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10 DOWNING STREET

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Master Set

From the Principal Private Secretary

1 June 1979

Dear Sam,

Prime Minister's Meeting with Mr. Murray

The Prime Minister, accompanied by your Secretary of State, met Mr. Murray on Thursday afternoon for an informal and private talk.

The meeting, the main purpose of which was to enable the Prime Minister and Mr. Murray to get to know each other, consisted largely of conversation about various aspects of the current industrial scene, much of it anecdotal. I have not recorded this in detail. There were, however, some specific points of which Mr. Prior may wish to be reminded and which will also be of interest to the Chancellor of the Exchequer, to whose Private Secretary I am copying this letter. These points were as follows.

a. Both Mr. Murray and the Prime Minister were of one mind in agreeing that there was great untapped potential in the workforce of this country but that there were blocking mechanisms in the way. The Prime Minister perceived these in the main to be restrictive practices; Mr. Murray said that he had always been very strongly in favour of linking the work done with the amount paid for it at the negotiating table and thought that productivity bargaining, including bargaining on the basis of "new technology agreements" was a constructive way forward; but the real block lay at local level, often outside trade union control or influence, and it was at this level that advice and help was needed.

b. The Prime Minister said she found it difficult to understand how people failed so often to bridge the small gaps that arose between employees and management - these situations were not susceptible to law and they could not be dealt with from the centre. She also did not understand how so many procedural failures came about. Mr. Murray shared her concern about both aspects. He said it was too easy to make excuses for the failures and he commented that over half of the disputes in which the TUC became involved arose because of a procedural failure. Indeed, "getting

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people back into procedure" was a major part of their work. Mr. Murray emphasised in this connection the importance of getting these simply-stated but difficult-to-achieve propositions to penetrate down to the shop floor. This was a basic task of the Sector Working Parties.

c. Mr. Prior drew attention to the structural changes with which management and trade unions had to deal, and in this context, Mr. Murray emphasised the importance of education and training, especially among the 16-19 year olds (which was also relevant to the problem of skill shortages).

d. The Prime Minister expressed her concern about low pay in the public sector and how important it was to reduce this by demanning, which in turn required a stimulus to the economy so that new jobs could absorb the spillage from the public sector. In this context she expressed grave reservations about crude demands for "comparability" for those who had "fallen behind". Mr. Murray said that comparability had invented itself and would not go away, but he wholly agreed "it had got to be put through the sieve" and he referred in this context to the importance of having comparability investigated in a thorough way, using the experience - and, he thought, the resources - of the PRU.

e. Shortages of skilled labour were referred to by the Prime Minister as in part a consequence of low differentials. Mr. Murray said that what was equally significant was that people were not coming forward for training, and any Government would have to put a much bigger effort on educating the 16-19 year olds. He thought that employers were running away from the training problems in this area. Mr. Prior said that the whole of training policy needed to be reviewed, taking full account of the problem of differentials and lack of incentives.

f. The Prime Minister said that the Government were committed to the legislation on which they had obtained a mandate from the people, but it was small and moderate and would not follow the paths of 1971. Mr. Murray said that he hoped the Government would think through every step they took in this field to the ultimate conclusion; and urged the Prime Minister not to underrate the symbolism that the trade unions attached to some things, just as the Conservative Party did. He also advised that it was important to recognise that some people would be looking to make martyrs of themselves, including getting themselves into prison, where the TUC could do nothing to resolve the situation. He hoped that there would be genuine consultation and he readily agreed that the Government's policy could be differentiated from that of 1971.

g. Mr. Prior referred to the Diamond Commission and said that the Government intended to wind it up. The Prime Minister commented that, as with Royal Commissions on Taxation, there could be a new one if it were thought appropriate and, indeed, that was probably the best way of proceeding. Mr. Murray said that he hoped this point would be emphasised.

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Finally, the Prime Minister raised with Mr. Murray the question of whether she should meet all or any of the General Council of the TUC. Mr. Murray said that he thought these approaches should develop slowly and that contacts should come initially via Ministers. He readily agreed to the Prime Minister's suggestion that it would be nice to invite some of them to dinners at No. 10 for distinguished visitors and suggested himself that the Prime Minister might, at an appropriate moment, meet informally the NEDC 6. The Prime Minister said she would do this and would leave it to Mr. Murray to "tip her the wink" when the time would be right. He said he would do this.

I am copying this letter to Tony Battishill (Treasury) and to Sir John Hunt.

Yours
Ken Stone

Ian Fair, Esq.,
Department of Employment.

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