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CBI Conference: Pay, Unemployment and Industrial Relations

The first day's debate at the CBI Conference yesterday was unimpressive. The discussion was almost entirely unstructured; speeches were kept too short for arguments to be properly developed; resolutions, always uncosted and sometimes contradictory, were introduced from the floor without warning; and voting was shambolic.

Ray Pennock's opening statement set three priorities for the CBI for the coming year. First, pay: nothing very original here, - he expressed the objective as no more than our German rivals, and nothing unless backed by productivity increases. Second, unemployment: a national system of training and work experience was needed to help the young, but in the long term jobs would be created only by growth without inflation. Third, public expenditure: £3 billion could be saved from the pay, manning and pensions of the public service - "not a man in this room would not know how to do it" - but he failed to mention that even Sir Derek Rayner had only managed £80million.

The pay debate was notable for a consensus on the need for better communication by management with employees, although no-one seemed surprised or ashamed that this very obvious point still needed stating. Management communication was such a widespread theme at the Conference that I think there is a case for the Prime Minister coming back to it herself, perhaps in her speech to the EGCI later this month. Speakers were split on the extent to which there had been a permanent change in attitudes on pay - on the one hand, it was pointed out, even if pay moderation was resulting from fear, at least that showed that some people (obviously not BL employees) could see the link with job security; on the other hand, it was noted that the unrealistic nature of claims still being put in showed that we were merely enjoying an uneasy truce. There was virtually no interest in pay determination machinery, national fora, or incomes policies.

/The debate

The debate on unemployment was a little livelier, with delegates falling over each other to show their concern. Unfortunately the underlying attitudes occasionally showed: one speaker referred to the need "to feel more comfortable about unemployment", and Ray Pennock himself said at one point "a subject of this importance requires at least three resolutions." Ian MacGregor made the best speech of the day: he said that 3 million people were paying the penalty of a decade in which the British people had indulged themselves in rewards they had not earned. Government and the trade unions had been less than helpful, ~~but~~^{but} managers had to accept responsibility. They had been willing to accept low performance standards, over-manning and poor yields. They delegated communication to subordinates. And they neglected training - clearly unskilled labour earning £2 an hour could not compete with countries where it was paid 10p a day.

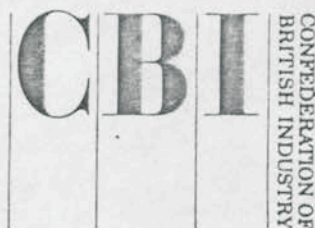
The surprise on industrial relations was the absence of interest in legislation. Again and again delegates returned to the theme of communication and employee involvement. Frodsham from the EEF said that the law was unquestionably a factor in the balance of power between employers and unions, but it could not be changed in a hurry. There was no mention of immunities, and little of the closed shop.

This was the first CBI conference I have attended, and I was left wondering why it took place at all. Despite the slick physical arrangements, the substance was dealt with as if the participants themselves did not think what they were doing was important. And the tone of too many of the speakers, as well as the very existence of separate management and union conferences at opposite ends of the country, was a constant reminder of how wide is the gulf in British industry.

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CBI FIFTH NATIONAL CONFERENCE
EASTBOURNE, 1-3 NOVEMBER 1981

TEXT OF OPENING SPEECH BY SIR RAYMOND PENNOCK, PRESIDENT OF THE CBI

Good morning, Ladies and Gentlemen. Welcome to Eastbourne, and welcome to the fifth CBI National Conference. Botham, you will recall, was fifth wicket down when he pulverised the Australians at Headingley and five was the number which gave Beethoven his place with posterity. By the time you reach five you should be really getting into your stride. Old enough to have learnt plenty of lessons and still young enough not to be set in your ways. You should still be ready for change and this year we are trying to introduce it. There are changes to the format of our Conference. Changes to procedure, and I hope you will agree that with really first class background papers, which are changed in both content and presentation, we are well set for a Conference to produce action and change ourselves.

