Solving the Union Problem is The Key To Britain's Recovery

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SOLVING THE UNION PROBLEM IS THE KEY TO BRITAIN'S RECOVERY

Margaret Thatcher has called for a public debate on the role of unions, not because we seek to blame the unions for all our economic troubles, but because we see their power and the way it is used as one of the major obstacles barring the road to national recovery.

If the debate is to be productive, it must be rational and honest, setting the union problem in the context of our economic decline, rather than at the centre of today's crisis. For the problem of the abuse of union power will remain long after today's crisis is over.

I now seek to outline our thinking, so that the point from which we start the debate is understood. I can best do this by asking five key questions which concern all who will vote in the general election this year. **The first is:**

Shall We Ever Cure Inflation?

We are asked to be grateful for an inflation rate of about 8 per cent. If the inflation rate stays at 8 per cent, today's pound sterling will in five years be worth about 0.68p. No society can flourish if the value of money declines at such a rate.

Powerlessness against inflation leaves people angry and frightened. Rational economic behaviour is upset. Everyone seeks the largest possible share of next year's banknotes – the only production which we know will rise.

In such a climate of fear, anger and mistrust, everyone is forced to destructive action. Workers cripple or even bankrupt their firms. Savers switch from productive investment. Management concentrates on short-term survival instead of long-term growth. In this situation, the members of powerful

trade unions appear, on the face of it, to be uniquely fortunate. Collective action seems to give to the individual negotiating strength which he does not possess alone.

Unfortunately, the inevitable response of trade unions and trade unionists to an inflation which they did *not* directly create, makes the cure of inflation more difficult.

Labour's monetarism is the worst of all worlds

In order to reduce the damage done by powerful trade unions, Messrs. Callaghan and Healey threaten to use crude monetarism – which we, with our belief that monetarism is not enough, have specifically rejected.

Most people now see monetary discipline as a necessary but not sufficient condition for economic growth and stability. That is welcome common ground between the Parties, at least as far as those with first-hand experience of the problem are concerned. Had both parties and the "Establishment" in general recognised this in the early 1960s, we might all have been less ready to embark on the road of growth in public spending with its attendant heavy borrowing and currency debasement.

However, the public has been misled by Mr Callaghan and Mr Healey, who have denounced monetarism while practising it. They threaten us with monetary discipline as if it were an alternative to other treatments for inflation, whereas, of course, it is indispensable for any treatment. They have not systematically and repeatedly explained to the public their monetary targets or the implications of those targets for pay settlements and unemployment. They shrink from proclaiming a programme of gradually contracting money growth targets which would squeeze inflation out of the system. At best, Labour Ministers shrink from the necessary reduction of high state spending, while at worst they seek to increase state spending even further.

Mr Healey may say that, if the powerful unions do not moderate their claims, we will claw back the extra they win through extra taxation, as well as tightening monetary control. But – as many people have already pointed out – this would mean that the price of what are seen as excessive wage awards for some will be paid for mainly by those who do not benefit from them. Members of weaker unions, non-union labour and

businesses will foot the bill in higher taxes, fewer jobs, more bankruptcies.

Meanwhile, Ministers refuse to face the central problem – the present ability of trade unions to force the rest of society to pay for the inflation which unions themselves are now making it harder to eliminate.

So the answer to the voters' first question is 'No, Labour are not going to cure inflation. At best, the method they propose will do great injustice to those least responsible for preventing its cure. At worst – and here experience reinforces theory – the measures they adopt in the name of the fight against inflation will only intensify it.'

This brings us to the second question in the voters' mind:

Why won't the Unions Bargain Responsibly?

The unions can react only to the framework within which they operate. In addition to the monetary framework, which obliges unions to prepare quite rationally to safeguard their members from further inflation, there is the legal framework.

