



*In PM's mtg
folder*


PRIME MINISTER

In preparation for our meeting on Wednesday evening, 12 September, I attach a note prepared by officials covering the Trades Union Congress and some thoughts about the possible government approach to industrial relations issues in the future. It might also be *attached* useful for us to discuss John Hoskyn's paper on the follow-up to the Trades Union Congress which he sent me under cover of his letter of 5 September.

I am copying this to the Chancellor of the Exchequer, the Lord President, the Secretary of State for Industry and the Secretary of State for Trade.

J P

11 September 1979



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TRADES UNION CONGRESS 1979 AND FUTURE GOVERNMENT APPROACH TO INDUSTRIAL RELATIONS

1. This note briefly records some of the main impressions provided by the debates and the decisions taken.
2. Above all else, it was evident that the leadership of the TUC was anxious to demonstrate a unity and seek to secure a role in the aftermath of the General Election; conscious that a special relationship of influence with government had been lost and conscious too that industrial action last Winter had alienated many trade unionists from traditional support of the Labour Party. There was no public expression of regret for the failure of the attempted maintenance of a social contract, other than the reiteration of the claim that the Labour Government had inevitably courted the consequences of damaging industrial action in seeking to insist on a 5 per cent wage ceiling for the 1978/79 wage round. Ready support was accorded the view that the effects of this action had been widely distorted by the media.
3. It was also evident that at present the trade union movement has no effective leaders. These traditionally come from the power base that only the largest unions can provide and the TUC secretariat cannot fill the vacuum.
4. With this as background the important consequences were:-
 - (a) A ready display of unity was achieved by outright rejection of and unanimous opposition to the Government's industrial, economic, energy, and social policies. There were no dissenting voices to be heard and no attempt was made to construct reasoned alternative approaches which might have carried with them some exercise of obligation by the movement itself.
 - (b) Congress decided to enter immediate discussions with the Labour Party to formulate economic and social policies to form the basis of a programme for a labour administration and by its endorsement of the TUC's "Campaign for Economic and Social Advance" directed towards the public generally as well as union members. Mr Murray was at pains to forestall criticism, that industrial action in defence of members' interests could be accounted political.

(c) The more militant influences in the movement already prepared to seek to mount direct action against the Government's policies and their consequences are likely to have been encouraged by the outcome of Congress even though more moderate influences were successful in circumventing much of what they attempted. An amendment calling for resistance by all means, including the calling of mass demonstrations, was moved and seconded by General Secretaries who are members of the Communist Party and, though opposed by the General Council, was only very narrowly defeated.

5. On industrial relations legislation, a motion was unanimously passed rejecting the Government's proposals and calling for resistance to them both by a publicity campaign and by the TUC providing advice and assistance to unions on the practical implications and any necessary support to unions faced with what might be judged unacceptable judicial decisions under current legislation. The General Council avoided a proposal that the TUC should withdraw from discussions with the Government, but it was evident that there can be no possibility of compromise or agreement and the motion provides a basis on which could be built demands for united support for unions and members affected by the proposals when enacted.

6. In the major debate on economic policy a series of motions were passed unanimously. These included the components of an alternative economic strategy, eg a balanced growth of employment and output in the public and private sectors, higher investment, price stabilisation, the maintenance of the "Social wage", a strengthening of publicly-owned industries, defence of the role of the National Enterprise Board, control of multi-national companies, maintenance of job creation programmes, to be urged on the Government.

7. Of greater significance was a motion requiring the General Council to initiate a national campaign to assist unions in negotiating a 35-hour week without loss of pay as a means of combating unemployment. This is not new but there are now signs that a reduction in minimum working hours will be more vigorously sought by unions this Winter and it is already providing the major difficulty in the way of a settlement in the national engineering dispute. A concession in that industry would spread quickly.

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8. Congress reaffirmed its opposition to any form of wage restraint, as was to be expected, including any restraint provided by cash limits in the public sector. It rejected the approach of reductions in manpower to finance pay increases in the public services and the policy of not increasing cash limits to meet all foreseen increases in costs.

9. No specific pay targets were endorsed for the coming pay round. Traditionally the TUC accepts that claims and settlements must be left to constituent unions, although target minimum basic rates have been established from time to time. In debate however speakers were insistent on the need to defend living standards by which was meant the justification for increases in pay to fully reflect the prospective increase in the RPI. The RPI was derisively dismissed as any guide. It is not however possible to judge that any decision by Congress will itself determine the level of pay expectations or the extent of industrial action which might be experienced. The most important determinants will remain the forecast level for the RPI, coupled with the level of the last settlement for the group concerned against the subsequent movement of the index, together with what might begin to be perceived as a "going-rate". For the latter, early major settlements and what is thought to be the success or otherwise of industrial action will be critical.

10. As for public expenditure, the General Council was instructed to develop and co-ordinate with unions a campaign to oppose cuts in all "socially desirable" expenditure, including the possibility, for example, of a national day of action. The General Council will prove reluctant to adopt such a possibility but it is not possible to be sure that the pressures for such action will not grow to the point that some such demonstration could be in prospect with each union being left to decide whether to instruct its members to participate. Perhaps more significant was the decision to give full support to unions opposing the loss of jobs and services in the public services. Although this is unlikely to lead to any sympathetic industrial action, it provides support for the decisions already taken by some unions, eg NUPE and the CPSA, to resist economies by the industrial action of their members.

11. It is too soon to reach any detailed assessment of the significance of the Congress for industrial prospects in the coming months. Unions individually will determine their objectives for pay and the extent to which they might be prepared

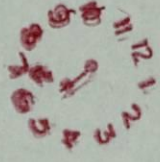
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to resist the consequences of the curtailment of public expenditure. The rhetoric of Congress is likely to prove of less significance than unions' own judgements on what might be achieved by industrial action and at what cost. Nevertheless, there are evident dangers from a situation in which the TUC, inadequately led and united in little but outright opposition to the Government, has sought to demonstrate a unity in defence of members' interests. The general climate has not improved and can well have worsened.

12. This makes it the more important that public support, including the support of many individual trade union members, needs to be secured and maintained for the implementation of the Government's policies. And that both the objectives and the selected means are fully and carefully explained in reasoned argument. Direct challenges to the TUC or to its leading personalities are unlikely to be helpful and more likely to be viewed as a drawing of battle lines for confrontation on which militancy could thrive. The many difficult issues ahead in securing fundamental change will all need to be handled sensitively as well as firmly. The more moderate establishment in the TUC is fearful of the militant pressures which might be released in the movement and, conscious of the movement's disarray, less than confident of its ability to withstand them. It recognises that the Government has years of office ahead and would prefer to await the consequences of the policies being adopted, whether acceptable in outturn or not, rather than be pushed to confrontation. The apparent weakness of the TUC increases rather than lessens the risk that its inherent authority and ability to damage and frustrate could come to be deployed against the Government.

Department of Employment

10 September 1979



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