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Rt Hon Sir Geoffrey Howe QC MP
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we are in breach.

What happens if
who challenges us?
By what procedure?
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29 March 1982

D. Geoffrey

WAGES COUNCILS

Following your letters of 5 and 19 February I thought it would be useful to summarise, for the benefit of colleagues on E Committee, the position reached on wages councils.

At the meeting of E Committee on 26 January I was invited to consult the Attorney General about the possibility of excluding young people and part-time workers from the scope of the wages council system. Colleagues will have seen the subsequent correspondence with the Attorney General and the advice contained in his letter of 24 February that the exclusion of young people and part-timers (or small firms, as subsequently suggested by Patrick Jenkin) would be likely to be held to be a breach of our obligations under International Labour Convention 26. The position appears to be rather different in agriculture, and no doubt colleagues responsible for the Agricultural Wages Boards will be considering that.

So far as the Wages Council are concerned, we can free ourselves from the constraints of IL Convention 26 by denouncing the Convention in the summer of 1985. At that point all options would become open, including the option of scrapping the system altogether. In the meantime we should make it clear to critics that our freedom of action is at present inhibited by international obligations. But I do not think we should publicly commit ourselves to any particular course of action in 1985.

For the time being, the options for useful action are very limited. We shall in any case want to continue to concentrate attention and effort on an intensified campaign to talk down the level of pay increases across the economy as a whole, with particular emphasis on the relationship between pay and jobs for young people. I believe that we are



beginning to get the message across, and in the wages councils sectors there are signs that the Young Workers Scheme is having some influence on youth differentials. And as independent members of the councils come up for re-appointment we are doing what we can to improve the field of choice.

Beyond that, one possibility would be to seek to use the procedures of the Wages Councils Act 1979 to abolish the two retail councils (which cause the most criticism) on the grounds that they are not necessary for the maintenance of reasonable standards of pay in retailing. A sustainable case would need to be established. Objections to such a proposal would be inevitable and the statutory procedures would require me to refer them to ACAS for independent investigation and report. The final outcome might well be unhelpful. Nonetheless this idea might be worth exploring on a tentative and confidential basis with a few leading employers and employers' associations in retailing.

Of options which would require legislation, my proposal in E(81)127 was that I should take power to prevent new statutory minimum rates for 16 and 17 year olds rising above a specified percentage of the relevant adult rate. When we discussed this on 26 January the Committee were firmly of the view that this would draw the Government too closely into detailed decisions about appropriate rates for young persons. The only other option which seems to be worth considering further would be to amend the 1979 Act so as to place a statutory obligation on wages councils, in setting rates, to take account of capacity to pay and of the implications for jobs. This has been considered and rejected before; but it seems to me that such an obligation might have useful declaratory force, and would be a step in the right direction. It should not cause difficulties with IL Convention 26. On the other hand I recognise that a legislative amendment of this kind would no doubt attract more awkward and far-reaching amendments from both sides of the House, and it would certainly fall a long way short of what some of our supporters would be seeking. If enacted, it would doubtless lead to complaints to Government and to the courts that the duty had not been properly discharged by particular councils in particular cases; and I am copying this letter to the Attorney General for any comments he might have on that aspect. I would welcome the views of colleagues on these proposals with a view to discussion in E Committee.

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

30 MAR 1982



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MR. WALTERS

c.c. Mr. Hoskyns
Mr. Scholar

Wages Councils

I am sure you will wish to see the attached letter from Norman Tebbit to the Chancellor outlining what he proposes to do about Wages Councils - which is not much. If you have any comments, we could ask Michael Scholar to feed them in. Meanwhile, you might like to know that Norman Tebbit was asked at Question Time this afternoon if he would take steps to remove from the ambit of Wages Councils people under 18 years of age; he replied to the effect that he entirely agreed that excess wages for the young put people out of work, and that he would certainly give serious consideration to how he could stop Wages Councils having this effect, as well as discouraging young people from taking up new jobs.

J. M. M. VEREKER

30 March, 1982.