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NOTE OF A TELEPHONE CONVERSATION WITH THE SECRETARY OF STATE FOR  
EMPLOYMENT AT 2145 ON 2 JANUARY

Mr. Prior said that the presentation of the steel strike on the television news had sent a shiver down his back. The case was not coming over well. The Prime Minister said that the BBC had been very one-sided and that the Steel Corporation ought to complain about it. She said that her meeting that afternoon had shown that the productivity schemes had not been sorted out yet and that there appeared to be no sense of urgency in the BSC management.

Mr. Prior suggested that there should be a productivity payment on account which could be withdrawn in, say, six months, if the productivity improvement was not forthcoming. The Prime Minister said that the explanation she had been given for the management's failure to develop productivity schemes was a perfectly sensible one: namely, that the Board had been too engrossed with their redundancies to get down to dealing with the pay claim. Ministers themselves could not draw up productivity schemes for the steel industry, but the Government Directors would report on 3 January what had happened at the Board Meeting on that day.

Mr. Prior suggested that he might ring Len Murray to find out how things stood following the meeting of union General Secretaries. The Prime Minister suggested that he should leave that for the moment. She wondered whether it might be sensible to approach one or other of the members of the BSC Board, but concluded that it would be better to wait until after the 3 January meeting.

Mr. Prior said that Douglas Smith had been right to say that there was no prospect of an easy victory. He said that a fight to the finish was not the way forward. He asked whether Woodrow Wyatt had any more information. The Prime Minister said that she doubted it; his first suggestion about the guaranteed working week had not been successful.

/ The Prime Minister

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The Prime Minister said that it was essential that the steel workers should not be paid anything on account unless it was clearly understood that any such payments would be withdrawn if the targets were not reached. Mr. Prior said that he was sure that the country would understand and accept that line of argument.

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3 January 1980

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