



PRIME MINISTER

FAIR WAGES RESOLUTION (FWR)

The future of the FWR was discussed in 'E' Committee last February on the basis of a paper (E(81)19) by my predecessor setting out the arguments and options for changing or abolishing the FWR. It was agreed to postpone a decision until this autumn, largely because of timing considerations arising from the UK's ratification of International Labour Organisation (ILO) Convention 94. As the attached note by officials makes clear, we cannot denounce the Convention before September 1982, to take effect one year later.

I agree with the conclusion of paper E(81)19 that there are only two reasonable options: to abolish the FWR or to leave it alone. The FWR is inconsistent with our belief that pay and conditions should in general be determined by employers and unions in the light of their particular circumstances. Its abolition would be consistent with our repeal last year of Schedule 11 of the Employment Protection Act. If ILO Convention 94 is not denounced sometime in the 12 months from September 1982, a further opportunity to repeal the FWR consistent with our international commitments will not arise for another 10 years.

at present
Against this it can be argued that there is little current interest in the FWR and that its practical influence on pay and employment levels generally is minimal. Its repeal is likely to attract disproportionate criticism from the TUC and others as an encouragement to wage-undercutting and as opening up Government contracts to "unfair" competition. Such criticism will no doubt be carried into the ILO.

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In my view the balance of argument is in favour of abolition. This can be achieved by a fresh resolution ~~of the House of Commons~~. But as the attached note by officials indicates, our international obligations require us to consult at least the CBI and TUC before denouncing the relevant ILO Convention. I therefore propose to start these consultations in the spring with a view to introducing an abolishing Resolution in the autumn of 1982, to take effect in September 1983.

If you and colleagues agree with this approach I see no need for us to consider it collectively. I am copying this to members of 'E' Committee and to Sir Robert Armstrong.

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10 December 1981

Note by Officials

1. The United Kingdom has ratified International Labour Organisation (ILO) Convention 94 (concerning Labour Clauses in Public Contracts), the wording of which corresponds very closely to the FWR. Abolition or radical change of the FWR would require prior denunciation of the Convention.

2. Denunciation of the Convention is possible, but must be done in accordance with ILO rules if an unprecedented breach of our international obligations is to be avoided. Conventions can generally be denounced at 10 year intervals, and Convention 94 can next be denounced between 20 September 1982 - 19 September 1983. Denunciation is effected by informing the ILO office in Geneva of the Government's intentions, and takes effect one year after its communication. Consequently abolition of the FWR could not become effective before 20 September 1983.

3. The UK has also ratified ILO Convention 144 (concerning Tripartite Consultations to Promote the Implementation of International Labour Standards) which requires the Government to undertake effective consultations with the most representative employers and workers associations on, amongst other things, proposals for the denunciation of ratified Conventions.

4. Breach of any of the provisions of these conventions by the UK would result in a complaint to the ILO by the TUC. This would be embarrassing for the UK, particularly as in this instance the UK was a prime instigator of Convention 94; and it could be represented abroad as indicating that the UK does not take its ILO commitments seriously. The TUC could also be expected to make strong public representations if we did not adhere to the internationally accepted obligation to consult them and others; or if we ceased operating the FWR while still bound by Convention 94.

5. Denunciation of an ILO Convention is not a step to be taken lightly; but the UK has denounced 4 Conventions since 1919, most recently in 1971 when the Government wished to charge for its professional and executive recruitment service (PER) but had ratified a Convention requiring a free public employment service.

10 DEC 1981



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10 DOWNING STREET

From the Private Secretary

15 December 1981

Dear Richard,

FAIR WAGES RESOLUTION

The Prime Minister was grateful for your Secretary of State's minute of 10 December. She is content with the course of action he is proposing and, subject to the views of colleagues, with his suggestion that this matter could be dealt with in correspondence.

MF /

She has also enquired about the possibility of taking action in parallel on the future of wages councils. The Prime Minister understands that Mr. Tebbit's present proposal on this subject is that the councils should be left intact, and that there should merely be a specification of the maximum percentage that young people's wages council awards should represent of the adult rate. If Ministers were to decide that there should be radical action on wages councils this would, the Prime Minister understands, require a further ILO convention to be denounced. If this were so, there would be, clearly, a strong case for acting on the Fair Wages Resolution and wages councils at the same time. Both changes could be presented as removing obstacles to employment.

I am copying this letter to the Private Secretaries to Members of E Committee and to David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

Richard Dykes, Esq.,
Department of Employment.

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PRIME MINISTER

I attach a note from John Hoskyns, covering a minute from Mr. Tebbit about the Fair Wages Resolution.

He concludes that the Government should go for abolition, and the Policy Unit strongly support this.

Mr. Tebbit hopes that this can be agreed in correspondence. Can I take it that you would be content to handle it this way if there is agreement? There may, however, be uneasiness among some colleagues which will result in the matter coming to E.

MD

Yes
not

11 December 1981

11 December 1981

POLICY UNIT

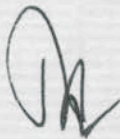
PRIME MINISTER

FAIR WAGES RESOLUTION

1. We were strongly in favour of abolishing the FWR when E Committee discussed it in February. Norman Tebbit has now recognised the case for this. The existence of the FWR is, of course, totally at variance with this Government's approach to pay and employment.

2. We would like to see Norman Tebbit adopt a similarly robust and consistent line on the future of wages councils. At present, he has circulated a paper to E in which he proposes that we leave wages councils intact, but merely specify the maximum percentage that young people's wages council awards should represent of the adult rate. We do not think this goes far enough, and propose to put the alternative view forward when the subject is discussed at E - probably not until next month now. We understand that more radical action on wages councils might also require an ILO convention to be denounced. If this is so, we see a strong case for acting on the FWR and wages councils at the same time.

3. If we have the courage of our convictions, both changes could be presented as removing obstacles to employment.

Yes


JOHN HOSKYNS