaction. The Foreign and Commonwealth Secretary may have points to make on any international implications.

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CONCLUSIONS

15. You will wish to reach conclusions on:

i. whether, as proposed by the Agriculture Ministers, there should be no consultations with a view to denouncing ILO Convention 99 while the window for doing so remains open; or

ii. there should be consultations with a view to denunciation but merely to keep options open and without abolition of the Agricultural Wages Boards in the immediate future; or

iii. there should be consultations with a view to denunciation, and abolition of the Agricultural Wages Boards;

iv. if there is a decision in favour of ii. or iii., the timing and content of an announcement.

PLG

P L GREGSON

1 March 1984

CONFIDENTIAL

PREVIOUS DISCUSSION OF WAGES COUNCILS IN THE MINISTERIAL
COMMITTEE ON ECONOMIC STRATEGY AND THE SUB-COMMITTEE ON
ECONOMIC AFFAIRS

E(EA)(80)21st Meeting, 10 November 1980

The Sub-Committee was in general inclined to the view that Wages Councils served no useful purpose. Mainly for practical reasons, however, they agreed that the Wages Councils should be retained. They invited the Secretary of State for Employment to secure improvements in the present arrangements (such as better-quality independent Members and more, and more effective, employer participation) and to examine the possibility of removing young people and part-timers from the scope of Wages Council awards.

E(81)14th Meeting, 8 April 1981

The Committee confirmed that legislation should not be introduced to abolish Wages Councils or to provide for the exclusion from their scope of particular categories of worker. The Committee invited the Secretary of State for Employment to press ahead as quickly as possible with securing reductions in the numbers of Councils and with securing improvements in the system (such as recognition of the problems of small firms and the need to avoid backdating of awards).

E(82)2nd Meeting, 26 January 1982

The Committee invited the Secretary of State for Employment, the Attorney General and the Minister for Agriculture, Fisheries and Food and his territorial colleagues to consider further the possibility, without breaching ILO Conventions, of excluding young people and part-timers from the scope of Wages Councils.

E(82)18th Meeting, 14 July 1982

The Committee were advised that it would not be possible to exclude the categories identified at E(82)2nd Meeting without breaching the UK's international obligations under International Labour Conventions. The Secretary of State for Employment proposed using the provisions of the Wages Councils Act 1979 to abolish the Food and Non-Food Retail Councils, the main causes of complaint from employers (and certain other minor Councils).

The Committee were not able to reach conclusions. Some favoured delaying action until 1985, and the opening of the "window of opportunity" for the denunciation of ILO Convention 26. Others favoured the action proposed by the Secretary of State for Employment. Some members favoured the eventual abolition of the Wages Councils: others were opposed.

1 March 1984
Policy Unit

PRIME MINISTER

MINIMUM WAGE-FIXING MACHINERY IN AGRICULTURE

Mr Jopling argues for not denouncing the ILO Convention 99 and for retaining the AWBs, on three grounds:

- i. Change will be opposed and will create "uncertainty". Most changes have this effect: if we accepted this argument, we would never change anything.
- ii. "No agricultural arguments". Can we be so sure? British agriculture faces the prospects of price freezes and reductions, and a super levy. Cambridge University's Department of Land Economy's latest survey envisages a fall in an Eastern Counties cereals farmer's income from £20,000 this year to less than £8,000 in 1988 (reported in Farmers Weekly, 13 January 1984). Net income in the dairy sector has fallen in real terms this year by 50 per cent, according to MAFF. Many marginal producers will be under increasing pressure. They will be able to cope better if they are not encumbered by minimum wage legislation.
- iii. Industrial unrest. MAFF are nervous about the spectre of the TGWU stalking in the shires, broadening industrial conflict from the farm itself to the farms' delivery systems. This fear is surely exaggerated. The TGWU have a sketchy regional organisation in the countryside. Industrial "action" by farmworkers would be difficult to organise, since farmers and their families outnumber the paid workers in British agriculture. Sympathetic official action by delivery men in support of fellow union members on the farm would expose the TGWU to legal action.

In short, the circumstances of farming seem not so special as to justify an approach to AWBs which is different to that which we may want to take to Wages Councils in general. If we want eventually to abolish minimum wage-fixing machinery, there is no argument for exempting the AWBs. Indeed, exempting any would weaken the case. The discussion in E(A) ought therefore to address the general case.

General Considerations

We don't know, and probably cannot know, the effects of the Wages Councils on the levels of earnings of those covered by them. In agriculture, and in the Wages Council industries, average earnings (at April 1983) were around 75 per cent of the national average. Special factors apply in these industries - eg comparatively low skills in the retailing sectors, congenial working environment in agriculture - which would result in relatively low earnings, whatever the wage bargaining system.

The case for sweeping away the entire Wages Councils system is that:

- a. to the extent that Councils push up wage rates and conditions faster than some employers can afford, they damage job prospects of the less able and qualified, particularly of the young;
- b. if they have no effect on earnings, they are of no help to the employees concerned. Their operation imposes a pointless burden on employers (armies of inspectors and a rule book 30 pages long); and they cost the Exchequer £4.4 million a year (£3.8 million for the Wages Councils, £0.6 million for the AWBs).