Our unions have been uniquely privileged for several decades, but Labour's more recent legislation – all at the request of the TUC – seems designed to ensure that a strong union can almost always win any dispute, regardless of its economic case. The predictable result has been the growing use of strikes and the strike threat. In a trade dispute most things seem permitted for the union side; breaking contracts; inducing others to break contracts; picketing of non-involved companies; secondary boycotts. A trade dispute can be between workers and workers; it can concern matters of discipline, membership, facilities; it may even relate to matters overseas. All this is unique to Britain; there is nothing like it in other countries.

As we would expect, this militants' charter, as Jim Prior has called it, has bred militants and driven moderates underground. Indeed, we are now seeing militants increasingly taking over control from union officials.

Union leaders, having in many cases failed to educate either themselves or their members, while winning for them excessive powers, have lost the ability to control them. National economic failure and the militants' charter have given a supreme opportunity to the left-wing minority whose instincts are destructive, who are bitterly opposed to the free-enterprise

economy which most people want. The result is growing confusion. Shop stewards disregard union officials; workers start to distrust shop stewards. Members strike when ordered by their unions to work, and – less often – work when ordered to strike.

We now face an unstable situation; the collapse of socialist expectations; increasingly ruthless efforts by big unions to escape the consequences; inter-union warfare; and the fruits of the militants' charter. Politicians who urge restraint on union leaders, or who criticise their members for greed, ignore the forces at work. Recently both Tom Jackson, Chairman of the TUC, and Sidney Weighell, of the NUR, have made courageous speeches about this impossible situation. But, in the next breath, they have had to admit that their own unions cannot behave any differently from the others. We cannot expect a union leader to choose unilateral disarmament on behalf of his members.

To ask one union to sacrifice its own interests 'for the national good' without guarantee that other unions will do likewise is as unrealistic as it is to urge housewives not to anticipate a bread strike or motorists not to fill up before a petrol strike. The national good can be secured only by changing the framework, the rules of the game and then ensuring that everyone plays fairly by them. This is what Margaret Thatcher has called for.

The answer to the voters' second question is, therefore, 'No, the unions cannot bargain responsibly so long as government provides a framework – monetary, fiscal and legislative – which discourages effort and encourages irresponsibility, and so long as unions have the power to respond to inflation in a way which makes it more difficult to end it'.

So the voter asks his third question:

If Unions won't Bargain Responsibly, Why can't we have a Strict Incomes Policy Instead?

The delayed but damaging consequences of formal and institutionalised incomes policies are now well known. We have experimented with different arrangements of more or less rigid control of pay for about 20 years. During that time, inflation has reduced the value of the pound by over 75 per cent. Unemployment has nearly trebled, yet industry reports skilled

labour shortages. Our share of world trade has fallen sharply. Business profits as a share of GNP have fallen catastrophically. Real take-home pay has been almost stagnant. Over the same period, virtually every one of our competitors has left us far behind, despite the impact of OPEC price rises and in many cases without our advantages of North Sea gas and oil; and without using pay controls. Almost every year we have produced a smaller share of the world's goods and a larger share of its banknotes. Our problem today is the same as it was 20 years ago, but writ larger: "We want other countries' goods more than they want ours".

When we look at the evidence, do we really believe that without all these attempts at government controls, we would have done even worse? I suggest that the reality is much simpler. The reality is that, if we had emulated the more successful economies, in monetary policy, labour relations and the scope given to the workings of the market, we would have done much better.

The difference between Britain and other advanced industrial countries is as much political as it is economic. And this brings us to the fourth question.

Why Must Britain be the Odd Man Out?

The visible signs of Britain's unique course – as it slides from the affluent Western World towards the threadbare economies of the communist bloc – are obvious enough. We have a demotivating tax system, increasing nationalisation, compressed differentials, low and stagnant productivity, high unemployment, many failing public services and inexorably growing central government expenditure; an obsession with equality and with pay, price and dividend controls; a unique set of legal privileges and immunities for trade unions; and, finally, since 1974, top of the Western league for inflation, bottom of the league for growth.

But why has this happened? Why does our prevailing political economy look increasingly eccentric in the Western World?

