

PRIME MINISTERRELATIONS WITH TRADE UNION LEADERS

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This minute records a few thoughts following our discussion last Tuesday with Geoffrey and Jim.

1. The overriding objective for the Government, over the next few months, is to ensure that, if possible, trade union leaders do not issue a call to arms for massive pay claims for the next pay round; or, failing that, to ensure that the membership ignores such a call to arms.
2. Contacts with trade union leaders are all part of this "Pay Round Debate". I suggest that, to win that debate, we have to achieve four things:
  - (1) Display firmness on policy. We must be categorical that there will be no weakening of policy on money supply, public spending no question of the incomes policy alternative. We have to convince everyone that there is no alternative to the present route. That means not only explaining why, but also sticking our necks out, not choosing our words carefully to avoid giving hostages to fortune. If we did that, our whole position would lack credibility.
  - (2) Maintain Government's authority. We should be ready to talk to trade union leaders on our agenda, which is about the real problems. We must make it absolutely clear that we are not "negotiating" with the TUC about items on their agenda. Government policy is not negotiable.
  - (3) Assign responsibility. The Government can and must do one thing - bring down inflation. It is for employers and unions to minimise the transitional unemployment.
  - (4) Create empathy. Government has to show that it understands the concerns of both trade union leaders and - different and even more important - trade union members. We cannot persuade someone to change his mind if we don't first listen to him to show that we understand his initial point of view. Ideally,

the public debate then becomes more adult, less of an exercise in politically posturing. At the very worst, the public should begin to see that the Government's position is mature, honest, responsible, even if trade union leaders are unable to respond.

3. We discussed the pros and cons of overt consultation with trade union leaders on our agenda. At first sight, this looks risky, because it might be interpreted as a weakening of the Government's position. But we believe that it could be the reverse. By spelling out what is on the agenda and, just as clearly, what is not on the agenda (eg changes of Government policy, adoption of TUC economic nostrums) we maintain authority. By talking constructively about real problems in which a responsible union movement should be able to help, we create empathy. By inviting trade union leaders to work constructively to help their own members, in and out of work, we assign responsibility. Once they are working with us, for example, on how to help the unemployed, it is harder for them to push for the big pay rises which, we shall be explaining, can only increase unemployment. It would be very difficult for them to reject the invitation (or try to "bargain" about the terms on which they were prepared to co-operate) without appearing politically-motivated and callous about their members. Finally, the very act of such consultation would show the Government's confidence and would give repeated opportunities to display firmness on our central economic strategy.

4. The agenda from which we could choose might include the following:

- Getting local enterprise agencies, big firms, trade unions to work together to encourage the growth of new businesses in badly-hit areas.
- Ensuring best possible use of services and advice from Departments concerned in high unemployment areas to encourage job mobility, best use of redundancy pay, maximum provision of information about jobs, mobility, etc.
- Productivity, participation, profit-sharing, value-added bargaining.

The principle, as Jim suggested, would be to fill the vacuum with positive ideas and initiatives to which it would be impossible for trade union leaders not to respond. It would be overt - ie it would

carry a message to the public and to union members that the Government is concerned about the people who get hurt in the process of industrial shake-out and monetary squeeze and are active in mobilising efforts to alleviate hardship - but by ideas and ingenuity and goodwill, not by squandering more taxpayers' money and thus endangering our policy objectives.

5. How would such an initiative be launched? This needs thought. We could do it in a fairly low-key way, with Jim inviting union leaders to talk to this agenda. Or we could deliberately dramatise it with you announcing the initiative in the course of a speech and saying that the first meeting (to discuss the agenda) would be chaired by you with the Chancellor and Secretaries of State for Employment and Industry. To ensure maximum trust, a copy of that speech could be handed to key union figures just before delivery (as we did with Geoffrey's "dream world" speech before the TUC last year, delivered to Len Murray at his hotel). Paradoxically, the more dramatic launch would almost certainly make it harder for the initiative to be misrepresented. The more visible it is, the more clear the implicit message will be - that we are not under any circumstances prepared to negotiate with union leaders about Government's economic policy itself.

These are just some first thoughts which I would like to talk through with Jim Prior to see whether they have any merit. I believe that an imaginative initiative, with positive proposals that lead somewhere, rather than empty gestures which merely go through the motions and fool no-one, could put us in a "no-lose" position. If the union leaders respond negatively, they condemn themselves. If they respond positively, three cheers.

By all means, dinners with industrialists, but they must be, and be seen to be, regular affairs, not a one-off gesture which will look like an attack of nerves. At those dinners, your own line on "no incomes policy whatever happens" must be fully developed and put across so that all present, including union leaders, realise there is no possibility of our going that route.

I am copying this minute to Geoffrey Howe, Jim Prior and Keith Joseph, and take it that you have no objection to my talking further to Jim on these lines? - x then report back to you.



JOHN HOSKYNs

Agreed. - but not a  
major series of meetings with I.M.C. on  
this. They would work we have to  
win the battle in public terms first.

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