The fact that "both sides of industry" record their satisfaction with the system is not in general a decisive argument (how many hopeless industrial policies have been endorsed in this way?). In this context, the argument misses the point that many more established employers probably like minimum-wage machinery for the wrong reasons, namely because it polices, and limits competition from, the small, lower-wage competitor.

The fact that employers' representatives may support the system has one presentational advantage: it makes abolition appear more even-handed. If employers strongly approved of abolition, the proposal would appear to be a measure to assist all employers at the expense of their workers. We think that abolition would be irrelevant to most employers, but helpful to a significant minority.

Youth Unemployment

Norman Tebbit has in the past made the point that Wages Councils inhibit the pricing of young people into work. There are two aspects to this - the level of youth rates, and their legal enforcement. The Wages Councils set slightly higher rates for young people, as a percentage of the corresponding adult rate, than are agreed in national agreements in the private sector generally (65 per cent for 16 year olds, compared to 60 per cent nationally; and 75 per cent for 17 year olds, compared to 70 per cent). There has been disappointingly little downward movement in the Wages Councils' youth differentials in the last 3 years, despite the increase in youth unemployment. [The AWB for England and Wales has a better record in this respect, but the point remains: Wages Councils impose a rigidity on the market.]

The fact that they impose a legal minimum must disadvantage the less able. Most employers would have no problem in paying the "better lad" £40 a week plus the increments and holidays stipulated, but what about the less able and inexperienced who need to get a foot on the employment ladder?

Conclusions

We recommend Option (ii) - to denounce Convention 99 so as to give flexibility in the future. As Michael Jopling points out, it will be construed as a step towards abolition and an attack on the lower paid. It might be pointed out that 48 other countries, including 6 other Community members, are signatories to the ILO Convention 99. The Government could present its case in the following terms:

- The Wages Council system appears not to help the lower paid very much.
- It inhibits a significant number, particularly the young, from getting jobs (we ought to research this to find out how many).
- The system is an interference by the Government in the labour market.
- It involves Exchequer costs of over £4 million a year, and nearly 300 staff.

Nicholas Owen
NICHOLAS OWEN

RC NO

BF with meeting folder



mb

Prime Minister

Unfortunately I shall be unable to attend or be represented at Friday's meeting of E(A) when the paper on ILO Convention 99 is to be taken. I am therefore writing to record my views on this issue.

I am most concerned that Michael Jopling's recommendation not to denounce Convention 99 sits uneasily with our general policy on minimum wage-fixing machinery. I, personally, would go for option (iii) and denounce the Convention and abolish Agricultural Wages Boards. But I appreciate that this would require primary legislation which may well be controversial. I would therefore be content with option (ii) to denounce the Convention but retain AWBs.

Copies of this minute go to colleagues on E(A) and to Sir Robert Armstrong.

NICHOLAS RIDLEY
28 February 1984

Agric March 83
Wages Board



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29 FEB 1984

PRIME MINISTER

POLICY UNIT
3 February 1984

for E(A)

on Wednesday

MINIMUM WAGE-FIXING MACHINERY IN AGRICULTURE

Mr Joplings

paper is

attached.

Mr Jopling persists with his argument for not denouncing the ILO Convention 99 and for retaining the AWBs. His arguments are not overwhelming:

(i) Change will be opposed and will create "uncertainty". Most changes have this effect: if we accepted this argument, we would never change anything;

(ii) "No agricultural arguments". Can we be so sure? British agriculture faces the prospects of price freezes and reductions, and possibly quotas. Its income looks likely to fall. Cambridge University's Department of Land Economy's latest survey envisages a fall in an Eastern Counties' cereals farmer's income from £20,000 this year to less than £8,000 in 1988 (reported in Farmers Weekly, 13 January 1984). Net income in the dairy sector has fallen in real terms this year by 50%, according to MAFF. Many marginal producers will be under pressure to leave the industry. They will be able to cope better if they are not encumbered by minimum wage legislation;

(iii) Industrial unrest. MAFF are nervous about the spectre of the TGWU stalking the shires, broadening industrial conflict from the farm itself to the farms' delivery systems. This fear is surely exaggerated. The TGWU have a sketchy regional organisation in the countryside. Industrial "action" by farmworkers would be difficult to organise since farmers and their families outnumber the paid workers in British agriculture. Official action by delivery men in support of fellow union members on the farm would expose the TGWU to legal action.

In short, there are no special factors justifying a different approach to AWBs to that which we may want to take to Wage Councils in general. If we want eventually to abolish minimum wage-fixing machinery, there is no argument for exempting the AWBs. Indeed, exempting any would weaken the case. The discussion in E(A) ought therefore to address the general case.

