CABINET

INCOMES POLICY

MEMORANDUM BY THE PRIME MINISTER

INTRODUCTION

Our objective

Many interesting ideas about Incomes Policy have been put to me by my colleagues. I am grateful for this, and I have considered them all. It is true that our incomes policy has suffered blows in both the public and private sectors. Many people treat them as blows to the prestige of the Government. Few treat them as blows to the economy. They are both. The harder they are—and some, such as the recent civil service award of 4 per cent., have been very hard—the more important it becomes to have an incomes policy. Without such a policy we cannot have full employment, stable prices, a favourable balance of payments and economic growth. We must somehow get the development of an incomes policy accepted as essential to the interests of the whole community.

Our problem now

2. We have done what we could with the means which were at our disposal when we started our incomes policy. The pause gained time and reduced the speed of wage and salary increases; and the interim phase which began in April is likely to bring some advantage also. But we have had to rely heavily on the example of the public sector, both because this was where our powers ran and because we could hardly expect the nation to take seriously a policy which we did not apply to our own employees. This is no longer enough. The feeling has grown that it is neither fair nor possible to operate an incomes policy by enforcing it in the public sector when it is not observed in the private sector. This is the more so since the modern trend has been for pay in the public services to be largely determined by reference to the private sector. So we can only operate a long-term incomes policy if the private sector sets the pace. The problem is to find both a policy which will work and the means of applying it.

The conditions of success

3. The money available, short of inflation, for pay increases is limited. Hence the "guiding light". This, in some form, must continue. But the merits of the case for an increase vary from employment to employment. We need arrangements which recognise these differences of merit; the lack of such arrangements has caused our troubles over the nurses and others, and could even interfere with the movement of labour to industries which, in the national interest, ought to be able to recruit. We must devise arrangements which will provide this degree of flexibility without impairing the incomes policy as a whole. That policy must embody both elements—the guiding light and flexibility in its application—and the country must be brought to accept a national incomes policy in this new form. But how?
Compulsion and persuasion

4. In the end an incomes policy will survive only if its benefits are recognised and reaped by the nation at large. We may need some measure of compulsion to make it work. We cannot, of course, expect an effective incomes policy to be entirely painless; if a painless one existed, we should have introduced it long ago. But it must be of a kind which would minimise the risk of collision with either the employers or the trade unions. If, moreover, our people are to be subjected to an incomes policy they should all enjoy without delay and to the fullest possible extent the advantages flowing from it. These are sustained purchasing power of incomes, good conditions of employment and the expectation of a higher material standard of living. In order to relate these advantages to the necessity for an incomes policy, the next stage must include not only—

(a) maintenance of the guiding light; and
(b) arrangements for discriminating in its application; but also
(c) measures protecting the consumers’ interests;
(d) measures relating to the status and security of the working population, to their health and safety, and to their training; and, possibly,
(e) other safeguards and benefits.

THE GUIDING LIGHT

5. Unless personal incomes rise, in strict proportion to the estimated increase in wealth, there will be a rise in prices, inflation and danger to the balance of payments and to full employment. Since there is no ground for expecting an increase in national production of more than about 2½ per cent. in 1962, the guiding light, representing the average increase in pay that the economy can sustain, cannot be put any higher than that figure. It is not a figure that we invent; it flows from the facts. We must make it clear, therefore, that in the national interest the February White Paper (Cmnd. 1626) must still stand for the time being.

6. We should, however, indicate that the policy carries with it the prospect of improvement in future. It is the condition of economic growth, and the reward of economic growth will be that greater increases in pay will become practicable. We could illustrate this by saying that, perhaps by 1963, there may be a rate of increase in national production higher than 2½ per cent. per year. If so, then the guiding light could be recalculated. We could associate the National Economic Development Council with this step by seeking their advice on the prospect of a rise in national production.

7. Such a recalculaton of the guiding light would afford the opportunity to express the guidance in a form which would preserve the required degree of restraint but allow the length of the interval since the previous settlement of pay to be taken into account.

8. This is for the future; we still have to deal with the problems that are left to us from the earlier stages of incomes policy—the claims of the nurses, the university teachers and the probation officers. We would announce that we intend to deal ourselves with these problems, holding ourselves free to make settlements outside the guiding light so far as may be justified on the ground of revaluation of the status of these groups.

A STANDING COMMISSION ON PAY

9. The missing elements in our incomes policy have been provision for recognising differences between the merits of claims and provision for ensuring that the private sector is compelled, morally or otherwise, to take the policy seriously. I believe that some form of standing Commission on Pay could provide them both, and that such a body would be the natural extension of the long tradition under which the Government refer to independent judgment matters relating to wage and salary settlements where the Government would be widely regarded as an interested party. The views of such bodies have usually commanded respect.

