



From the Minister

PRIME MINISTER

CONFIDENTIAL
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

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~~cc J~~

24 May 1982

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WAGES COUNCILS

1. I regret that the Debate in the House will prevent me from attending E Committee on Wednesday, but I would like to offer the following comments on the memorandum by the Secretary of State for Employment (E(82)47).
2. I have little doubt that a number of important food retailers would support the proposal to abolish the Retail Councils. After the recent wage round, abolition was indeed suggested by the British Multiple Retailers Association and by at least one major multiple chain, while others sought modifications to the system. The question remains, however, whether abolition would be appropriate even if supported by the majority of retailers and even though abolition might contribute marginally to maintaining employment and keeping down prices.
3. Two factors are relevant. First, as the Secretary of State's paper shows, earnings in the retail sector are far below the national average. This is particularly the case in food retailing. Second, the retail trade, with some 230,000 establishments, is by far the most fragmented of the sectors covered by Wages Council and it therefore most fully reflects the type of circumstance for which Wages Councils were primarily intended. The simple abolition of these two Councils would therefore be seen as deliberately removing protection from a low paid sector most in need of it. This would not be easy to justify and would indeed seem incompatible with the spirit, if not the letter, of the ILO Convention.
4. For this reason, I believe the better course would be option 1 in the Secretary of State's paper, imposing a statutory obligation on Councils, when setting minimum rates, to take account of employers' capacity to pay and on implications for employment. Although admittedly lacking teeth, such a statutory requirement should have some influence on the independent members of Councils and could certainly not be interpreted as an attempt to remove a necessary protection from lower paid workers.

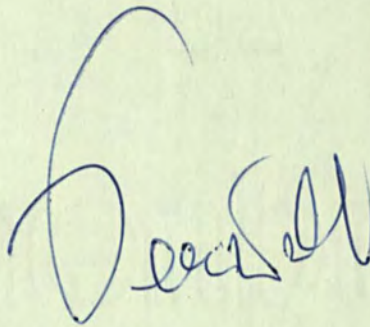
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5. In addition we might seek to remove from the scope of the Retail Wages Councils those companies where satisfactory alternative arrangements existed in the form of voluntary collective bargaining machinery such as the Joint Committee for the Multiple Grocery and Provision Trade. This would encourage the spread of voluntary arrangements and obviate the frustrating duplication and inconsistencies which currently arise where both apply.

I am copying this letter to members of E Committee, to the Attorney General and the Secretary of State for Scotland and to Sir Robert Armstrong.



PETER WALKER