One unfortunate change is that today our Director-General is not present. Terry Beckett is progressing well and is getting stronger every day. I talk to him regularly on the 'phone. He is keenly interested in the Conference and will be watching its proceedings avidly. His medical expert has advised that he will be back in the office in good health by the end of November and we look forward to that. I know you would want me to send a message of good wishes and I can assure you that will speed him still further on his return.

This is the last in the annual round of conferences and the way they have all unfolded this year, and especially this year, leaves me in no doubt that ours is different, has always been different and different we always will be. Our Conference differs in its purpose, in its objective, in the things we expect to happen from it and, not surprisingly, in the style of our debates and the priorities contained within them. The purpose of other conferences is political - in fact party political - and regretfully I include the TUC Conference in this category also. We are not political. We are not here to tell the Government of the day how to run the country or how we would run it we were

in their place.

We are not here to advance our own personal position by the speeches we make. Our personal ambitions are usually concerned with running our own business successfully.

We have no political infighting and jockeying for position, and if you asked us to send out coded messages in our speeches most of us wouldn't know where to begin.

We are here to decide, as we were here to decide twelve months ago, what we in business should have as our priorities for action in the next twelve months to get business moving, and we only involve ourselves with Government to the extent that Government helps or hinders us in that process.

We are here to decide our actions and every one of them must pass the litmus test of competitiveness. That is why competitiveness is imprinted on every background paper distributed to you, and that is why I hope competitiveness will be the most frequently used word in our Conference over the next two days.

Now we won't produce action if we have a conference of moaning and groaning and even of droning. But we will produce action if we have a conference that is bright, constructive and shows our mettle. By tomorrow lunchtime above all else we must know where we are going for the next twelve months, and the action we propose to get there. That, as I see it, is the purpose of this conference.

After the last conference there was a good deal of talk about what it had and had not achieved and since then, as we all know, nowhere in the world has life been easy.

Let me try and tell you some of the things we in the CBI have achieved since last we met a year ago in that vast, daunting auditorium at Brighton. The CBI's ten commandments, for 1981, if you like.

One: as we said we would, we have led business and industry successfully in the battle to bring down inflation by moderate wage settlements. Last year we halved them and this year our

objective is not dissimilar. Last year we said it had to be single figure wage settlements, and we didn't mean 9 per cent. This year we say some can afford nothing and most of us not much more. For several years now, we have held pay conferences for chairmen and those in charge of company negotiations. Last year about 1,000 people attended the pay conferences we held up and down the country. This year the figure has almost doubled. And there is no-one who attends them who will not testify to the value and help that they give.

Two: although we continue to support the Government in fundamentals, we have continually pressed for much tighter control of public revenue expenditure with some significant effect in central government departments already. More recently we have produced a report on what more should be done which has been widely approved and well received, even from those within Government itself. We now wait for this approval to be translated into further action.

Three: as the chief contributor to local government expenditure through our 5 billion pound rate bill, we have fought long and furiously against massive and unjustified increases, we are subjected in business to taxation without representation. So we've created our own representation through over 40 local authority liaison committees which we have set up, and we also represent direct to a minister who recognises the justice of our cause. Michael Heseltine has now committed the Government to a ceiling on industrial rates levied by the big spending authorities, we will be pressing to extend this ceiling over much wider areas. To other local authorities whether they are big spenders or not.

Four: we thought that certain energy charges in 1980 were not competitive, so it was we in the CBI who initiated a working party in the NEDC which successfully sought agreement on the facts. This group continues to operate actively. The Budget brought a £170 million package of relief on energy costs which was welcome, but nothing like enough so we have insisted on a review of the up-to-date situation on the table for discussion at the NEDC meeting next week.

Five: a year ago we were a lone voice on the inequity and indeed the iniquity of NIS, as a tax on exports, and a tax on jobs. We now have a chorus of support which extends into the Cabinet

Itself. It is stated that the Chancellor fears a reduction of NIS might be absorbed in higher wage rates. Let me here and now disabuse him.

In my company, the abolition of NIS would increase my UK profits by no less than 20 per cent of the total earned in the UK and I give him my guarantee here and now that that money would be spent not on higher wages, but on investment to create new jobs and to preserve those already in existence. And I'm sure all of you in this hall will give the Chancellor the same guarantee.

