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PRIME MINISTER

2nd copy filed on
Econ Pdt (May 1979),
'National Forum.'

Public Attitudes to Pay Determination -
and of the 'National Forum'
(E(79) 37 and 32)

BACKGROUND

These two papers both follow the discussion of Pay Policy at E on 9th July, and it would probably be convenient to take them together. Both form part of the educational process, designed to talk down expectations without creating a new pay norm. You saw and approved the main lines of the 'quick campaign' earlier in the summer. You have since agreed (7th September) to the Chancellor's modified proposals on the National Forum, embodied in his paper.

2. The Paymaster General will not be at the meeting, but it has been agreed that the Chancellor of the Exchequer will introduce his paper for him.

HANDLING

3. The 'campaign' paper is mainly for noting: no decisions are needed or sought in the paper. You might give the Chancellor a chance to introduce the paper briefly, and then seek comments, notably from the Secretary of State for Employment. (You will remember the problems which arose with him over the Chancellor's speech on the 1st September). The main point to bring out is, perhaps, the need for early decisions by Government on some leading public-sector pay cases, so that the talking is backed up by action. It is a pity, therefore, that discussion of the 'Pay and Cash Limits' papers had to be postponed to next week. But the awkward decisions on 'paying for Clegg' which arise under Item 1, however difficult in other ways, will at least show that the Government means business. Two other questions may arise:-

- (i) Is any special action needed following the TUC and ahead of the Party Conference, or is the basic line of the 'quick' campaign still correct?
- (ii) Should the Committee take another look at the 'long' campaign proposals, perhaps at the end of October?

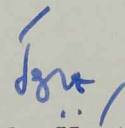
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4. You might then turn to the 'Forum' paper, which the Chancellor cleared with you in advance. The options are set out in paragraph 7 and the Chancellor's recommendations in paragraph 8 - namely that an expanded meeting of the NEDC should be held, in private and in December, to discuss "economic prospects". The idea of a new and separate forum would be put on ice. The Chancellor also refers in his paper (paragraphs 11 and 12) to the possible role of the new Select Committee on the Treasury but concludes that decisions here must wait till the Select Committee has been established and had a little time to run itself in. There is no reason to dissent from the Chancellor's conclusions and, after inviting him to introduce it and giving other Ministers - especially perhaps the Secretaries of State for Employment and for Industry - a chance to comment, you might steer the Committee to accept the Chancellor's recommendations.

CONCLUSIONS

5. The conclusions under this item might be:-

- (i) to endorse the 'quick' campaign, and to ask all Ministers to continue to use the briefing material already circulated as fully as possible;
- (ii) to invite the Paymaster General to make any changes to the brief needed as a result of the TUC, and to organise the handling of speeches at the Party Conference on the lines already suggested, in consultation with your Policy Unit;
- (iii) to agree to resume discussion of the 'long' campaign at another meeting of the Committee at the end of October;
- (iv) to approve the suggestions in the Chancellor's paper on the 'Forum' and to invite him to set the necessary work in hand.


(John Hunt)

10th September 1979