

LEADER'S STEERING COMMITTEE

Minutes of the 49th Meeting held at 4.15 p.m. on Monday, 7th March 1977, in the Leader's Room at the House of Commons.

Present: Mrs. Thatcher (in the Chair)

Mr. Whitelaw, Sir Keith Joseph,
Sir Geoffrey Howe, Mr. Prior,
Mr. Pym, Sir Ian Gilmour,
Mr. Peyton, Mr. Davies,
Mr. Maudie, Lord Thorneycroft.

Mr. Atkins.

In attendance: Mr. Butler, Mr. Stanley,
Mr. Patten, Mr. Nicholson.

Apologies: Lord Carrington.

1. The Future of Pay Policy

Sir Geoffrey Howe introduced his paper, "Our Attitude Towards Pay Policy" (LSC(77)59). There was a discussion and the paper was agreed subject to the following points:

(i) We should remember at all times that while we had never opposed the Government's pay policy, we had never supported it, and had pointed out that, sooner or later, there would be conflict over the erosion of differentials.

(ii) What we wanted could be summed up as a return to "managed collective bargaining". We were concerned with what might be called "earnings policy" and we should link the determination of gross incomes with the operation of tax.

(iii) If a company was very successful, its success should be reflected in the rewards received by its employees. Our proposals on profit-sharing might be one means of providing for these greater rewards. It would be useful to discuss with the trade unions how this objective might be met.

(iv) With one reservation, we were generally agreed on cash limits for the public sector. These would work in practice in different ways across the public sector: for example, extravagant pay awards to civil servants should directly result in the reduction of jobs; extravagant pay awards to miners should immediately result in an increased price for coal, which would, in due course, have its effect on employment in the industry. We had to examine, however, how cash limits would operate with regard to teachers, the Police, prison officers and the health service: it might be possible to introduce or increase charges as a means of enforcing cash limits.

(v) Importance was attached to having the right personnel at the head of the various nationalised industries so that they could deal firmly with pay claims without the Government necessarily being involved.

(vi) We should attach importance to the danger of the Government introducing such a flexible Stage 3 that pay inflation would start to escalate in the months up to the end of the year, when an election might be held, before the effects were seen on the money supply and thus on sterling.

(vii) We should give attention to the problem of reducing overmanning, the problem of increasing investment and employment in the pockets of poverty and depression in Scotland, Wales and the North, and the possibility of extending job release for those approaching retirement.

(viii) We should seek to get across to the public our argument that confrontations under a Conservative Government would not be between the Government and the trade unions but would be between trade union leaders and both the public who would face rising prices and charges and declining services, and those who were likely to lose their jobs.

The meeting closed at 5.25 p.m.