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Ref. A09482

PRIME MINISTER

My first set of briefs for you covered pay but not industrial relations as such. This was because no immediate decisions are called for and because it seemed right to give the new Secretary of State for Employment a chance to take stock on how best to carry out the Manifesto commitments on -

- (i) Changes in the law on picketing.
- (ii) An immediate review of trade union immunities.
- (iii) The financial treatment of strikers and their families.

You will however want him to bring fairly early papers to Cabinet or the appropriate economic Committee in order to maintain the momentum - this is par excellence the sort of field where Departmental briefing, however well-intentioned, tends to point out the difficulties rather than to find solutions. The Secretary of State will therefore need his colleagues' continuing support and encouragement.

2. You will however need to decide quickly whether you should yourself take an early opportunity to see the TUC (and of course the CBI): or whether you should leave initial contacts with the TUC to the Secretary of State for Employment and (perhaps in the Budget context) the Chancellor of the Exchequer.

3. The arguments are nicely balanced. In favour of seeing the TUC are:-

- (a) You want to make certain changes in the way industrial relations are conducted but you are not seeking confrontation. Similarly the TUC, despite its support for the previous Government, has made clear that it will be ready to work with yours. The more there can be agreement about the area for trade union reform (even if not about the method), the better it will be.
- (b) There may be an expectation of an early meeting: and if it does not take place the TUC, or the Press, may subsequently make capital out of this.

4. On the other hand could you confine a meeting to establishing the right "atmospherics" and avoid getting into discussion of substance, or even a negotiation, on matters where the Government is not yet ready? And might

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there be some risk of a difficult situation arising if the TUC asked you to put the idea of legislation on trade union reform temporarily in cold storage to see whether they could make satisfactory voluntary arrangements?

5. I am sure that a meeting with the TUC General Council at this stage would be wrong. It is too large and cumbersome a body, and it always seeks to agree among itself on a negotiating position in advance. And all sorts of questions would get raised on wider Government policies e. g. in relation to public expenditure.

6. I think there are three options:-

(i) Leave it to the Secretary of State for Employment and the Chancellor of the Exchequer at this stage.

(ii) See Len Murray: say that you hope to have good working relations with the TUC on matters of legitimate concern to them: but that Ministers inevitably need time to take stock: and leave it at that.

(iii) Have a dinner with some of your colleagues for the NEDC 6.

On balance, and despite the risks, I would be inclined to discard course (i). There is however a variant which might combine courses (ii) and (iii) and possibly have attractions for you. This would be to get Ken Stowe to ring Len Murray and say:-

(a) You want to have good working relationships with the TUC on matters of proper concern to them, but he will understand that the Government is not in a position yet to discuss its Manifesto commitments in any detail. Nevertheless you would like to establish an initial contact.

(b) One possibility would be for him to come in for an introductory talk. Another would be for you to give an early small dinner for the NEDC 6 on the understanding that this would be a "get to know" rather than a negotiating occasion. Has he any views on how best to get relations off to a good start?

7. Once you have decided how to handle the question of an initial contact with the TUC, the question of seeing the CBI (which will be much more straightforward) can be considered separately.

JOHN HUNT

5th May, 1979