

PRIME MINISTER

RELATIONS WITH TRADE UNION LEADERS

This minute summarises our discussion on Wednesday evening, following my minute of 22 May suggesting that we should think very carefully before setting up meetings with trade union leaders.

You will have seen Geoffrey's minute of 27 May and Jim's of today's date.

I suggested at our meeting that we could not decide what to do about relations with trade union leaders unless we first took a view on the main problems ahead and our position with regard to those problems. I therefore put questions to you in order to get our starting point clear.

1. THE MAIN PROBLEM AND OUR POSITION

- 1.1 The problem is that trade union leaders will spend the summer preparing extravagant demands for the next pay round. Their aim - whether or not fully conscious - seems to be to create so much unnecessary unemployment that the Government will be forced to change its policy.
- 1.2 Our position is that there will be no change of policy under any circumstances whatever. We will not consider any form of incomes policy or statutory freeze. A voluntary freeze would not work. In the public sector, we have to achieve the effects of a partially-indexed freeze, to ensure that the private sector does not have to bear the brunt of monetary deceleration.
- 1.3 The process by which trade union leaders advocate settlements at less than the going rate of inflation must, in the end, be revolt by their own members when at the brink - ie when their jobs are at risk. This is what has happened at BL. However, since it only happened long after BL would normally have gone out of business, we have to ensure that the rank-and-file revolt happens early enough to avoid disaster in other companies.

- 1.4 The trade unions' position is at present weak following the Day of Action, Isle of Grain etc. However, the Government's position could weaken (ie we are bound to have setbacks in other areas) and the trade unions' position could thus strengthen, during the summer. The Government faces an immediate problem with MPs' pay which could set the tone for the pay round. The TSRB must be seen as the first in the next round, not the last in this one.

2. OUR DEBATING OBJECTIVES

- 2.1 We must further erode the moral and intellectual position of the union leaders. (Jim's paper proposes the opposite, ie the conventional view. This will need discussion, but we believe that leaders like Basnett, Evans, Jackson, Weighell, can deliver nothing. We have to drive a wedge, not between those leaders and their militant executives, officials etc, but between the shop floor on one hand and militant shop stewards, officials and leaders on the other.)
- 2.2 The end result must be that calls for disruption in the autumn and winter get little more response than did the Day of Action. We are under no illusions, however, that people will be much readier to take action for more pay than for political demonstrationa purposes.
- 2.3 We must avoid creating any sense of grievance in achieving 2.1 and 2.2 above.
- 2.4 This debate should also help to create the right climate for the Green Paper.

3. THE APPROACH IN OUTLINE

- 3.1 We must raise the profile and the quality of debate. If we are clear on our position as regards freezes or incomes policy, we should say so. The further we stick our necks out, the greater our chances of success. The tone should be sober, not blustering or provoking, but we have to "escalate" deliberately if we are to get people to listen to the debate and take our position seriously. A recent paper by Chris Bauman (Villiers' PA at BSC) shows how long

it takes for people to realise that the other side is not bluffing. "It was not until the Prime Minister's Panorama broadcast of 25 February . . . that it became generally clear that the 'hard-line' (ie in Cabinet) had won. Only from that point did the ISTC and the media believe that the negotiations were between BSC and the unions. Unfortunately by that time the ISTC had isolated itself from the other unions, and had taken up an extreme position from which it took some weeks to dislodge itself." There is a lesson here for the sort of debate we are advocating, in which each side is trying to guess the mix of bluster and determination in the other side's position.

- 3.2 We can consult the union leaders, but it must be on our agenda, an agenda which is relevant and thus itself instructive to public opinion.
- 3.3 We should explain and interpret events, but not exhort. We should get to the key principles and values at issue, examining union leaders' public statements, their claims to speak for their members etc. We should predict the abyss to which companies will be driven by high pay settlements, illustrating continuously with the latest bankruptcies. This can also be done at constituency level.
- 3.4 We can use speeches, possibly PPBs with visuals, also supplementary questions to you in the House.
- 3.5 We should regularly contrast what is happening here with pay settlements and inflation rates in other countries.
- 3.6 We will shortly put forward a paper with this approach spelt out in more detail.

4. WHO DOES WHAT?

- 4.1 Participants. We think that you and Geoffrey should be in the lead on this, with perhaps Michael Heseltine and Keith coming in later. However, it will be difficult to involve anyone except you and Geoffrey if Jim himself does not agree with this approach.

4.2 Who organises? I suggest that, for the time being, the Policy Unit goes ahead with preparing material, liaising with Central Office for constituency examples, and gets examples from Departments.

5. OTHER ACTION

5.1 Geoffrey has asked me to help with a speech he is giving on 9 July, a "thinkers" piece on the role of the unions.

5.2. You will be talking to Edward du Cann to see whether the principle of de-indexing, by a few percentage points, what would have been the full indexation of this year's staged increase would be accepted by MPs. It may be that the nurses' case would apply some moral pressure for a gesture of leadership from Members. We agreed that it was impossible for Government to urge the public to settle for less than the going rate, let alone to try to force similar de-indexation amongst public sector employees, if it started the whole process going by giving a fully-indexed increase (however "special" the MPs' case is) on its own doorstep.

I have not yet discussed any of these ideas with Jim and am copying this to Geoffrey only.



JOHN HOSKYNs