There are, perhaps, three main differences between Britain and most other countries which may account for our eccentricity. First, there is the virtually unique link – constitutional, financial, ideological – between the Labour

Party and most of the large trade unions. There is their joint commitment – airily dismissed as 'not serious', but stubbornly surviving all the same – to complete nationalisation. Secondly, there is an intellectual preference for top-down control rather than the untidy dynamics of free enterprise. This preference survives from early post-war when many intelligent and able people supported Labour's plans from a mixture of idealism – not to be sneered at – and a fundamental confusion of thought. This was the false analogy between war – in which wealth is dissipated under central control for a single national purpose – and peace, in which wealth is created as the result of the dispersed fulfilment of millions of unknown and private purposes.

Thirdly – and this is the heart of the matter – there are the bizarre political and economic beliefs of Britain's "Labour Movement".

The Mythology of the Labour Movement

The reason why the "Labour Movement" has been such a disaster for the people it professes to serve is that too many of its leaders have presented the movement as a war of liberation, a war between "good" socialism and "bad" capitalism. In the mistaken belief that free enterprise is "the class enemy", they have taught workers to resist efficiency, obstruct management, insist on over-manning, resent profit and ignore consumers. Like other wars, this class-war is destructive of what exists, vaguely optimistic about the rewards which will come when peace breaks out. It develops a supporting propaganda which presents the enemy as less than human, over-simplifies the issues, relieves the troops of the burdens of individual conscience. 'I was only obeying orders', say the troops. 'I can't control the feeling of my members', say the leaders.

The ancient ideology of the Labour Movement asserts an economic war between "us" – which is taken to mean the working population – and "them", the class enemy. But who is the enemy in Labour's eyes? It is all those whose economic functions are incompatible with, or peripheral to, achieving the socialist state as they see it. Thus, self-employed, entrepreneurs, managers, landlords, non-union workers, shareholders and, behind the routine sentimentality, pensioners, schoolchildren, hospital patients, all are "non-persons". They are either

economic opponents who, by working successfully, make the free-market economy stronger and state socialism less desirable; or they are non-combatants, unavoidable civilian casualties, irrelevant to the battle plans.

You may think that I exaggerate. But how else can we explain decent men closing hospitals, intimidating non-union members, striking when one of their fellows is sacked for stealing, damaging property, disrupting children's education? Normal people can only do such things either because they have been persuaded that the war of economic liberation gives them a moral right to do them, or because they dare not challenge the orders of their union officials, shop stewards or left-wing militants.

Labour mythology presents the worker as the servant of "them", the bosses. But reality is different. The assets of big companies are largely owned by pension funds and insurance companies, not by the managers. The true employer is, of course, the customer, who pays all wages. The whole enterprise is, in financial terms, very small compared with the real economic purpose it serves, which is to allow people, as both workers and consumers, to employ each other's labour as efficiently as possible. It lives typically on a profit of a few pence in every pound of its total production.

It is important to understand just how heavily the cards are stacked against any enterprise that tries to challenge the militants' charter. The enterprise cannot count on subsidy to help survive the dispute, as strikers can. Its financial haemorrhage starts immediately, as its hard-earned savings bleed away. Other companies may have to pay guaranteed lay-off pay to their workers who are not involved in the strike at all. Secondary picketing may force them to halt operations altogether.

If, after surrender to strike action, the struck-against company has to reduce its work-force, it must add to the cost of the strike and of increased wages, substantial redundancy payments to the workers it has been forced to lay off. The militants' charter looks increasingly like a charter for the systematic destruction of law-abiding, job-creating, free enterprise, in the name of socialism.

Living standards — dream and reality

Perhaps the most important element in Labour's mythology is

the belief that trade unions are responsible for all increases in members' living standards.

