



*C. M. Lytton*

*Prime Minister*  
*For discussion with*  
*the Chancellor and the*  
*Prime on Tuesday.*

Treasury Chambers, Parliament Street, SW1P 3AG  
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*26/5*

PRIME MINISTER

RELATIONS WITH TRADE UNION LEADERS

We discussed this recently and I promised a note of my views about the next stage of our relationship with trade union leaders.

2. This is a good moment to give some thought to the TUC generally. There are a good many signs that the influence of the national trade union leadership has been declining. Their influence with their own membership seems to have waned and disputes among themselves have weakened their authority further. Their expressed, although incoherent, desire for talks with the Government is to be seen as evidence of their worry about their own position. So long as the TUC does not have discussions with the Government about economic matters, it is not altogether clear what its role in national affairs is. I think that worry about this situation underlies a number of comments which have been made by national trade union leaders recently. Frank Chappell called on the Government to initiate talks with the TUC. David Basnett, in contrast, has adopted an attitude of bluster - the Government cannot expect the TUC to use its influence for pay restraint unless it discusses economic policy with them. But both seem to be after the same objective, namely, to get the TUC back into something more like the relationship they had with the previous Government and, to a lesser extent, with the last Conservative Administration.

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3. I think the substance of all this is moving in the right direction. It must be in the national interest to get entirely away from the assumption that the TUC has some constitutional role, some right to share in the making of Government policies. And the crumbling of their power and influence in the country which seems to have been taking place must also be beneficial. But some might argue that the process has gone far enough and that the moment has come (as I think Arnold Weinstock argued when he spoke recently to Robert Armstrong) for the Government to show magnanimity and make a new move to establish better relations with the TUC.

See papers  
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4. One question which arises is whether, if we do not do this, the decline in the position of the TUC in the country will continue. I am inclined to think that it might go a good deal further. There is a good deal of evidence of the unpopularity of the national trade union leadership amongst ordinary members. Another question is whether we want that decline to continue indefinitely or whether at some stage we might want a TUC leadership with some authority to play a role. One possible view is that, notwithstanding the steady decline in the power of the TUC, the leaders still retain sufficient influence to damage our cause severely because of the extent to which they can sour the atmosphere at all levels; for this reason alone it makes sense for us to try to neutralize their dangerous capacity to do harm - the question is how best to do that?

5. I believe that even in this negative sense, there may be some role which the TUC could play in the context of pay, at some stage. But there is all the difference in the world between the TUC acting in response to

pressure from its



pressure from its own members and its acting in response to a Government approach. After a year of large pay increases accompanied by rising inflation and unemployment, it is not impossible, I think, that the national union leaders may begin to feel pressures from their own membership for some general move towards good sense and restraint. It is possible to imagine a trade union leadership responding to concern of this kind about excessive pay increases coming from the grassroots and, if that happened, I think we as the Government could hardly fail to give such a move our blessing. But it would be a very different thing for us to approach the TUC and ask them to use their influence to secure pay restraint after some kind of negotiation with the Government. That would be a situation in which they were thought to have some bargaining power and we would indeed be conferring it on them. It would be a situation which encouraged the worst illusion which incomes policies tend to develop, namely the illusion that pay is determined by what can be secured in negotiation with the Government rather than by economic reality.

6. Of course, there is a danger that a situation of the first kind might develop into the second. Something not unlike this happened during the incomes policy of the last Government. In its early stages it did rest to a considerable extent on popular reaction against crazy pay behaviour and very high inflation and the national union leadership was to some extent being pushed from behind. That was the period of its relative success. But as time went on it became a matter of the Government appealing to the TUC to procure restraint and that was the period of the break-up of the policy.

7. We may be



7. We may be not very far from a situation in which, once again, there is a groundswell of popular desire for greater moderation on pay. Our task will be to exploit this without getting into the problems which faced the last two Governments when they embarked on a formal policy for pay. If we are to exploit a mood of this kind, it would certainly be preferable if the TUC leadership felt able to give expression to a similar message from their own membership. To put the same point more negatively, there is a real danger that, the weaker the TUC leadership feels itself to be the less they will be likely to do any such thing. They may increasingly show all the signs of petulance and pique which we have seen recently and, in that spirit, will be more inclined to make aggressive noises about pay even if this has little influence on local behaviour. (We cannot, of course, be sure that their influence will always be so limited).

8. I conclude that there are two things to be avoided. First, we must continue to be very careful not to build up the TUC again by formalising our relations with them. At the same time, we must avoid anything which can be made to look like a policy of 'confrontation'. This would be another way of building up their influence. The Press is all too ready to see us falling off the wall in either of these directions, as the events of the last week have shown. My mildly conciliatory remarks at the CBI dinner were interpreted by some of the Press as a new initiative for talks and Len Murray, reacting to that misinterpretation, rejected the imagined initiative sharply. I think our aim must be to avoid drama of either

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kind and, at the same time, to develop reasonable and friendly relations with individual trade union leaders so far as possible, but without building up the national position of the TUC. The more we seek to deal-in practical, public dialogue - with rank and file union membership (and so encourage management to do the same) the more important it is to avoid provoking or giving inadvertent offence to an increasingly ceremonial national leadership.

9. This suggests a policy of three elements, which is in fact close to the approach which we have already adopted. Although we shall always need to respond to initiatives from their side, we should avoid anything that has the appearance of a new formal relationship with the TUC - or any special initiatives of that kind. We should continue to talk in a reasonable and conciliatory manner in NEDC. And we should arrange to meet trade union leaders from time to time informally.

10. As regards what you might do yourself, I am not sure of the wisdom of inviting the NEDC six to No 10 because of the significance that might be attached to your inviting any particular group of union leaders which has any formal existence. Equally I would incline against any formal invitation to the TUC's Economic Committee or the chairmen of TUC Committees. It would be better - if possible - simply to see two or three groups chosen in a rather random way on occasions spread over the next two or three months. Of course there should be no agenda and no formal record and you should be supported only by a few Cabinet colleagues. The meetings should not be kept secret: it would certainly be unwise to try that, but in public explanation a parallel could be drawn with the meetings which you have occasionally with groups of industrialists.

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11. I am sure it's a good idea for you to take the Chair at another NEDC meeting soon. As I said on Thursday, the best occasion might be on 2nd July, but it would be best not to announce this until nearer the time. If it was announced now, I am afraid it would confirm the false impression which some newspapers have put about that we are pursuing the TUC for talks about pay.

12. I am copying this letter to Jim Prior, Robert Armstrong and John Hoskyns.

*R. G. H. L.*

(G.H.L)

27 May 1980

Signed on behalf, and with  
approval, of Chancellor of  
Exchequer.