General Considerations

We don't know, and probably cannot know, the effects of the Wages Councils on the levels of earnings of those covered by them. In agriculture, and in the Wages Council industries, earnings (at April 1983) were around 75% of the national average. This doesn't mean that Wages Councils depress earnings because special factors apply in these industries which would result in relatively low earnings, whatever the wage bargaining system eg comparatively low skills in the retailing sectors, congenial working environment in agriculture.

The case for sweeping away the entire Wages Councils system is that:

(i) to the extent that Councils push up wage rates faster than some employers can afford, they damage job prospects of the less able and qualified, particularly the young;

(ii) if they have no effect on earnings, they are of no help to the employees concerned; their operation imposes a burden on employers (armies of inspectors and a rule book 30 pages long); and they cost the Exchequer £4.4 million a year (£3.8 for the Wages Councils, £0.6 million for the AWBs).

The fact that "both sides of industry" record their satisfaction with the system is not in general a good argument (how many hopeless industrial policies have been endorsed in this way?), and in this context, the argument misses the point that the majority of employers will always welcome measures which limit competition from low-cost competitors. They probably welcome minimum-wage machinery because it polices the small, lower-wage competitor.

Presentationally, the fact that employers' representatives support the system has one advantage: it makes abolition appear even-handed. If employers strongly approved of abolition, the proposal would appear to be a measure to assist the employers at the expense of their workers, who are among the lowest paid in the country.

Youth Unemployment

Norman Tebbit has in the past made the point that Wages Councils inhibit the pricing of young people into work. There are two aspects to this - the level of youth rates, and their legal enforcement. The Wages Councils set slightly higher rates for young people, as a percentage of the corresponding adult rate, than are agreed in national agreements in the private sector generally (65% for 16 year olds, compared to 60%; and 75% for 17 year olds, compared to 70%). There has been disappointingly little downward movement in the Wages Council figures in the last three years, despite the increase in youth unemployment. The AWB for England and Wales has a better record in this respect but the point remains: Wages Councils impose a rigidity on the market.

The fact that they impose a legal minimum must disadvantage the less able. Most employers would have no problem in paying the "better lad" £40 a week, but what about the less able?

Conclusions

We recommend Option (ii) - to denounce Convention 99 so as to give flexibility in the future. It will undoubtedly be construed as a step towards abolition and an attack on the lower paid. It will be pointed out that 48 other countries, including 6 other Community Members are signatories to the ILO Convention 99. The Government could present its case in the following terms:

- the Wages Council system appears not to help the lower paid very much
- it inhibits a number, particularly the young, from getting jobs
- the system is an interference by the Government in the labour market
- it involves resources of over £4 million and nearly 300 staff



JF5427

Secretary of State for Trade and Industry

NDPM
AT 24/11
CC NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

24 January 1984

CONFIDENTIAL

D Dawson Esq
Private Secretary to the
Minister of Agriculture, Fisheries & Food
Whitehall Place
LONDON
SW1A 2HH

Dear David,

ILO CONVENTION 99 : MINIMUM WAGE FIXING MACHINERY IN
AGRICULTURE *with request if required*

Please refer to the letter of 18 January from John Stoker in the Cabinet Office to you. My Secretary of State is concerned that Ministers should have an opportunity very shortly to discuss the ILO Convention 99, particularly in view of the extended consultations which appear to be necessary before any decision to denounce the Convention can be implemented. He would hope that a paper for that discussion would be explicit concerning the timetable that would be necessary for a denunciation.

2 I am copying this letter to Andrew Turnbull at No 10, Peter Smith in the Office of the Secretary of State for Employment, Margaret O'Mara in the Chancellor of the Exchequer's Office and to John Stoker in the Cabinet Office.

Yours
Andrew Lansley

ANDREW LANSLEY
Private Secretary



24 JAN 1984



NBPM
AT 18/1

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 6161


18 January 1984

Dear David,

ILO Convention 99:
Minimum Wage Fixing Machinery in Agriculture

This is just to confirm that, as we agreed yesterday, I have made an entry in our "Forward Look" to the effect that a discussion will take place on the above subject in E(A) as early as possible in February on the basis of a paper by your Minister. I should be grateful if you could keep me informed as matters advance of the likely date when the paper will be available for circulation.

I am copying this letter to Peter Smith in the office of the Secretary of State for Employment, Andrew Turnbull at No.10 and to Margaret O'Mara in the Chancellor of the Exchequer's office.

Yours sincerely

 J F STOKER

D Dawson Esq
 APS/Minister for Agriculture, Fisheries and Food
 Whitehall Place
 London
 SW1A 2HH

18 JAN 1984





CC/B1

CC/ND

Prime Minister

To note. Cabinet Office are chasing Depts to get this brought to E(A) in time for

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

X over leaf.

AT
17/11

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON
SW1

16 January 1984

Dun Nigel

ILO CONVENTION 99 : MINIMUM WAGE FIXING MACHINERY IN AGRICULTURE

Thank you for your letter of 20 December.

I agree that we need to reach an early decision on the Agricultural Wages Boards, and a note setting out the options would be helpful. It must I think be for the Agricultural Departments to take the lead on this, but I attach an annex setting out the procedure and timetable that denunciation of ILO Convention 99 would entail.

