

FILE
Original filed
Ind. Pol (neg) Pt 2.

NOTE FOR THE RECORD

The Secretary of State for Employment called on the Prime Minister at 15.30 hrs today.

Mr Prior said that the purpose of his coming to see the Prime Minister was to warn her of the head of steam which he saw building up on the unions' side against the Government. The unions' mood had changed markedly for the worse since Christmas. This was because of a number of developments, but in particular: the steel dispute and BSC's closure plans, the rumours of deindexation of social security benefits, public service manpower cuts, problems in the coal industry arising from the steel strike, the Employment Bill, and the rising unemployment trend. In his view, the unions would be putting increasing pressure on the Government, and the situation could well be dangerous. He was amazed at the ease with which the ISTC had managed to call out the private steel workers, and the one-day of action in Wales on Monday was also indicative of the worsening situation. The unions were, of course, also upset at the lack of dialogue with the Government, and this - together with the other factors he had mentioned - were enabling them to unite against the Government.

Mr Prior went on to say that he was not arguing against the Government strategy nor against the particular measures - e.g. on the public expenditure front - Ministers were intent on implementing. But it was important to orchestrate the presentation of these measures very carefully. For example, it would be best not to announce any further public expenditure cuts while the steel strike was continuing; and he hoped that the Chancellor would not have to draw attention to the deindexation of social security benefits in the budget and that he should concentrate instead on the cash increases.

The Prime Minister said that she did not altogether share Mr Prior's pessimism, but she took note of his view.

She then asked Mr Prior why ACAS were not doing more to bring BSC and the unions together in the steel dispute. It appeared that they were not even trying to appoint a mediator. If it was impossible to get the unions to agree to talk to BSC directly or to get the two sides to agree to a mediator, ACAS should surely come out in public and say so.

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This would put pressure on the unions. Her own impression was that ACAS were not up to the job of conciliating in this dispute. If so, it was worth considering whether they really had a role.

Mr Prior said that ACAS had not been inactive and that it was very difficult for them to act effectively in a dispute of this magnitude. However, he agreed with the Prime Minister that ACAS ought perhaps to be putting pressure on ISTC by "going public", and that they also ought to be doing more to consider the appointment of a mediator. He would take urgent advice on this, and report back to the Prime Minister at the meeting on steel later this evening.

R.

30 January 1980

cc:- Mr Wolfson
Mr Hoskyns