In truth, there is no way in which striking itself, going slow, working to rule, over-manning or restrictive practices can do anything but lower the national living standards and obstruct the creation of new well-paid jobs. Militant action cannot produce goods, build hospitals, save lives, pay for pensions. Economic and social progress comes from doing sensible things, not from refusing to do them. Prosperity comes from new inventions, good equipment, effective management, efficient work practices, higher individual output. There is nowhere else that prosperity can come from. Like governments, trade unions can either assist in this process or else impede it. This is the limit of their positive powers in the economic sphere, as distinct from other important areas, like working conditions and safety.

Because this has not been understood, the bitter reality, now increasingly borne in on us, is that our unions have robbed their members of the only thing they can sell, their own productivity. The net result is that everyone must work longer hours, for less money, in shabbier factories, with older equipment than his counterpart overseas – and draw a much smaller pension when he retires. And the alleged "inhumanity of the market", against which the Labour movement claims to fight for its members, gives way to the inhumanity of organised labour, in which decent union members do many things which are not done in the non-unionised sector, or in other spheres of life, and of which they must be privately ashamed.

Perched on this structure of muddled thinking and propaganda sits the *raison d'être* of the trade union, the free collective bargaining process as practised in Britain, the process which is expected, year after year, to produce higher living standards from static productivity. Where are they to come from?

The whole bargaining process is riddled with confusion and contradiction. The link between productivity and real pay is ignored. Everyone demands above average wages. Everyone wants parity with those above them, differentials from those below.

In Britain, the working man, the pensioner, the sick and the disabled, yes, and the lower-paid too, are just beginning to pay the real price for Labour's long years of anti-business propaganda and for its frightening ignorance of the economic

and commercial processes which alone can improve their lot.

The answer to the voters' fourth question, therefore, is: 'Britain is the odd man out primarily because the historic link between the Labour Party and the TUC has institutionalised a romantic, outdated and economically illiterate socialism which the people of this country don't want and which the people of most other Western countries have firmly rejected'.

So the fifth and final question is:

How do we Break Out of the Trap?

The walls of our economic prison are closing in upon us, because all our social and economic problems reinforce each other. We don't have unlimited time, because each year the problem gets harder, the prison cell smaller. In the past five years, Labour has done many things to make the task harder, nothing to make it easier. The IMF and North Sea oil and gas have saved our present balance of payments, and thus given us extra time, but so far this has been wasted. Government spending is again rising.

There are many big and difficult things we have to do if we are to escape from the trap. We have to hold and then reduce government's share of national spending and abate inflation. Just as important, we have to remove the fears that inflation will soar again. We have to work out a systematic approach to pay determination in the non-market public sector, as Mr Basnett has rightly urged. We have to reduce the present power of the trade unions to damage the economy and at the same time reduce the pressures which encourage them to do so.

Each of these objectives, and there are many others, is an immense task. Each is an exercise in analysis, innovation, persuasion and co-operation. And when they are all achieved, they give us no more than a stable platform on which to build, in place of today's slow disintegration. They give us no more than a few stepping stones on the way to national recovery.

The first of these stepping stones must be the replacement of the militants' charter by a moderates' charter.

This requires a carefully thought out strategy, cool nerves and clear heads. It is understandable that people feel indignation at what is going on, anger at our sense of national impotence. Indeed, there would be something wrong with the British people if we were no longer capable of strong feeling

about such things. But – as Jim Prior has suggested – moral indignation can cloud our judgement. If we are to succeed, we have to think clearly and argue fairly. Only then will firm action be possible.

The need for debate

We say that union power should be reduced, not because we are "anti-union", nor because we think it is the sole cause of our problems, but because the present imbalance of power bars our way to national recovery. Government must provide a framework that encourages mature behaviour, not childish irresponsibility.

The first step in that direction is public debate to ensure that we all understand the problem, recognise that it must be tackled and find the best means of doing so.

Margaret Thatcher has already suggested a bi-partisan approach on secret ballots, picketing, the closed shop, and limiting the right to strike in certain essential services.