Six: interest rates. The timing of the four per cent rise in the last month is tragic. We should not forget for many months in this year we have enjoyed interest rates which compared favourably with our competitors. And the Prime Minister herself has reminded me more than once that they came down 2 per cent in the month after last year's CBI Conference, a further 2 per cent at the Budget, and 5 per cent during the year overall. I know that Government understands the gravity of this reversal and has publicly affirmed the continued reduction of interest rates is part of its avowed policy. We will see this affirmation remains at the forefront of their thinking.

Seven: our Smaller Firms Council has carried the entrepreneurs' case into every corner of Whitehall and Westminster. It has made proposals for a new deal for investment in new and smaller companies, which the Government has gone a long way to meet in the 1981 Finance Act.

It has made recommendations for improving Government services to and promotion of the smaller firms sector, and these are already being reflected in government action.

It has worked to ensure the improvement of many sections of the 1981 Companies Bill to meet the special problems and needs of small firms. All this and more is detailed in the new edition of "Smaller Firms in the Economy" which the CBI published last week - a unique collection of vital information about a vital sector of the economy.

Eight: the payment of sickness benefit. We have worked on this problem for most of the last year and have been supported by evidence from many sector organisations. We have pressed our case at all levels including an exchange of letters with the Prime Minister. We heard two weeks ago that a 100 per cent reimbursement of the cost of transferring to employers the payment of sickness benefit in the first 8 weeks of sickness, is now accepted. We are happy to co-operate in a system which will put into practice the principle of less government bureaucracy on which we are all agreed.

Nine: we have worked hard to stem and then reverse the escalating imbalance of our trade with Japan. The deficit is now running at an annual rate which is more than 30 per cent up on last year's fl.1 billion, and last year was 25% up on the year before. Japanese imports in the narrow sectors of motorcars, electronics and machine tools are a particular problem. But it doesn't stop there. Other sectors such as shipbuilding are also affected and access to the Japanese domestic market needs to be dramatically improved. This battle continues and we shall not be found wanting.

Ten: we are making every effort, and this Conference will help us, to educate the nation on the stupidity and futility of even contemplating secession from the EEC. To believe we can replace nearly half of our exports, which is about one sixth of all we make, to a market on our doorstep with no tariff barriers, by distant, deepsea markets with expensive lines of distribution and often high tariff and non-tariff barriers, is an arrant nonsense which could affect up to two million jobs. To those who wish to secede because of the bureaucracy of Brussels, I say what we said to the half-dozen CBI members who left us after the last Conference. If you have a disagreement with an organisation to which you belong, don't walk out and achieve nothing, but get stuck in and do something about it.

I believe this record is a tribute to all those who work for and in the CBI and it is also a tribute in many ways to a Government which is often accused of not recognising the problems of industry.

And so we turn to the next two days and with it our actions for the next twelve months. "People" this morning - pay, unemployment and the law - "Trade", when we look outwards this afternoon, and "The Economy" tomorrow, when we come to the culmination and the climax

Of nine months debate and gestation which began with "The Will to Win", the strategy put forward at the beginning of this year.

You will have to decide the priorities for action.

In our forthcoming debates there are three priorities which I would like to bring to your notice.

First pay. Pay is at the very root of this word competitiveness. I said in the summer that if I take my own company's extra costs of increased local rates, increased energy costs, and higher interest rates and add them all together, they amount to about 10 per cent of my total wage bill for the year. The fact is that for most of us, pay is paramount... and in an age of low growth and high competition the level of settlements will make or break many businesses.

Pay is also the very root of inflation. Now I am not in the camp of forecasters and commentators who say that now inflation is down to about 11 per cent it cannot go lower and may even return to between 12 and 14 per cent. Why should it? If we faced reality, with the real profit position of British industry at between two and three per cent before tax and interest we would pay either nothing or close to it. If we continued as we should in this way for the next three years, our inflation rates would be down to those of the Japanese and Germans and we would be nearer to being competitive than ever before. It is our job, and above all else our job, to make the twenty odd million people in jobs really understand that the major cause of having three million not in jobs is because for five years they have been paid more for less and less output. The quickest way back to competitiveness, prosperity, and the reduction of that three million out of work, is for the 20 million in work to receive increases, if not nothing at least not more than those of our German and Japanese rivals and positively no pay increases unless backed by increased productivity.

