



CONFIDENTIAL

PRIME MINISTER

The Fair Wages Resolution  
(E(81) 19)

## BACKGROUND

✓ In E(81) 19 the Secretary of State for Employment recommends that a decision on the future of the Fair Wages Resolution (FWR) should be deferred to early 1982, on the grounds that the first opportunity for denunciation of the International Labour Organisation (ILO) Convention 94, which enshrines the FWR, is not until September 1982 for implementation in September 1983. The Secretary of State for Employment first

Flag A recommended this in his letter of 15th December to the Secretary of State for Industry to which was attached a detailed report by officials. In his

Flag B letter of 12th January the Secretary of State for Industry argued that the intention to repeal the FWR should be announced now and that the issue should be discussed by E Committee; and he was supported in this by the

Flag C Chief Secretary (28th January) and the Secretary of State for Northern

Flag D Ireland (11th February). The Secretary of State for the Environment

Flag E (9th January) supported the Secretary of State for Employment.

2. The FWR is described in detail in the report by officials attached to the letter of 15th December, and is reproduced in Appendix 4 to that report. It was first adopted in 1891 and the current version dates from 1946. Its provisions aim to ensure that employers engaged in Government contracts pay wages, and observe conditions of employment, no less favourable than those established by negotiation or observed in practice by other employers in the industry. The FWR is incorporated in Government contracts as a standard condition; and it is also applied in Northern Ireland and by most nationalised industries and public corporations. Disputes are referred to the Secretary of State for Employment and, if necessary, by him to arbitration.

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3. The arguments for and against repeal are set out in paragraphs 4 - 6 of E(81) 19. The main arguments for repealing the FWR are:-

(i) It is out of date: employees now have sufficient protection from their unions; Schedule 11 of the Employment Protection Act 1975, which applied similar provisions generally, has now been repealed.

(ii) It cuts against competitive quotes for Government contracts and can, therefore, increase public expenditure; and this has happened, notably, with British Shipbuilders and British Aerospace and with Northern Ireland companies in public ownership.

4. Unless, however, the Government were to denounce the ILO Convention prematurely, which would be unprecedented, it would be necessary to wait until September 1982 for denunciation and to September 1983 for the repeal to take effect. This arises from the apparently odd procedure whereby ILO Conventions can be denounced only at 10-year intervals. On the assumption that no action can be taken before September 1982, the Secretary of State for Employment argues that there is no point in making an announcement now. In his view, to do so would provoke a long running row with the unions at a time when the FWR is not causing much difficulty in practice. He also advises that any options for change, short of total abolition, would not be satisfactory: as he sees it the only real alternative to repeal in 1983 is to leave the FWR unchanged.

HANDLING

5. After the Secretary of State for Employment has presented his paper you might invite the Secretary of State for Industry to reply. The other Ministers who have joined in the correspondence - the Chief Secretary, the Secretary of State for Northern Ireland, and the Secretary of State for Employment - will all wish to comment.

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6. In discussion you might consider the following questions:-
- (i) Do the Committee agree that there is no real option between total repeal and retention? (Paragraph 29 of the Report by officials).
  - (ii) Is it open to the Government to denounce the FWR with immediate effect? (Paragraph 18 of the Report by officials suggests not but the point needs to be established beyond doubt).
  - (iii) If it is the case that denunciation is not needed before 1982 and cannot take effect before 1983, should a decision be taken and announced now or should the matter be deferred to 1982?
  - (iv) If the Committee want to clear the matter now, is the decision to be for denunciation or retention?

CONCLUSIONS

7. In the light of the discussion you will wish to record one of four conclusions:-

- Either (i) to denounce ILO 94 now, if this is practicable;
- Or (ii) to announce now the Government's intention to denounce ILO 94 in September 1982;
- Or (iii) to defer decisions on the future of the FWR to the beginning of 1982 when the Secretary of State for Employment would make further proposals in the light of experience;
- Or (iv) to ask the Secretary of State for Employment to produce specific proposals, short of abolition, to mitigate the adverse impact of the FWR on employers.



Robert Armstrong

17th February 1981



DEPARTMENT OF JUSTICE

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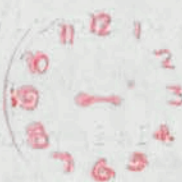
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