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E(80) 35th Meeting

COPY NO 55

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 2 OCTOBER 1980 at 9.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary
Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Francis Pym MP
Secretary of State for Defence
(Item 1)

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social
Services
(Item 1)

The Rt Hon Sir Michael Havers QC MP
Attorney General
(Item 1)

The Rt Hon Lord Mackay of Clashfern QC
Lord Advocate
(Item 1)

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

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1. CIVIL SERVICE CONTRACTS OF EMPLOYMENT

The Committee considered Memoranda by the Lord President of the Council (E(80) 83 and E(80) 84), a minute of 5 August from the Attorney General to the Prime Minister and a letter of 30 September from the Lord Chancellor to the Prime Minister on Civil Service contracts of Employment.

Their discussion and conclusions reached are recorded separately.

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2. LOCAL AUTHORITY CURRENT EXPENDITURE IN SCOTLAND IN 1980-81
Previous Reference: E(80) 32nd Meeting, Item 1

The Committee considered a memorandum by the Secretary of State for Scotland (E(80) 107) on the elimination of overspending by local authorities in Scotland in 1980-81.

THE SECRETARY OF STATE FOR SCOTLAND said that there had been a misunderstanding at the Committee's meeting on 10 September of his proposals for action to eliminate the total potential excess of about £40 million on local authority current expenditure in Scotland in 1980-81. The decision recorded was that the sums payable under the first Increase Order in respect of the 1980-81 Rate Support Grant (RSG) in Scotland should be abated by £40 million with an undertaking that some or all of this sum might be reinstated later in the light of actual expenditure performance. He had however intended to make clear that his proposal was not for a general abatement on these lines but for selective action under his existing statutory powers, to which there was no counterpart in England and Wales, against individual authorities which had overspent. A general abatement would lead to very rough justice. For the most part the local authorities in Scotland, both Conservative and Labour, were co-operating fully in taking measures to keep within their budgets. The main exception was the Lothian Regional Council who were budgeting for expenditure of £25 million above the guideline and who were looking for political confrontation rather than cuts in their programme. If there were to be a general abatement they would lose only £4.5 million grant. The balance of £35.5 million would fall on the other local authorities who were co-operating and, in some cases, now planning to spend less than the guidelines. He recommended that he should instead take selective action, when the outturn for 1980-81 was known, against any individual local authorities which had incurred excessive or unreasonable expenditure. He judged that the threat of this action would be more effective in discouraging excessive expenditure, and would certainly be much fairer, than a general abatement.

THE PRIME MINISTER, summing up a short discussion, said that the Committee agreed that the Secretary of State for Scotland should use his power to deal selectively with overspending local authorities rather than make a general

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abatement of grant at the time of the RSG Increase Order. He should make clear to the local authorities in Scotland that it was his firm intention to make use of his powers as circumstances required.

The Committee -

1. Approved the recommendations in paragraph 11 of E(80) 107.
2. Invited the Secretary of State for Scotland to inform the Scottish local authorities of his intention to take selective action if necessary against individual local authorities which had incurred excessive or unreasonable expenditure in 1980-81.

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3. CIRCULATION OF MEMORANDA

THE PRIME MINISTER said that the Committee, and the Cabinet, faced a heavy programme of work over the next few weeks, during which they would be taking major decisions on a number of economic questions. So that Members could have sufficient time to consider the issues fully, it was essential that the Ministers concerned should give their colleagues ample warning of their proposals. Wherever possible memoranda should be circulated a week before they were due to be discussed.

The Committee -

Took note.

