

PRIME MINISTER

PAY CLAIMS

*Sending
cable to*

Tokyo

Mr. P. ...

27/6

I talked to the Secretary of State for Employment today and he mentioned that he had had information (at this stage unofficial) of a very large award by the relevant employers' association to Heating and Ventilating Engineers. The figures were 30% with a further 14% next Spring. This award is related to resolving past differential problems rather than a direct response to the Budget. However, there are other straws in the wind suggesting attempts to renegotiate earlier agreements, in the light of the Budget.

I have since discussed the problem, and possible ways of heading it off, with the Paymaster General.

Jim Prior is holding a meeting to discuss these developments tomorrow (28 June). I have suggested to him that perhaps an early statement, agreed with you and the Chancellor, should go out from him, spelling out in words of one syllable what the impact of the Budget will have been for different levels of earnings; stressing that union negotiators who try to discount the VAT increase, by way of wage claims, have either failed to understand the Budget or else are deliberately misleading their members; and emphasising that the only result will be further unemployment.

I have copied this note to him and also to the Chancellor and to the Paymaster General.



JOHN HOSKYNS
27 June 1979

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GPS 300

CONFIDENTIAL

FM F C O 271907Z JUN 79

TO IMMEDIATE TOKYO

TELNO 307 OF 27 JUNE

FOLLOWING FOR WHITMORE, PRIME MINISTER'S PARTY
FROM LANKESTER 10 DOWNING STREET.

JOHN HOSKYNYS HAS MINUTED THE PRIME MINISTER AS FOLLOWS.

PAY CLAIMS.

'I TALKED TO THE SECRETARY OF STATE FOR EMPLOYMENT
TODAY AND HE MENTIONED THAT HE HAD HAD INFORMATION (AT
THIS STAGE UNOFFICIAL) OF A VERY LARGE AWARD BY THE
RELEVANT EMPLOYERS' ASSOCIATION TO HEATING AND VENTILATING
ENGINEERS. THE FIGURES WERE 30 PERCENT WITH A FURTHER 14 PERCENT
NEXT SPRING. THIS AWARD IS RELATED TO RESOLVING PAST
DIFFERENTIAL PROBLEMS RATHER THAN A DIRECT RESPONSE TO
THE BUDGET. HOWEVER, THERE ARE OTHER STRAWS IN THE WIND
SUGGESTING ATTEMPTS TO RENEGOTIATE EARLIER AGREEMENTS, IN
THE LIGHT OF THE BUDGET.

I HAVE SINCE DISCUSSED THE PROBLEM, AND POSSIBLE WAYS OF
HEADING IT OFF, WITH THE PAYMASTER GENERAL.

JIM PRIOR IS HOLDING A MEETING TO DISCUSS THESE DEVELOPMENTS TOMORROW (28 JUNE) . I HAVE SUGGESTED TO HIM THAT PERHAPS AN EARLY STATEMENT, AGREED WITH YOU AND THE CHANCELLOR, SHOULD GO OUT FROM HIM, SPELLING OUT IN WORDS OF ONE SYLLABLE WHAT THE IMPACT OF THE BUDGET WILL HAVE BEEN FOR DIFFERENT LEVELS OF EARNINGS: STRESSING THAT UNION NEGOTIATORS WHO TRY TO DISCOUNT THE VAT INCREASE, BY WAY OF WAGE CLAIMS, HAVE EITHER FAILED TO UNDERSTAND THE BUDGET OR ELSE ARE DELIBERATELY MISLEADING THEIR MEMBERS: AND EMPHASISING THAT THE ONLY RESULT WILL BE FURTHER UNEMPLOYMENT.

I HAVE COPIED THIS NOTE TO HIM AND ALSO TO THE CHANCELLOR AND TO THE PAYMASTER GENERAL.''

I THOUGHT THE PRIME MINISTER SHOULD SEE THIS RIGHT AWAY SINCE I VERY MUCH AGREE WITH JOHN THAT THE MESSAGE ABOUT THE TAX REDUCTIONS IN THE BUDGET IS NOT GETTING ACROSS, AND I HAVE ALSO HEARD OF PARTICULAR PAY NEGOTIATIONS WHICH ARE TURNING SOUR. IF THE PRIME MINISTER AGREES, I THINK IT WOULD BE A GOOD IDEA IF MR PRIOR WERE TO PUT OUT A STATEMENT BEFORE THE WEEKEND. DOES THE PRIME MINISTER AGREE? THE STATEMENT WOULD, OF COURSE, HAVE TO BE CLEARED WITH THE TREASURY AND WITH THE PAYMASTER. WOULD THE PRIME MINISTER LIKE TO SEE THE DRAFT?

CARRINGTON.

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