We want the union leaders to join in this debate. If they feel that they are being unfairly criticised, they should explain why. But the onus of proof now rests on them. They must answer the questions being put to them. Just how can union activities raise *real* living standards? Why do the union leaders object to secret ballots? How do they justify the setting up of closed shops without even consulting the work-force? How can they defend expulsion of individuals from a union closed shop without appeal or compensation?

The Conservatives have to take the electoral risk

Our call for debate on the union role is the result of long analysis and discussion inside the party. We knew that such an approach carried political risks. But – as we can all see today shirking the problem does *not* lead to a quiet life.

We rejected the argument that such a sensitive issue could not be raised until after we had taken office. The moral authority to tackle Britain's problem at its root could come only if we made clear before the election what was at stake, and if we demonstrated the calm, painstaking approach required if we are to succeed over the next five years. This is why Jim Prior, Willie Whitelaw and Geoffrey Howe began, last summer and

autumn, to speak about different aspects of the present union role and its leaders' attitudes.

The response from the Labour Movement, and in particular from union leaders, was predictable. Any criticism of trade union democracy, of the economic effects of trade union action or of its moral aspects, was greeted with cries of 'confrontation'. But with the events of recent weeks before us, people are beginning to recognise that the real confrontation is between worker and worker, unions and public. It is socialism and the union movement that has finally – in Labour's phrase – 'set man against man' with a vengeance.

We should not be surprised at this reaction, nor should we lose patience. After all, union officials in the major unions are mostly members of the Labour Party, apart from the estimated one in ten who are communists or members of other extreme left-wing groups. All are pledged to nationalisation, state control and growing union power. By contrast, only a bare majority of union members vote Labour and a third vote Conservative; a far smaller proportion want the 'real socialism' Mr Healey has promised us. Leaders of the big unions are ex-officio members of the Labour government; they have to campaign for Labour victory, whatever their members want.

Let me put it as simply as I can. If during this debate, union leaders or activists succeed in persuading the majority of their union members that we are wrong to propose changes in the law and that they are right to resist them, then it will be difficult to legislate successfully. Make no mistake about that. It is rarely – except *in extremis* – prudent to pass laws unless the majority of people understand the need for them. Laws should ideally represent the codification of the sort of behaviour the majority want in order to restrain the minority who do not. This debate is, therefore, an essential prelude to practical action.

Our own debating style, therefore, is crucially important. We must not fall into Labour's trap by following their example. We can make no progress if we refuse to understand the viewpoints of those who disagree with us. We must not over-simplify the problems. There are two sides to every industrial dispute. There are questions about business power which we must not shirk.

We should never forget that many union members are prisoners of a set of wrong assumptions and of a system which has gone wrong. It is the system we criticise, not the people

involved in it. Similarly, we should remember that most of those working in the public sector are responsible people trying to do a decent job. It is the policies which have led to the growth of that sector, its inefficiency and its capacity to waste our money, that we should criticise, not the people in it. As Geoffrey Howe has said, we have no class-war to wage. Always we should reason, argue, think, listen. If we are to rebuild Britain's economy, we need a peace conference, not a charge of the Light Brigade, or the Right Brigade either.

Finally, we should remember that the role of trade unions is only an electoral issue here because everyone knows that they are pulling us in the wrong direction. I shall not try, therefore, to show a spurious "balance" today, by making the ritual criticisms of British management, because the situation is not symmetrical. British management has tried to do the right things and, to a large extent – too large for the country's good – it has been unable to succeed. But the trade unions have – albeit unwittingly – tried, too often, to do the wrong things, and they *have* succeeded. That is the difference.

In the long-term, the electoral choice is about whether this country is to recover with free enterprise or decline with socialism. Recovery requires that the unions operate responsibly within a fair and balanced framework of law. It requires that we all work within a sensible economic framework. And, most important of all, it requires wider economic understanding and more constructive attitudes.

The first decision we all – union and non-union members alike have to make is whether we should allow trade union power to force us to accept the union leadership's choice instead of our own. Only a national 'show of hands' – through the ballot box – can decide which it is to be.

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