

Prime Minister

I think the attached note should be circulated for E next week. Also, Benn ought to attend the E meeting. Agree?

Qc.02499

TO: MR LANKESTER ✓

FROM: MR DOWNEY

Influencing National Pay Behaviour

The CPRS has prepared the attached commentary on the Chancellor's paper "Influencing National Pay Behaviour" (E(80)66), because it is convinced that this is an issue of great national importance. At the same time, we appreciate that much thought has already been given to the subject, both by Ministers and by the No.10 Press Office.

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2. The CPRS believes that the No.10 Press Office, which will inevitably be at the sharp end of the campaign, needs to be supported by all the strength the Government can muster in preparing and sustaining the basic message. The intention of this paper is to draw the Committee's attention to the need for a sustained campaign lasting well beyond the coming autumn. However, the CPRS does not wish to confuse the situation by putting in a further paper unnecessarily, and would only wish to circulate it if the Prime Minister thought that it would be helpful. We should be glad of your guidance.

3. I am sending a copy of this minute to Sir Robert Armstrong.

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11 July 1980

No - I think it should be shown to Angus. You will find, I believe, that he already has this in hand. What we need is external advice on the campaign to eff. not

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INFLUENCING NATIONAL PAY BEHAVIOUR

Note by the Central Policy Review Staff

The CPRS agrees with the Chancellor - E(80)66 - that it is crucially important to bring about a fundamental change in public attitudes towards pay. In particular there is a need to bring home the trade-off between earnings and employment, and to reduce the perceived "going rates" of settlements.

2. As the Chancellor says, the Government should proceed urgently with the campaign of public education. The shape and detail of the campaign are primarily matters for professionals. The material in the Chancellor's paper provides the basis for a campaign but it will clearly need to be developed much more fully.

3. The CPRS believes that the time-scale and breadth of the campaign may need to be greater than has so far been contemplated. It is obviously important to produce and to sustain a favourable mood during the coming year. But what is also needed is a long-term campaign (lasting for two years at the very least) which aims steadily to develop a better appreciation of the underlying relationship between pay and productivity.

4. The planning of such a campaign has three important ingredients:-

- (i) decisions on its long-term shape - including consideration of the full range of audiences to be reached;
- (ii) provision of sufficient flexibility to ensure that there can be a quick response to current moods, events and opportunities; and
- (iii) development of material and arguments that are suitable for both these purposes.

5. The CPRS believes that the campaign should not be limited to Ministerial intervention, but should embrace the full range of media - including the press and television (eg through Party Political Broadcasts). It would in addition be valuable if the services of outside commentators - "weighty independents" - could be brought to bear. Their participation in a public debate may be treated as more impartial than the Government's.

6. There is a need for careful consideration by professionals of the best way to put over the Government's case. Thus the CPRS believes:-

- (i) The trade-off between earnings and employment will need to be handled with some care. Continuing high unemployment is inevitable.

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If the Government were to suggest that a moderation of pay claims would substantially alter this picture in the near future, there is the danger that even a successful policy on pay would be discredited. The campaign will need to be so constructed that, even when pay settlements are reduced, there is a sufficient understanding of the underlying relationships between pay, productivity and employment to enable the Government to head off demands for precipitate reflation.

- (ii) Similar care will be needed in the use to be made of movements in the RPI. Obviously, as the Chancellor suggests, the Government will want to take credit for the likely improvement. But, as a guide to wage settlements, this is a double-edged instrument. It will be argued that Ministers have endorsed the link between earnings and the RPI and if, for any reason, prices did not fall as quickly or smoothly as hoped, this could be damaging. So far as wage settlements are concerned, it might be better to reject the RPI as a yardstick altogether, and to acknowledge openly that the situation demands a cut in living standards.

7. From the first the campaign should be separately directed towards a number of different audiences - the general public, management, trade unionists, employees generally and opinion leaders. The same message will not necessarily be appropriate to each. Most obviously it may be appropriate to present the earnings/employment trade-off in different ways. Thus trade union leaders may be less willing to acknowledge this basic argument than the man-in-the street, and some opinion leaders would almost certainly challenge the relationship presented in Annex A to the Chancellor's paper, eg by suggesting that the pattern for both variables is a feature of the trade cycle.

8. To summarise:-

- (i) The publicity campaign should proceed urgently, and should be planned to cover at least two years.
- (ii) The details of the messages for these purposes require careful consideration by professionals.
- (iii) The campaign should be directed separately towards a number of different audiences.
- (iv) The full range of media should be considered.