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Treasury Chambers, Parliament Street, SW1P 3AG
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17th February 1982

The Rt. Hon. Norman Tebbit MP
Secretary of State for Employment

Dear Norma

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Prime Minister.

17th

EMPLOYMENT BILL: LAY-OFF PROVISIONS

I have seen Michael Scholar's letter to Barnaby Shaw of 8 February about lay-off provisions.

As you know from my letter of 16 October, I feel some considerable sympathy for the proposals put forward by the EEF. I argued then, partly on the basis of the experience of my Departments in the Civil Service dispute last year, that giving power to employers to suspend other employees without pay when their operations were being disrupted by a small group of workers could be an important step in redressing the current imbalance in industrial relations. We decided on balance not to include such a provision in the Bill. But the suggestion that the SDP may seek to introduce provisions of this sort during Committee leads me to wonder whether it would not be right to preempt them and add something along the lines of the EEF provision ourselves.

I am of course aware of the arguments used by Walter Goldsmith in his letter published in the Times on 2 February. There is no doubt that giving employers powers to lay off without pay runs contrary to the principle of binding legal agreements on both sides and could be devisive. But it seems to me that we are, even with the Bill, so far from legally enforceable collective agreements in practice that further measures to change the balance of industrial power are urgently needed. Their absence contributes to higher unemployment. The fact that it would be for the employer to judge in the circumstances of the particular dispute whether to invoke these powers should not be lost sight of.

I think therefore that provision on these lines would be a most useful adjunct to the present Bill. I would judge that unless there is a real risk that their introduction would risk losing it we should be prepared to grasp this nettle ourselves.

I am copying this letter to the Prime Minister.

GEOFFREY HOWE

Geoffrey Howe

DRAFT PRIVATE SECRETARY LETTER

EMPLOYMENT BILL: LAY-OFF PROVISION

1. The Prime Minister has seen the Chancellor's letter to your Secretary of State of 17 February in which he suggests that the Government should consider pre-empting the SDP and adding something along the lines of the EEF provision itself. She awaits your Secretary of State's views with interest.

2. The Prime Minister has asked whether an alternative approach to combat selective strike action might be for employers to be able to dismiss striking employees selectively, without any provision for unfair dismissal. On the face of it, the knowledge that employers were free to act in this way could discourage selective strike action. This change would not, however, be subject to the criticism - as the lay-off provision certainly will be - that it seeks to override contracts which are freely arrived at. The Prime Minister would be grateful if your Secretary of State could consider whether further changes on dismissals during industrial action might offer an alternative approach.

I am copying this letter to John Kerr and David Wright.