Copies of this letter go to the Prime Minister and the other members of E(A) and to Sir Robert Armstrong.

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ILO CONVENTION No 99 : PROCEDURE AND TIMETABLE ON DENUNCIATION

1 The procedure for denouncing ILO Convention No 99 is set out in its final provisions, which provide that any decision to denounce it is to be communicated to the Director General of the IL Office for registration. Denunciation shall not take effect until one year after the date on which it is registered. The denunciation procedure must also be in accordance with the provisions of ILO Convention No 144 on Tripartite Consultation, which require proposals for the denunciation of Conventions to be the subject of effective consultations between representatives of the Government and the most representative organisations of employers and of workers, ie the CBI and TUC. In communicating the denunciation of a Convention to the Director General of the ILO the Government is required under ILO procedures to indicate the reasons which led to its decision.

2 The one-year interval during which it is open to the Government to communicate its denunciation of the Convention to the Director General of the ILO expires on midnight on 22 August 1984. Thereafter denunciation is precluded until 23 August 1993.

3 There is no prescribed timetable for the consultations with the CBI and TUC required under the procedure, but the requirement for them to be effective implies that they should have reasonable time to consult their constituents and present their observations, and have an opportunity for further representations in writing or by delegation when these had been considered by the Government.

4 As the final date for the registration of denunciation with the ILO falls in the Recess, Parliament would, in accordance with recent precedent, have to be informed of any final Government decision on denunciation before rising for the Recess. All of this points towards starting consultation with the CBI and TUC before Easter.

xi

We must get ahead
with the necessary work for
a decision
not

Agnie : wapes Rnd
31x3

176 JAN 1984



→ file Seen by PM. AT 22/12
ENO



Prime Minister ②

To note. I have minuted requesting an early meeting of E(A)

AT 22/12

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

20 December 1983

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1

ILO CONVENTION 99: MINIMUM WAGE FIXING MACHINERY
IN AGRICULTURE

Michael Jopling wrote to you on 24 November, advising against denouncing ILO convention No 99 and the abolition of the Agricultural Wages Boards. I have since seen Norman Tebbit's letter of 8 December and your own of 15 December.

attached

attached

attached

I share the reservations which Norman Tebbit sets out in his letter of 8 December and am not convinced that the various difficulties identified by agriculture Ministers are conclusive. I agree that we should meet to discuss this in E(A). However, as only eight months remain before the opportunity to denounce the convention lapses for a decade and since denunciation would require time-consuming consultations with both sides of industry, we need to reach a decision very early in the New Year. Before we meet, I suggest it would be helpful if officials prepared a short note summarising the options open to us, including a timetable for the steps which would need to be taken if we decided on denunciation. My officials would be happy to co-operate in this exercise.

Copies of this letter go to the Prime Minister and the other members of E(A) and to Sir Robert Armstrong.

NIGEL LAWSON

Agriculture - Agr. Wages Board March '83

attached

reference to the ... of ...
the ... of ...

site - TB

22 DEC 1983



cc	CO	DN	SH
	DTRANS	NIO	
	CS, HMT	HMT	
	DM		
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10 DOWNING STREET

From the Private Secretary

20 December, 1983

ILO Convention 99: Minimum Wage-Fixing Machinery in Agriculture

The Prime Minister has seen the exchange of correspondence between your Minister and the Secretaries of State for Employment and Trade and Industry. She is content that this subject should be brought to E(A) in the near future. She has commented that she is attracted by the approach suggested by the Secretary of State for Trade and Industry, i.e. that ILO Convention 99 should be denounced as a way of keeping options open. This would allow the UK to decide whether to retain, modify or abolish the Agricultural Wages Boards on the merits of the case.

Copies of this letter go to the Private Secretaries to members of E(A) and to Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Ivor Llewelyn, Esq.,
 Ministry of Agriculture, Fisheries and Food



10 DOWNING STREET

Prime Minister ⁽¹⁾

Could we not reply to this as a perfectly ordinary piece of correspondence making no reference to the seminar? You could be minuted as being "attracted by the the Secretary of State for Trade and Industry's suggestion that the Convention 99 be denounced so as to preserve the options on the future of the AWB".

AT

19/12

Mered

PRIME MINISTER

WAGES BOARDS

This was discussed at today's meeting. You have not yet seen the correspondence between the Agriculture Ministers and other colleagues. Mr. Jopling and the Secretaries of State for Scotland and Wales want to retain the AWB, their main arguments being that it does not push up wages and that abolishing it would open the door to greater unionisation.

Mr. Tebbit wants to denounce Convention 99 which would leave open the option of abolishing the AWB, retaining it, or modifying it.

The meeting today favoured Mr. Tebbit's line. Given this strategic steer, is a further informal meeting of Ministers necessary before E(A)?

Agree, therefore, that I minute Mr. Jopling accepting the proposal for an E(A) meeting, but indicating your preference for denouncing Convention 99 whether or not the AWB is abolished?

