

CONFIDENTIAL

P.0633

PRIME MINISTER

FAIR WAGES RESOLUTION

E(82)5

BACKGROUND

In E(82)5 the Secretary of State for Employment recommends that he should start consultations in the Spring with a view to the abolition of the Fair Wages Resolution which requires employers tendering for public sector contracts to pay wages in line with those paid for comparable work in the locality. If the consultations confirmed the case for abolition, the next step would be to denounce, in the year starting September 1982, the International Labour Organisation (ILO) Convention 94. Abolition of the FWR would take place one year after this denunciation.

2. With ^{the} exception of the Secretary of State for Northern Ireland, Ministers supported the Secretary of State for Employment's proposals which were first set out in his minute to you of 10 December. The Home Secretary and the Secretary of State for Industry were concerned that the consultations should be widespread and thorough; the Secretary of State for Employment assured them that this would be so.

MAIN ISSUES

3. The case for abolition is that:-

(i) the FWR is inconsistent with Government policy on the determination of pay and conditions - as reflected in the repeal of Schedule 11 of the Employment Protection Act 1975;

(ii) although currently there are relatively few claims and awards under the FWR this could change;

(iii) ILO Conventions are open to denunciation at ten year intervals and if the September 1982-83 slot is missed there will not be another chance until 1992.



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4. The Secretary of State for Northern Ireland's fears are that, since the FWR is not a problem currently, it may be a mistake to seek an unnecessary fight with the unions and others over its abolition. He has suggested that it might 'risk stirring up the emotive issue of low pay'. He advises of the need to take careful account of possible criticisms from some of the Government's own supporters in Parliament. For these reasons he asked for collective discussion.

HANDLING

5. After the Secretary of State for Employment has introduced his paper you will wish to ask the Secretary of State for Northern Ireland to put his points to the Committee. You might then wish to hear, in particular, the views of the Chancellor of the Exchequer and the Secretaries of State for Industry, the Environment and Social Services.

6. The question is whether action should be taken now or whether, because there could be a major row over a currently largely dormant issue, it would be better to do nothing and so leave the present arrangements to stand for ten years further. As the Secretary of State for Employment points out at the end of his paper it would of course be open to the Committee to review the Government's intentions in the light of the consultations.

CONCLUSIONS

7. You will wish to record the Committee's decision on whether the Secretary of State for Employment should go ahead with consultations on the abolition of the FWR.

PLG

P L GREGSON

25 January 1982