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PRIME MINISTER

PUBLIC ATTITUDES ON PAY DETERMINATION

At its fourth meeting on 9 July, E Committee agreed that it was important to alter the climate of pay bargaining by getting the Government's message across to key employers and to union representatives. I was asked to consider, in consultation with the Secretary of State for Employment and the Secretary of State for Trade, ways of mounting a major publicity campaign directed at the chief executives of large companies, and at trade union leaders, and to report our findings to you.

I extended my consultations of Ministers to include the Paymaster General, the Minister of Agriculture, Fisheries and Food and the Financial Secretary to the Treasury. Unfortunately, John Nott was unable to attend the meeting, but he has seen this minute. These are our findings.

We were agreed that it was important to define what kind of message needed putting across before considering ways of doing so. We also agreed that it was necessary not to deal with pay in isolation but to consider the question in the broader context of the Government's economic policies.

There were four prime considerations:

- i) there is an urgent need to take what action we can,

/consistent ...



consistent with the Government's approach to pay, to influence the course of the new round of pay negotiations and to try to lower expectations on pay developing in response to some high individual settlements;

ii) we have to dampen down the deeply entrenched expectations among the public at large that their money incomes should increase each year and that there is an entitlement for pay in line with some concept of a going rate; and we have to substitute an understanding that pay must be based on what each employer can afford and on the value of the goods or services each employee produces;

iii) there are dangers that a high-powered campaign concentrating too much on pay would give the impression that the Government was nervous and preparing for a pay freeze;

iv) we have to take account of deeply ingrained social attitudes and too heavy an assault on such attitudes could engender a spirit of resistance rather than a clear understanding of the issues, which should be our main purpose.

The last two considerations meant that the tone and volume of the campaign needed to be judged with care.

We were led to the conclusion that there should be two parallel campaigns. The first would begin as soon as possible. It would



be directed at those concerned in forthcoming pay negotiations with a view to bringing home to them the consequences of settling at levels which cannot be justified. The second campaign would be a longer term programme sustained over years aimed at educating the public on the economic facts of life, in which pay would be only one facet.

The messages of the two campaigns, though consistent, would differ in perspective. The message of the 'quick' campaign would be developed around two points:

- that employers and union leaders would have to negotiate in the knowledge that the Government meant what it said about squeezing inflation out of the system and that the consequent limitations on the money supply and the availability of credit meant that excessive settlements would lead to bankruptcy (or in the case of nationalised industries, a loss of jobs, unless we tolerate increased charges or a poorer service to the customer); against that background they would have freedom and flexibility in bargaining;
- that higher pay unrelated to higher output can only lead to unemployment; that the old concept of 'pay entitlement' irrespective of what is produced (such as by reference to the RPI) must be discarded;

The message of the long term campaign, aimed at the public as a



iv) all Ministers would take the opportunities available to them to put across the message to trade union leaders;

v) Ministers would be prepared to react more quickly in commenting on events, developments and criticisms to underline the lessons to be learnt and to reiterate the message.

In making these planned and co-ordinated contacts, Ministers would need to be provided with a central brief prepared by the Treasury (in consultation with other Departments concerned), adapted as appropriate for the occasion. In the quick campaign the emphasis would be on private approaches to individuals and small groups.

The methods used in the longer term campaign would be the same but supplemented as necessary by more ambitious techniques such as carefully prepared presentations of Government policies to wider groups of businessmen, seminars, the use of direct mail, press briefings, paid advertising, etc. Advice on such techniques would need to be obtained through the Central Office of Information. (The possibility of devoting a special meeting of NEDC to the country's economic prospects, discussed by E Committee at its 5th Meeting, would need to be taken into account.)

Finally, to underline the full commitment to sustain such a campaign it would be necessary to designate a senior Minister to take

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responsibility for conducting and monitoring the campaign, with appropriate contact with Treasury, Employment, Industry, Trade and other Departments concerned. You may feel that he should make a report to colleagues periodically. John Nott sees advantage in the Paymaster General taking on this role, as this would reduce the risk of the press becoming aware of the existence of a campaign.

My colleagues and I were agreed that there was an urgent need to get such parallel campaigns under way as soon as possible, and we commend it to you. If you agree, it would be necessary:

- i) to instruct the Treasury to prepare a co-ordinated brief for both campaigns;
- ii) to nominate a Senior Minister to plan the campaigns, and take responsibility for their execution and monitoring, with your authority to advise all Ministers to take the steps necessary to participate in the campaign.

I am copying this minute to colleagues on E Committee, to the Paymaster General, to the Financial Secretary to the Treasury and to Sir John Hunt.

pp *AD*
K J

(approved by the Secretary of State
and signed in his absence)

23 July 1979