Yes no.
The minute to go to him personally and
Richard Brundage or
Not to be copied
ways state
me

AT

16 December 1983

CC NO



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Rt Hon Michael Jopling MP
Minister of Agriculture
Department of Agriculture, Fisheries
and Food
Whitehall
LONDON
SW1

15 December 1983

You wrote to me on 24 November about the future of the Agricultural Wages Boards and suggested I would want to consider your conclusions in relation to the Government's attitude to the Wages Council system.

As I understand it, the future of the Wages Council system was extensively discussed at a number of meetings of E and E(A) committees, with the conclusion that no radical action was possible because of our obligations under the relevant ILO Convention (No. 26). We have the option of denouncing that Convention during the 12 months beginning June 1985 which, if so decided, could pave the way for legislation in the 1985/86 Session. There is therefore no operational need for an early decision and I would see no advantage, and considerable risks, in taking and announcing any decision on the Wages Councils until nearer that time. There are radical options which could then be considered, including abolition, but the previous Ministerial discussions have shown that there is no useful way in which, within the constraints of the relevant Convention, we could tamper with the system in the interim.

It seems to me, therefore, that the future of the Agricultural Wages Board will inevitably have to be considered separately because a decision whether or not to denounce the relevant ILO Convention on minimum wage-fixing in agriculture (No 99) must be taken within the current denunciation "Window". These decisions can in my view be taken independently of future decisions on the Wages Councils.



That being so I suggest that the next step might be collective discussion of your conclusions with our colleagues in committee.

I am copying this letter to the recipients of yours.

20
7

Agriculture: wages Ind. 5/83

115 DEC 1983





DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

JU140

Secretary of State for Trade and Industry

8 December 1983

CONFIDENTIAL

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Tothill Street
London SW1

D. Tom

ILO CONVENTION 99: MINIMUM WAGE FIXING MACHINERY IN AGRICULTURE

I read with interest Michael Jopling's letter of 24 November to you on ILO Convention 99.

2 I must say that I have a number of reservations over Michael's proposal not to denounce ILO Convention 99. I am not commenting on the benefits to the agricultural sector which Michael sees as emanating from the Agricultural Wages Boards, since I am not clear whether he is arguing that the effect of the Boards is to increase or to hold down wages. However, the course he proposes would be completely contrary to the general thrust of Government policy until now on minimum wage fixing machinery and would run counter to our underlying principle of encouraging people to price themselves back into jobs.

3 I am particularly concerned that failure to denounce ILO Convention 99 in 1984 may restrict our freedom of action to denounce ILO Convention 26 in 1985/86. It seems to me important that any decision on ILO Convention 99 should take account of our likely action on Convention 26. I fully recognise that Michael is best able to judge the conditions in agriculture and I am not wishing to question the advantages he sees of the Agricultural Wages Boards. But I do wonder whether there may be alternative courses of action which would not restrict any future action which we may wish to take in the industrial field. Could we, for example, denounce Convention 99 while retaining the Agricultural Wages Boards? If we possessed the power to abolish or modify the boards they might think more carefully before taking such stupid actions as the double wage award this year.

4 Perhaps the best approach would be for us to air the subject fully in E(A) Committee with a view to establishing a clear and coherent way forward on both Conventions.

5 Copies of this letter go to members of E(A) Committee and Sir Robert Armstrong.

[Handwritten signature]

Algeria: Agricul Board: Mand



19 DEC 1983



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

BF when SS/Emp refs

AT
24/11

CONFIDENTIAL

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

24 November 1983

ILO CONVENTION 99: MINIMUM WAGE-FIXING MACHINERY IN AGRICULTURE

As you will no doubt be aware, the denunciation "window" for ILO Convention 99 concerning minimum wage fixing machinery in agriculture opened in August this year and thus we have the opportunity to review the UK's position. This opportunity arises once every ten years and any decision to denounce would have to be the subject of formal consultations with employer and employee interests. It would also have to be notified to the ILO before 22 August 1984.

Our obligations under Convention 99 are met through the operation of the three Agricultural Wages Boards in England and Wales, Scotland and Northern Ireland. They are responsible to the territorial Secretaries of State and myself and I have therefore consulted with my agricultural colleagues to establish how we should respond to the opportunity which the present review period provides. Our agreed view is that no action should be taken to denounce Convention 99 or to abolish the Boards.

On balance we consider that it would not be in the interests of the industry as a whole to abolish the Boards. They act as a useful safety valve in an industry with an excellent industrial relations record and it is doubtful whether their awards have had any significant effect on inflation and employment. We take this view

/because most agricultural ...

CONFIDENTIAL

because most agricultural workers are paid above the AWB's minimum rate. In England and Wales, for example, almost 90% of all full time adult male workers are paid more than the statutory minimum for their total weekly hours. The existence of this premium cushions the effects of awards by the Boards, given that separate decisions on the size of the premium must be taken at the farm level. Even so, farmworkers' average earnings are still only about 79% of those of manual workers in other industries.

