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PRIME MINISTER

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Tank

MS

27 May 1980

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Rt. Hon. James Prior MP
Secretary of State for
Employment

UNION LABOUR ONLY CLAUSES IN GOVERNMENT CONTRACTS

attached
MS

Thank you for your letter of 15 May. I fully support your view that the practice of obliging contractors to use only unionised labour is damaging. It tends to restrict competition and to impose a constraint on contractors not directly related to the performance of the contract. The result must inevitably be an increase in costs. I would, therefore, be happy for you to make a statement on this point when the Employment Bill reaches the Lords, as you propose.

We lack information on how prevalent the practice is among public sector purchasers. Certainly no instance is known to the Treasury where a government department or health authority has used a clause of this kind, and the standard conditions for government contracts do not contain such a clause. No examples have been produced to us of local authorities or nationalised industries imposing such conditions in contracts, although of course there may well have been cases not necessarily known to sponsoring departments. However, there have no doubt been occasions when authorities have required the use of union labour by means other than a contract condition, and there have certainly been cases when purchasers similarly have been obliged to use union labour, as you will know from the Leggatt Report. I can see no objection to the proposal for a right of joinder against client employers outlined in your last substantive paragraph.

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I see considerable merit, therefore, in making our position clear on this point, and will take appropriate action to ensure that departments are fully aware of it. No doubt our colleagues in the departments sponsoring local authorities and nationalised industries will wish to consider what parallel action they might take.

I am copying this letter to the Prime Minister, members of E Committee and the Lord Chancellor.

GEOFFREY HOWE

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John
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