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3 October 1980

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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

LIMITED CIRCULATION ANNEX
E(80) 35th Meeting Minutes, Item 1
THURSDAY 2 OCTOBER 1980 AT 9.30 AM

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1. CIVIL SERVANTS' CONTRACTS OF EMPLOYMENT

The Committee considered memoranda by the Lord President of the Council (E(80) 83 and 84) on the scope for altering civil servants' contracts of employment so as to widen management's range of response to industrial action and, in particular, to enable civil servants to be laid off without pay when industrial action by limited numbers of staff left larger numbers without useful work to do. They also had before them a minute of 5 August from the Attorney General to the Prime Minister on legislation on contracts of employment and a letter of 30 September from the Lord Chancellor to the Prime Minister.

THE LORD PRESIDENT OF THE COUNCIL said that, under their existing contracts of employment, non-industrial civil servants could not be laid off without pay when their work dried up because of industrial action by others. These arrangements differed from those applying to industrial civil servants, for whom there was explicit provision for such lay-off, but were on a par with those for white-collar workers in the private sector. The lack of ability to lay off staff in these circumstances greatly strengthened the unions' power to cause disproportionate damage to their employers. There were two possible ways of dealing with this. First, the contracts for new entrants could be revised to provide expressly for laying off without pay in stated circumstances. Secondly, legislation could be introduced to enable changes in the contracts of staff already in posts. Such legislation might be confined to public servants or apply to white-collar workers in the private sector also. Had power to lay off white-collar workers without pay already been available, it could have been useful but he could not recommend taking action now to change the

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existing arrangements, either for civil servants only or more generally. To do so when there were no current disputes could well provoke widespread industrial action and unite moderates with militant opinion. It would be argued that the Government was overriding by legislation terms of service which had been freely offered and accepted on entry. To alter the terms of contract of new entrants would mean that for a number of years there would be effectively two classes of civil servant who would be treated differently if they were laid off. Accordingly he recommended that no changes should be made for the time being, but that the position should be reconsidered urgently if there were further major cases of selective industrial action by non-industrial civil servants.

THE ATTORNEY GENERAL said that, while it would be possible to legislate on the lines discussed, any such legislation would be a serious departure from long standing practice on the contracts of employment for white-collar workers. It would enable staff to be deprived of their legal right to pay in circumstances when no breach of contract had occurred and when their conduct might be blameless in every other respect.

In discussion the following points were made -

a. It was not inevitable that there would be expensive industrial disputes in the civil and public services this winter, although much would depend on the reactions of local authority and other public sector unions in negotiations early in the coming pay round. It would therefore be premature to take action now to amend contracts of employment. There was, however, a strong case for preparing legislation on a contingency basis ready for introduction if there were to be further instances of selective strike action by non-industrial civil servants. The public, and moderate opinion in the Civil Service, would be more ready to accept such legislation in those circumstances.

b. If legislation were to be introduced it should apply to the private sector also: otherwise it would be attacked as discriminatory against civil servants. Any legislation should however give individual employers discretion over whether to use the powers conferred. In practice many of them would choose not to do so, and might well recognise this in their collective agreements with the unions.

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c. It was possible that there would shortly be industrial action in the prison service raising difficulties similar to those experienced earlier in the year at the Royal Ordnance Factory at Bishopton. Industrial staff would be laid off because of selective strike action by non-industrials and the question would arise of whether they should receive pay after the 28 days for which their contracts of employment provided.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that no action should be taken at this stage to amend the contracts of employment of white-collar workers whether in the public services or private employment. A Bill should, however, be drafted and held in reserve for urgent use if events and the climate of public opinion were to justify its introduction. The Committee agreed that in principle such a Bill should apply to the private as well as the public sector, on the understanding that the decision to exercise the powers conferred would be left to the discretion of employers. An alternative draft should however be prepared in case it should prove necessary to confine the provisions to the civil or other public services. No publicity should be given to this contingency planning.

The Committee -

Invited the Lord President of the Council to arrange for the Sub-Committee on Industrial Relations in the Civil Service, in consultation with the Attorney General and the Lord Advocate, to arrange for the drafting on a contingency basis of a Bill on the lines indicated by the Prime Minister in her summing up of their discussion.

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