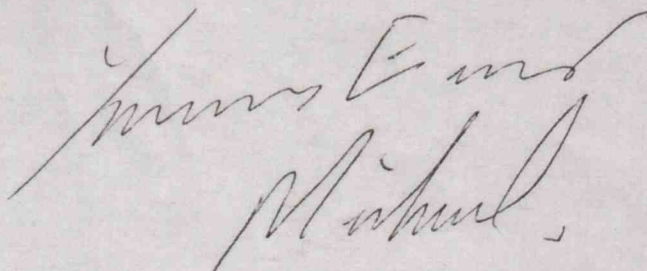
The Boards have also developed wider functions than the setting of minimum wage levels. They have established a progressive wages structure which rewards experience and proficiency; they have introduced a sick pay scheme and are responsible for valuing benefits in kind. Given the scattered nature of the industry and the limited scope for collective bargaining, these arrangements make a significant contribution to harmonious industrial relations and to stability within the industry. If the future of the Boards appeared to be under threat then it is likely that more workers would join the TGWU (which is very different from the old NUAAW) seeing this as the only protector of their interests. At present, less than half of farm workers are union members.

The Boards have recently changed their annual negotiating timetable and this has resulted in two awards in the current year. This was naturally unwelcome to employers and, at the time, distinctly unhelpful in relation to our policy objectives. But, now that the change has been made, we understand that they will continue with single annual settlements. Over the years the Boards have generally shown a responsible attitude to the determination of wages and I do not think we should put too much weight on what happened this year in considering the Boards' long term future.

Of course, any proposal to abolish the Boards would undoubtedly attract strong criticism from the TUC and TGWU. More significantly, despite dissatisfaction relating to this year's settlement, I have reason to believe that the NFUs would wish to see the Boards retained because of the stability which the present system provides. This is particularly important at this time when the industry is beset by so many uncertainties arising, for example, from the post-Stuttgart negotiations. Furthermore the agricultural worker enjoys considerable public sympathy and any move to alter the balance between the farmer and the worker by removing wage protection would be badly received. It would, in our view, be extremely difficult to argue convincingly that denunciation of Convention 99 did not imply a threat to the future of the Boards and any move to abolish the Boards or to change their role could only be implemented through primary legislation.

You will no doubt wish to consider our recommendation in relation to the Government's attitude on the Wages Council system. We would be pleased to discuss our views if you would find it helpful.

Copies of this letter go to members of E(A) Committee and Sir Robert Armstrong.



MICHAEL JOPLING



3

10 DOWNING STREET

From the Private Secretary

17 October, 1983

The Prime Minister has seen your letter of 10 October and has noted that abolition of the Agricultural Wages Boards would require primary legislation and is constrained by the provisions of ILO Convention 99. She has noted also that your Minister is consulting the other Agriculture Ministers and she looks forward to seeing the outcome of this.

I am copying this letter to Margaret O'Mara (H.M. Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

SL

R. Lawson, Esq.,
Ministry of Agriculture, Fisheries and Food



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

2

From the Minister's Private Office

SECRET

Andrew Turnbull Esq
10 Downing Street
London
SW1A

④
Prime Minister
Agree I minute registering your
interest in X? ~~and~~

AF 10/10

10 October 1983

Y
L
M

Just Andrew

AGRICULTURAL WAGES BOARDS

I am replying to Michael Scholar's letter of 30 September about the Agricultural Wages Boards.

The answer to the Prime Minister's enquiry is that it would not be possible to abolish the Boards quickly. Any such move would require primary legislation as would any proposal to change the scope of the Boards by excluding particular classes of people.

X |

Action on the lines suggested would also be constrained by the provisions of ILO Convention 99 which deals with wage fixing machinery in agriculture. My Minister is at present consulting the other Agriculture Ministers on this aspect and hopes to put his views to colleagues shortly.

I am copying this letter to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

Yours sincerely

Robert Lawson

ROBERT LOWSON
Private Secretary

Agriculture
March 83,
Wages Board



9 OCT 1963

SECRET

FILE

da



10 DOWNING STREET

From the Private Secretary

30 September 1983

Agricultural Wages Boards

The Prime Minister has seen a copy of your Minister's letter of 25 August to the Chancellor of the Exchequer about supplementary awards by the Agricultural Wages Boards.

The Prime Minister has enquired whether the Government can move quickly to abolish these Boards; and whether there is any merit in, as an initial step, moving to exclude particular classes, e.g. persons, from the purview of the Boards.

I am sending a copy of this letter to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.

SECRET



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

25 August 1983

Nigel Lawson

will get if required

AGRICULTURAL WAGES BOARDS' SUPPLEMENTARY AWARDS

In your letter of 9 August you referred to the awards made by the Agricultural Wages Boards which will come into effect in September. You raised three particular aspects; the future of the minimum wage-fixing machinery; the application of the award to farm workers employed on the Ministry's farms and the effect on forest workers' pay.

Your comments on the operation of the minimum wage-fixing machinery in agriculture raise issues which clearly go much wider than the arrangements for dealing with the recent awards. I am consulting the other Agriculture Ministers on these broader aspects.

