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10 DOWNING STREET

From the Private Secretary

5 July 1982

WAGES COUNCILS

Thank you for your letter of 28 June, to which you attached a draft paper on Wages Councils for E Committee.

As I told you on the telephone this morning, the Prime Minister is content with this paper. You have agreed to make three changes to the text: the insertion of "comprehensively" before "the wages council" in paragraph 2; of "as a whole" after "system" in line two of paragraph 2; and "which would offset some of the political benefits" after "internationally" in line six of paragraph 2.

M.C. SCHOLAR

Miss Marie Fahey,
Department of Employment.

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cc Mr. Mount
Mr. Smith
Mr. Vereker

(1)

MR. SHCOLAR

Prime Minister

WAGES COUNCILS: DRAFT PAPER FOR E COMMITTEE

Agree Mr Tebb's paper (attached)
subject to changes on these lines?

1. I think the substance of the Secretary of State's draft is consistent with the conclusions of our meeting on 17 June. I am perturbed, however, about the tone. It has the dull ring of defeatism. I would suggest that to make the tone less defeatist we should introduce in para 2 the following amendments (in square brackets):

MUS 2/7

*Tony - but
I don't think
it is worth
a / min if
Mr. ... results
not.*

"I think it is now common ground that we could sweep away [comprehensively] the wages council system [as a whole] before denouncing International Labour Convention 26 only at the price of being held in breach of our treaty obligations. Although there are of course no effective sanctions available against us there would be some political cost here and internationally [which would offset some of the political benefits]. The Attorney General has also advised that we cannot cut out across-the-board categories such as young people, part-time workers or small firms. But it will be open to us to denounce the Convention and repeal the Wages Council Act 1979 in 1985/86."

2. In his para 5, the Secretary of State says he will informally sound out leading retailers, to discover their views about tackling the Councils in this way. As I recollect, he thought that it was important to have the leading retailers on our side. I think both the Prime Minister and I thought that if the leading retailers were strongly in favour of retaining Wages Councils, this was a good reason for abolishing them, not retaining them. Indeed, I should have thought that the support of leading retailers might be somewhat embarrassing. If it leaked out, it could be represented as a ganging up of the bosses of big business and the Tory Government against the workers. It is therefore important to keep it very discreet and to make sure the retailers and the Department do not leak.

13. It is worth

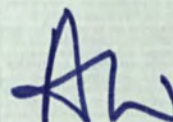
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3. It is worth noting that under the Secretary of State's interpretation of the Employment Protection Act 1975, ACAS cannot be instructed to report by a specified date. This means that in principle ACAS could string out the enquiry as long as they wish. Then ACAS, not the Secretary of State, would determine which, if any, Wages Councils were to be abolished. This is clearly an absurd situation.

30 June 1982



ALAN WALTERS

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cc IV
AW



Caxton House Tothill Street London SW1H 9NA F

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

28 June 1982

Dear Michael

... Further to your letter of 18 June to Barnaby Shaw, I am enclosing a draft paper on Wages Councils which is provisionally down for discussion at E Committee on 14 July.

Mr Tebbit recalls that the Prime Minister expressly asked to see this before it was circulated. No doubt you will let me know whether she is content.

Yours sincerely
Mame Fahey

MISS M C FAHEY
Private Secretary

DRAFT PAPER FOR E COMMITTEE

WAGES COUNCILS

Memorandum by the Secretary of State for Employment

On 13 May I circulated a memorandum on Wages Councils (E(82)47). I have been asked to circulate this further memorandum in the light of subsequent correspondence and discussions.

2 I think it is now common ground that we could sweep away ^{comprehensively} the wages council system before denouncing International Labour Convention 26 only at the price of being held in breach of our treaty obligations. Although there are of course no effective sanctions available against us there would be some political cost here and internationally. The Attorney General has also advised that we cannot cut out across-the-board categories such as young people, part-time workers or small firms. But it will be open to us to denounce the Convention and repeal the Wages Council Act 1979 in 1985/86.

3 I am forced to the conclusion that interim measures aimed at improving the system in the meantime, such as placing new statutory obligations on councils or providing statutory appeals procedures, would be at best only marginally effective, and disappointing to our supporters.

4 However, what we can do in the interim, within the constraints of the Convention and under the procedures of the Act, is to seek to abolish particular councils on the grounds that they are no longer necessary. As I pointed out in my earlier memorandum, the statutory procedures would entail reference of any objections to ACAS for independent investigation and report on relative earnings levels and bargaining arrangements. This process could be both time-consuming and unpredictable in outcome. But there is no easier option.

as a whole
which would
offset some
of the potential
benefits.

5 In E(82)57 I proposed that I should start by informally sounding out the views of some leading retailers about tackling the Retail Food and Retail Non-Food Councils in this way. Together, these two councils cover over a million employees - about 40% of the wages council system; and they give rise to the majority of complaints by individual employers.

6 In addition, I would propose to tackle two of the smallest councils in the same way - the Ostrich Feather and Artificial Flower Council, and the Flex and Hemp Council. Brief factual notes on all four councils are annexed.

7 I am sure that our supporters are looking for some positive action in this field, and I seek colleagues' agreement to my proceeding on these lines.

THE RETAIL WAGES COUNCILS

<u>COVERAGE</u>	<u>Retail Food Council</u>	<u>Retail Non-Food Council</u>	
Number of establishments	124,000		107,000
Number of employees	523,000		564,000
<u>AVERAGE WEEKLY EARNINGS</u>			
(Source: NES 1981)	<u>Retail Food</u>	<u>Retail Non-Food</u>	<u>All industries and services</u>
Men (Full-time, aged 21 and over)	£108.67	£111.73	£140.50
Women (Full-time, aged 18 and over)	£ 67.07	£ 73.52	£ 91.40
Statutory minimum rates (adults) at April 1981	£ 57.00	£ 57.70	
<u>LABOUR FORCE</u>			
	<u>Retail Food</u>	<u>Retail Non-Food</u>	
% of total employees covered who are:-			
(a) Women	68%	73%	
(b) Part-timers	35%	37%	
(c) Under 18	8½%	6¼%	

THE FLAX AND HEMP WAGES COUNCIL

Established 1919. Covers about 2,300 workers in 12 establishments engaged in the preparation, spinning and weaving of flax and hemp. Concentrated mainly in the east of Scotland. Current statutory minimum rate £55.97 per week (adults).

THE OSTRICH, FANCY FEATHER AND ARTIFICIAL FLOWER WAGES COUNCIL

Established 1920. Covers about 1,500 workers (predominantly female) in about 40 establishments engaged mainly in making artificial flowers. Current statutory minimum rate £55 per week.