

SUBJECT.

Ind. Prof.

NOTE FOR THE RECORD

The Secretary of State for Employment called on the Prime Minister at 15.30 hrs today.

Mr Prior said that the purpose of his coming to see the Prime Minister was to warn her of the head of steam which he saw building up on the unions' side against the Government. The unions' mood had changed markedly for the worse since Christmas. This was because of a number of developments, but in particular: the steel dispute and BSC's closure plans, the rumours of deindexation of social security benefits, public service manpower cuts, problems in the coal industry arising from the steel strike, the Employment Bill, and the rising unemployment trend. In his view, the unions would be putting increasing pressure on the Government, and the situation could well be dangerous. He was amazed at the ease with which the ISTC had managed to call out the private steel workers, and the one-day of action in Wales on Monday was also indicative of the worsening situation. The unions were, of course, also upset at the lack of dialogue with the Government, and this - together with the other factors he had mentioned - were enabling them to unite against the Government.

Mr Prior went on to say that he was not arguing against the Government strategy nor against the particular measures - e.g. on the public expenditure front - Ministers were intent on implementing. But it was important to orchestrate the presentation of these measures very carefully. For example, it would be best not to announce any further public expenditure cuts while the steel strike was continuing; and he hoped that the Chancellor would not have to draw attention to the deindexation of social security benefits in the budget and that he should concentrate instead on the cash increases.

The Prime Minister said that she did not altogether share Mr Prior's pessimism, but she took note of his view.

She then asked Mr Prior why ACAS were not doing more to bring BSC and the unions together in the steel dispute. It appeared that they were not even trying to appoint a mediator. If it was impossible to get the unions to agree to talk to BSC directly or to get the two sides to agree to a mediator, ACAS should surely come out in public and say so.

/This

This would put pressure on the unions. Her own impression was that ACAS were not up to the job of conciliating in this dispute. If so, it was worth considering whether they really had a role.

Mr Prjor said that ACAS had not been inactive and that it was very difficult for them to act effectively in a dispute of this magnitude. However, he agreed with the Prime Minister that ACAS ought perhaps to be putting pressure on ISTC by "going public", and that they also ought to be doing more to consider the appointment of a mediator. He would take urgent advice on this, and report back to the Prime Minister at the meeting on steel later this evening.

R.

30 January 1980

cc:- Mr Wolfson
Mr Hoskyns

PRIME MINISTER

Meeting with Mr. Prior

Mr. Prior's purpose in coming to see you is - I believe - to tell you of his concern about the deterioration in the trade unions' attitude to the Government. He will no doubt cite widespread industrial action in Wales on Monday - amongst other things. Presumably, he wants you to take all this into account in reaching decisions on, in particular, public expenditure and the Employment Bill.

On the Employment Bill, Mr. Prior is, I understand, still planning to put ^{out} ~~down~~ his consultation document next week. This will propose the reversal of MacShane. In view of the need to consider whether we should not be going further than this (e.g. by repealing Section 14 on union immunities, or by taking the immunities back to the dispute itself), I am sure it would be wrong to publish the paper until we have had time to consider further. You might mention this to Mr. Prior.

The latest situation on the steel dispute is as follows. Sirs and Scholey have not yet met again. Scholey has been trying to contact Sirs, but Sirs is playing hard to get. It seems unlikely that he is interested in sitting down for negotiations while the "Denning episode" goes on. Nonetheless, Len Murray had discussions with both Sirs and Smith this morning to try to get them to sit down with BSC later this week alongside the craftsmen and other unions. We don't know the outcome of these discussions yet. No firm date has been set for the further negotiations between the craftsmen etc. and BSC: they are likely to wait until tomorrow or Friday to see whether the ISTC are prepared to join them in negotiations. They may indeed wait until Friday since the ISTC have an Executive meeting that day.

Sirs has gone to the Midlands this afternoon to join in the pay negotiations of the private steel workers there. Solly Gross believes that he may encourage his members to get into a dispute with the employers as a response to the Denning ruling.

/The following

The following are other areas of most likely difficulty:

- (i) Water Manuals. Negotiations are to be resumed on Friday. The employers will offer 17 per cent. This will almost certainly be rejected and the employers are likely to offer a good deal more and finance the settlement by higher water charges.

- (ii) London Docks. The PLA have offered a general pay increase of 10 per cent plus 2 per cent for productivity. There have already been some unofficial one-day strikes, and one of the unions has given notice of official strike action in three weeks time. In addition to the dispute over pay, the PLA yesterday announced the closure of one of the Upper Docks. This has so far been received fairly quietly but it could aggravate the action over pay.

- (iii) Railways. The railways settlement date is 1 April, but there could well be trouble before then. Although their financing limit for 1980/81 is enormous (£750 million), it is still pretty tight unless they can achieve substantial redundancies. Having put up their fares in January, their scope for recovering higher wages through this route must be limited. We face a situation not unlike steel.

- (iv) Gas and Electricity. Negotiations will be starting fairly soon. If the water workers get a big increase in their attempt to catch up with gas and electricity workers no doubt this will influence the latter in going for a big settlement. The high profits of BGC do not help, though we have asked for urgent proposals for a gas tax.

/(v) Civil

- (v) Civil Service. Faced with a cash limit of say 14 per cent and PRU recommended increases of possibly 17-18 per cent, there could well be a repeat of last year's trouble. Recent statements from the unions' General Secretaries suggest that they are in a very militant mood.

B.

30 January 1980