So far as the latest wage award is concerned, you have recognised the particular responsibilities that I have in enforcing the minimum wages legislation and the consequential effect that this has in applying AWB awards to our farm workers. As Peter Walker explained in his letters of 13 January and 19 October 1982, we really have no alternative but to pay the award in full to our farm workers.

I can confirm that the additional cost can be accommodated within the cash provision for 1982/83 and, so far as can be seen at present, in all future years. On the basis of your letter we will put the full award into effect on 1 September 1983.

The other question of how the pay award is to be applied to forest workers is being dealt with separately by George Younger.

I am copying this letter to Leon Brittan, Keith Joseph, George Younger, Nicholas Edwards and Norman Tebbit.

George Younger
Michael

MICHAEL JOPLING



6
CCTW Ingham.

10 DOWNING STREET

From the Private Secretary

4 July 1983

Annual Report on Wages in Agriculture
1982

Thank you for your letter of 4 July.
We have no objection to your laying this
report before Parliament today.

I am copying this to Nicholas Huxtable
(Lord Privy Seal's Office).

W. F. S. TICKETT

Mrs R A Porter
Ministry of Agriculture, Fisheries and Food.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON, SW1A 2HH
DIRECT LINE 01-233 8305
OR SWITCHBOARD 01-233 3000

W Rickett Esq
Prime Minister's Office
10 Downing Street
London SW1

4th July 1983

Dear Mr Rickett

ANNUAL REPORT ON WAGES IN AGRICULTURE 1982

I am writing to seek your approval to the laying
before Parliament of the above Report today,
4th July. It will be published later today.

I apologise for the delay in seeking your
approval. I hope this will not cause any
problems.

Yours sincerely

R. A. Porter

Mrs R A Porter
Parliamentary Branch

04 JUL 1967



Prime Minister'

Please see the

29 March 1983

MR SCHOLAR

cc Mr Mount
Mr Rickett

PPA

No- it would be
far better to
speak to the
employees
Chancellor's letter.
on the Board
Agree (write as) at X?

AGRICULTURAL WAGES BOARD

Mus 29/3

The Chancellor wrote to Mr Walker on 28 March urging him to follow the example set by Mr Tebbit in writing in the strongest terms to the Chairmen of the two Retail Wages Councils and to write in similar terms to the Chairman of the Agricultural Wages Board, registering his concern about the Board's proposal that the pay review date should be advanced by five months from November to July 1983.

This is bound to accelerate the pay increase, both in terms of time and its percentage effect. A good many workers which would be covered by the Board's award, work in the hard-pressed horticultural sector. Their employment prospects would be harmed by an inflationary award. And within farming itself, there are regions in the West and North which are less prosperous than those in East Anglia, less able to cope with pay increases above the level of inflation. These are further examples of how wages councils can operate against employment and while we have committed ourselves to retaining them for a limited period in honour of an ILO commitment, we must at least try to mitigate their damaging effects.

We are advised by the Department of Employment that this question could arise during the Prime Minister's Question Time this Thursday in the context of low pay (Question from Mr Beith, Liberal, Berwick-on-Tweed). This could prove an awkward subject if Mr Walker declines to follow Mr Tebbit's lead. This he is disinclined to do - see MAFF's briefing to the Prime Minister in reply to written PQ 73 on 22 February 1983.

If the Prime Minister agrees, you might minute Mr Walker's office:

- (i) Reinforcing the Chancellor's points in his letter to Mr Walker; an intervention by him would be timely because the AWB is at the moment only proposing to advance the date of the

review. Once it has made its decision to do so, it will be too late to intervene;

(ii) Indicating that, if a question on this subject arises on Thursday, the Prime Minister hopes to be able to reply that Mr Walker will be letting the Chairman of the AWB have the benefit of his advice on the links between pay and employment in agriculture.

I imagine you would rather give your own views direct at Question Time about the link between pay and employment.

Yes.

NICHOLAS OWEN

HCs

PRIME MINISTER'S BRIEFING
AGRICULTURAL WAGES

Line to take

- 1) Agricultural workers' average weekly earnings higher in 1983 in real terms than ever before. They have shown a steady upward movement since 1977.
- 2) Gap between farm workers' earnings and those in industry continues to narrow. In 1970 farm workers' earnings were 70% of those of industrial workers; in 1982 they were about 79%.
- 3) Not for Ministers to comment on minimum rates set by Agricultural Wages Board. Nearly 90% of full time male farm workers earn more than the Board's minimum rates.
- 4) The interim pay claim submitted to the Board by the workers' side is for the Board to consider. Not for Ministers to comment or intervene.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
PARLIAMENTARY QUESTION

Question No: Written 73

Date: Tuesday 22 February 1983

SIR PETER MILLS (Conservative - West Devon): asked the Minister of Agriculture, Fisheries and Food, if he will publish a table showing movements in agricultural wages and farming income in real terms since 1975.

