

MR TURNBULL

5 December 1984

copy to W3 PR
Pr. 2
Wages
Council

E(A): EMPLOYMENT PROTECTION AND WAGES COUNCILS

1. Employment Protection

We support Tom King's suggestion that the qualifying period for protection against unfair dismissal should be extended to two years for all employers.

Should more be done for small employers and young people? Tom King opposes any such moves but we believe that it would be premature to close off options at this stage because:

- i. the Rayner deregulation scrutinies are still being conducted, and will not report until January; they may provide evidence for further action in the case of small firms;
- ii. if the 'Passport for a Job' scheme is approved, there will be changes in employment protection for some young people, which might be taken further;
- iii. Tom King's jobs paper will be, in part at least, a consultative document in which several options could sensibly be canvassed.

We therefore recommend that the Prime Minister should welcome the proposal to extend the qualifying period for employment protection to two years in all firms, but should not accept Tom King's suggestion that this is the only area of change and should specifically:

- a. reserve decisions concerning small firms until after the Rayner Scrutinies report in January; and

- b. leave open the option of removing young people from employment protection until after the 'Passport' scheme has been examined.

2. Wages Councils

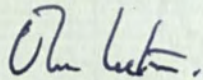
There is no doubt that, if the Government's aim is to maximise employment, it should abolish the Wages Councils wholesale. Tom King's 'conservative' estimate that such a move would create 50,000 more jobs is impressive.

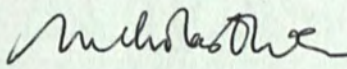
Abolition (and the denunciation of the ILO Convention) will clearly be politically sensitive. It is therefore necessary to consult widely. But we need to be prepared for predictable responses from the CBI and established industry who dislike undercutting competition from small firms; we should actively seek out the views of the smaller employers who will be the main beneficiaries of the change and the principal providers of additional jobs.

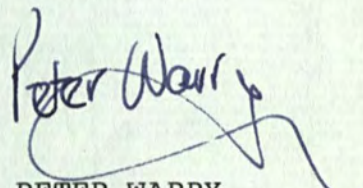
Given the sensitivities, the paper should raise the possibility of reforms falling short of abolition. But these should not be represented as panaceas. The Government needs a robust consultative document which invites the wanted response and which emphasises the positive points: it should stress the opportunity for job creation; it should make clear that the wider imperative of solving employment must take precedence over sectional opposition. The Auld Committee's feeble suggestion that the deregulation of shop hours will make Wages Councils more relevant should be firmly rebutted: deregulation will make the Councils less necessary, because Sunday opening will pull wages up. It is better to accept a compromise after consultation than to consult on a compromise.

We therefore recommend that the Prime Minister should:

- i. support Tom King's proposal to raise all the options in the forthcoming jobs paper, but
- ii. remind Tom that everything hinges upon the drafting of the paper and the dexterity of the Department of Employment in presenting it to the media.


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