

Ind Policy

CONFIDENTIAL

Ref A09800

PRIME MINISTER

THE APPROACH TO INDUSTRIAL RELATIONS  
E(79) 11

BACKGROUND

see  
Gen Pol  
(Strategy)

When the Committee had its first discussion on Pay (E(79) 2nd Meeting) you had just seen the CPRS Paper subsequently circulated as E(79) 8. You were impressed by this, and particularly asked that the Secretary of State for Employment should bring forward proposals for 'Redressing the Balance of Power' covering the points made in the CPRS Paper, as well as his more detailed proposals for implementing the manifesto programme on picketing, closed shop and secret ballots.

2. This paper is the result. It seeks no specific decisions but together with the CPRS paper provides a basis for a wide-ranging "second reading" discussion. There are two fundamental issues -

(a) Trade union organisation: By common consent our trade union system, despite its power, is inefficient. We have far too many unions, they overlap and compete for membership, they often represent particular sectional interests within the labour force (ie the craft unions) and they make industrial bargaining much more difficult, time-consuming and ineffective than it could be (see German experience with a few big industrial unions). Many trade union leaders would agree that reform is needed. But the present system involves an inbuilt web of individual and sectional interests which put a brake on change (the co-existence of the NUR and ASLEF is a relatively simple example. They spend at least as much time fighting each other as they do in forwarding their members' interests. The public pays). Can reform come from within? How can it be stimulated? What role should the Government play? Would a new internal study help to clarify thinking?

CONFIDENTIAL

(b) Trade union immunities: For historical reasons, notably deriving from the accident of the close association of most trade unions with the Labour Party, our unions enjoy an unparalleled degree of legal privilege. Power without responsibility. The history of 1970-74 points to the dangers of a head-on assault. And many managements prefer to suffer the consequences of the present system than to be exposed to the fallout of a renewed confrontation. The Secretary of State for Employment favours a "softly, softly" approach with change limited to essentials and following extensive consultation. He is the responsible Minister and his views must carry considerable weight. But whatever the public stance, is more fundamental contingency planning also needed against a second winter of discontent?

3. In addition to discussing these broad issues the Committee may also wish to discuss three specific points referred to in the Secretary of State's paper. These are -

(a) Trade union recognition (paragraph 9 of E(79) 11): S. 11 to 16 of the Employment Protection Act 1975 provide a statutory procedure for handling trade union claims for recognition. The CBI favour repeal of these sections and ACAS itself would not be opposed to losing the function. There are likely to be TUC objections which could imperil the useful conciliation role of ACAS. The Secretary of State for Employment suggests opening consultations on these provisions without a prior commitment to action.

(b) Schedule 11 of the Employment Protection Act and the "fair wages" resolution (paragraph 11 of E(79) 11): In practice Schedule 11 has proved in the last year or so to be an instrument for enforcing "comparability" by law in wide areas of the private sector and some in the public sector (the National Freight Corporation, for example, was forced by it last winter to follow the inflationary road haulage settlement). The case for Schedule 11 and the fair wages resolution can be argued both ways but the Secretary of State for Employment proposes to consult the CBI and TUC about a narrowing of the definition of eligible claims.

CONFIDENTIAL

(c) Supplementary benefit for strikers' families (paragraph 12 of E(79) 11): The Secretary of State for Employment suggests putting the trade unions on notice that the Government will consider introducing legislation limiting the availability of supplementary benefit if the trade unions themselves do not increase strike pay to a level which would have a similar effect. He suggests that tactically it would be better to leave this issue on one side until after the Trades Union Congress in the autumn. The CPRS paper also deals with this issue. Again is there useful contingency planning which could be undertaken? You might ask the Secretary of State for Social Services (who has been invited for this item) to comment.

HANDLING

4. Given the "gradual" nature of the Secretary of State's approach you may want to start yourself by emphasising the importance of this subject even though the process of altering attitudes and changing the balance of power is bound to take time and may encounter considerable resistance from the unions (though not from the public at large). The Government cannot rely on the immediate changes to be made this autumn to help very much in the present pay round. They are both too small scale and too late for that. But a start must be made and the momentum then maintained.

5. You might then ask the Secretary of State for Employment to introduce his Paper, and seek general views from other members of the Committee, starting with the Chancellor of the Exchequer, and bringing in in particular the Secretary of State for Industry, the Home Secretary (on the powers of the police and enforcement of the present law: though these points arise in more detail on the second Paper) and the Solicitor General.

6. In particular, you might ensure that any Ministers who have points to be taken into account in the proposed review of policy (paragraph 13) should make them now, so that the Secretary of State for Employment can take them into account in bringing fresh proposals before the Committee later in the year.

CONCLUSIONS

7. All that is necessary at this stage is to note the present paper, to invite the Secretary of State for Employment to bring forward his proposals in due course (taking account in so doing of any points made in discussion) and to commission any additional work which may appear desirable in the light of the discussion.

*John*  
JOHN HUNT

18 June 1979