MR WALKER

The information is as follows:-

Year	Index of Average Weekly Earnings of Farm Workers ⁽¹⁾ in Real Terms ⁽²⁾	Index of Farming Income in Real Terms ⁽²⁾
	1975 = 100	
1975	100	100
1976	101	111
1977	94	94
1978	98	85
1979	101	68
1980	102	52
1981	102	58
1982 (forecast)	104	77

(1) Regular whole time hired male workers, 20 years of age and above.
United Kingdom.

(2) Current values deflated by the general index of retail prices (RPI)
for all items.

AGRICULTURAL WAGES
LOW PAY UNIT REPORT

LINE TO TAKE

- i) The Government is satisfied with the operation of agricultural wage fixing machinery in the United Kingdom;
- ii) The conduct of wages negotiations in agriculture and the factors to be taken into account are matters for the independent Agricultural Wages Boards;
- iii) We have no comment to make on the Report. It will be for the ILO to judge whether it should be followed up.

BACKGROUND NOTE

i) The Low Pay Unit is submitting to the International Labour Office a report "British Farmworkers and International Law" which argues that the United Kingdom does not fully meet the wage fixing requirements of ILO Convention No. 99 on wage fixing machinery in agriculture.

ii) The report was released to draw attention to the level of farmworkers pay and was timed to coincide with the meeting of the Agricultural Wage Board (AWB) yesterday (21 March). It is not a convincing document and its main value (to the LPU) was its news impact. It is unlikely that it will cut much ice with the ILO.

iii) The AWB was considering an interim pay claim by the Workers Side which sought an increase on the 7.1% awarded last Autumn in the light of subsequent information on net farming income which showed that net farm income rose by 45% in 1982. The AWB decided to meet again on 27 May to consider a new claim by the Workers' Side.

iv) Farm workers earnings have shown a steady upward movement in real terms since 1977 whereas farming income fell significantly in real terms in the late '70s. The gap between earnings in agriculture and in manufacturing industry continues to narrow. Farmworkers earnings in 1982 were 79% of those in manufacturing industry.

v) The Agricultural Wages Boards are independent. Ministers do not normally comment on the Boards' awards.



cf NO

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

28 March 1983

Rt Hon Peter Walker MBE MP
Minister for Agriculture
Whitehall Place
SW1A 2HH

A handwritten signature in dark ink, appearing to read 'Peter Walker'.

AGRICULTURAL WAGES BOARD

I understand that the Agricultural Wages Board (England and Wales) has yielded to pressure from the Farmworkers' Union and is proposing to advance the date of the next pay review from November 1983 to 1 July 1983. The Board last awarded increases of 7.1 per cent effective from January 1983.

I am sure that you share my concern at this. Whatever play the unions may have made with the aggregate increases in farmers' incomes in 1982, labour market conditions in the agricultural sector generally do not justify pay increases in excess of the inflation rate or two increases within 9 months and I understand that the labour-intensive horticultural sector is experiencing particular problems. It is difficult to avoid the conclusion that the Board is deliberately tilting at the Government and ignoring the link which we have been at pains to stress during the past few years between excessive wage increases and employment prospects. There are also direct consequences for the pay of those of our farm and forest workers who are on statutory minimum rates, though we need not be bound to AWB increases for those on higher rates.

... Norman Tebbit recently wrote to the Chairmen of the two Retail Wages Councils in the very strongest terms. (I enclose a copy of his letter for convenience.) The recent information we have about wage settlements generally shows that Wage Council awards are ahead of the average for public and private sector settlements in this pay round.

I do not think we can let the Board's action pass without comment. I appreciate that you have no formal powers, but I hope nevertheless that you will write to the Chairman, making use of the points in Norman Tebbit's letter, register your concern, and ask them to think again about their proposal.

/Perhaps

CONFIDENTIAL



Perhaps George Younger, to whom I am copying this letter, would consider doing the same if the Scottish Agricultural Wages Board adopts a similar line. Copies also go to the Prime Minister, members of E(PSP), the Secretary of State for Wales and Sir Robert Armstrong.

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

GEOFFREY HOWE

CONFIDENTIAL



W Monaghan Esq B Sc(Econ), MSc
The Chairman
The Retail Food and Allied Trades Wages Council
Office of Wages Councils
Steel House
Tothill Street
London SW1

25 February 1983

Dear Mr Monaghan

I understand that your Council will be meeting soon to consider representations about the proposals which have been issued for increases in minimum rates from April 1983.

I have received many letters from small and large businesses alike about these proposals. It is abundantly clear that, if not modified the proposals will have damaging effects on employment in the retailing industry. I trust you will give the most serious consideration to the representations on this point that you will no doubt receive.

Should the Council ignore the representation, and confirm the proposed increases I would be driven to conclude either that the Council does not recognise any links between wages and jobs, or that it does not see it as part of its responsibilities to take this clear connection into account when making proposals about minimum wage rates. In the event I would be glad to know which view the Council takes.

I am asking the Secretary of the Council to circulate this letter to all members.

J. S. H.
Norm Talbot

21 8 MAR 1983





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