And we can only make this message stick if we get comprehension. Whether we get comprehension depends on involving our employees in understanding the performance of businesses - above all else on the people in this room.

second, unemployment. One cannot over-estimate the deep despair and misery, not only of young people, but of men and women in their prime who have got up and gone to work each morning for 30 years and are now not able to do so. This is a deep, social, divisive issue. But it can't be solved by social solutions. It can only be solved, again, by competitiveness and economic performance. As I have said before, three times in the post-war world we have had a three to four per cent growth in production for three to four years with no more than three to four per cent inflation and each time nearly a million new jobs have been created. Growth without inflation is the answer and how we begin to achieve this is what must be debated, turned over and contested at this Conference over the next thirty-six hours.

Turning to the young people, adversity could give us, if we siezed it, an opportunity for radical reform and the creation of a new national system of training and work experience for all school leavers for varying periods according to their skill. To succeed, this must incorporate the best features of present apprenticeship training and this must in turn mean full blooded, unconditional involvement of the trade union movement. The unions cannot be outraged at youth unemployment and then back off support of this new initiative because they don't agree with the economic policies of the Government. I appeal to them to rise above party politics, to back this new initiative of the Manpower Services Commission. We back it here and now in this Conference in the interests of all young people in every part of the community regardless of their political persuasion or indeed of ours.

Finally, public expenditure. The Cabinet is in the throes of its annual trauma over the control of public expenditure and once again, because of overspending sometimes for reasons beyond their control, they are wrestling to find reductions. And again they centre on policies instead of doing what businessmen would do instinctively, which is to ask whether the money is being spent efficiently in the first place. Their debate should not be on how can we reduce defence, can we abandon the indexation of unemployment benefit, and even, can we make people pay for state education. It should be to recognise that we employ $4\frac{1}{2}$ million people in central and local government - as a percentage of all people in work about 25% higher than the average of other industrial countries.

We have a national expenditure bill of about £120 billion, and over £34 billion is on the cost of people whom Government employs. The debate, and indeed the action, should not just be on policies but to do with people, their pay, which Government is tackling, and manning levels and pensions, which by and large, they are not. We have said, and will continue to say, you have forced us to become more efficient and some of us have even exceeded our own expectations. One of my directors assures me that following the changes which have been achieved in the last few years, a fifteen per cent increase in his UK volume back to the level of 1979 would give him 50 per cent more profit and that profit would mean more investment and more jobs. I find that vastly encouraging.

But it also encourages me to say to Government you have forced us to put our house in order, will you please now do the same with your own. If over four years you were to replace only one in two of your support staff, not the doctors, not the dentists, the soldiers, the sailors, the nurses, the teachers, the ambulancemen, but the support staff. If you replaced, without any enforced redundancy, only one in two of those who retire or leave voluntarily and make all public servants pay a fair price for their pensions, you would have at your disposal £3 billion to cut business costs and or transfer revenue expenditure to capital - a policy which the Chancellor himself endorsed at the Conservative Conference one month ago.

We say to the spending Ministers in the Cabinet, to the Permanent Secretaries who are already achieving results in this direction, and most of all to those who manage the National Health Service, and Local Government offices, we have done our stuff, please now get on and do yours, and please hurry up because it is we who locally and centrally more than any other sector of the community are having to pay for it.

And so to our debate. Last week's Press called us little grey men in appalling suits who bound up to the rostrum for a brief moment of electronic glory. They got it wrong, you know. It is the electronic glory which frightens the life out of most of us. We don't even measure men by their Savile row suiting. We don't even measure them by whether they can sway this Conference. We measure them by their track record and what they achieve. We also measure this Conference by its track record and what it achieves and we measure the CBI by its track record and what it achieves. We know in