SECRET
10. This new independent body might operate in a number of ways. Its principal task would be to advise the Government (and the country) on the reconciliation of the claims of workers (whether in public or private employment) for higher pay, and the national economic interest. This, of course, requires that the rate of increase in pay (as in other forms of income) should be related to the growth of national production.

The Commission and the public services

11. If such a Royal Commission were appointed, the Government would naturally wish to seek its advice on all the more important pay claims which arose in the public services. Three types of public service case would be likely to come before the Commission:

(a) Cases in which the pay of an entire service needed to be reviewed. At present such cases tend to be referred to Royal Commissions or Committees appointed ad hoc (e.g., Willink on Police, Morison on Probation Officers). While it might still be necessary to appoint such bodies to enquire into matters in the public services other than pay, under the procedure proposed any review relating to the pay of these services would be undertaken by the Royal Commission.

(b) Standing machinery which already exists for advising the Government on the pay of particular classes of public servant (e.g., Kindersley Committee on the pay of doctors and Franks Committee on the pay of the higher Civil Service) would either be replaced by the Royal Commission or might, alternatively and perhaps more acceptably, be incorporated into machinery of the Commission in some way, e.g., as special panels.

(c) Any pay claim in the public services which was of particular importance on account, for example, of the numbers of staff involved or the likely repercussions of a settlement on other classes, would be referred by the Government to the Royal Commission for advice. This procedure would not replace the work of existing negotiating bodies (e.g., the Whitley Councils in the Civil Service and National Health Service, the Burnham Committee for teachers pay, the Police Council, the Joint Negotiating Committee for Probation Officers, etc.). It would, however, normally be necessary for the Government to refer cases to the Commission at an early stage—in effect before the official side had made any offers—since to do so after the two sides had reached agreement would be likely to cause ill feeling.

Application to the private sector

12. There are, broadly, two alternative methods of approach; to try and work out some system of reference of claims or settlements from the private sector to the new body on either a compulsory or on a voluntary basis. These two methods are outlined below. Later in the paper I put forward yet another possibility which may be thought to combine the advantages of both these methods without the corresponding disadvantages.

The compulsory approach

13. The new independent body would not be asked to consider every pay claim put forward. Given the number of claims this would not be feasible; nor would it be necessary. The new body would deal with claims or proposals for increased pay which are either of major importance in themselves because of their scale, or are of importance as "pace-setters" for other forms of employment. It would be for the Government to select the particular cases which the body would consider. Such a body would need to have the highest status—probably that of a Royal Commission—and would be permanent. From the time when the case was referred to the Commission, the processes of negotiation (and a fortiori arbitration or industrial action) would be in abeyance, to be resumed only when the Commission had pronounced. It would take evidence from representatives of the workers and employers concerned and also from the Government, whose representatives would present arguments showing the bearing on the case of the national interest. The Commission would conduct its proceedings in public and would make public its advice, together with the reasons underlying it. This advice would not be
formally binding on the parties; the principal object would be to ensure that the arguments on each side, including a statement of the national interest, were fully and publicly ventilated before a decision was reached on the claim. The processes of decision would then be resumed against the background of a fully informed public opinion.

14. The first necessary step would be to ensure that the Government received sufficient information to enable them to judge which cases were of sufficient general importance to justify such a reference. This would entail a statutory requirement that all existing wage and salary agreements and all proposals (whether in the form of claims by employees or of offers by employers) to change such agreements should be registered with the Government. (As a matter of convenience it would probably be desirable to confine registration to agreements made, on the workers’ side, with Trade Unions, staff associations, etc., and possibly also to exclude from registration all agreements covering less than some minimum number of workers.)

15. Having secured the necessary information, it would then be necessary to provide the Government with power at their discretion to refer any proposed increases in pay to the Commission and to require the parties to treat the proposal as in abeyance until the Royal Commission had reported. Possible working criteria for reference to the Commission might be:
   (a) the number of workers involved;
   (b) the size of the pay claim;
   (c) the extent to which a settlement would be likely to “set the pace” in other employments;
   (d) the extent to which a strike would be damaging.

But it seems unlikely that these or any other criteria could be applied with precision and there would inevitably be an arbitrary element in the Government’s decision to refer any particular case to the Commission.

16. The timing of a decision to refer a case to the Commission would often face the Government with a dilemma. At the time when a wage claim was registered it might be difficult for the Government to judge whether it was likely to be a case of major importance or not. Moreover the employers and union representatives would wish to start on the normal processes of negotiation and might well resent it if this stage were cut short. The employers in particular might feel that reference to the Commission would be likely to involve them in granting an earlier and possibly also a larger pay increase than they would have been able to negotiate under normal procedures. On the other hand the Government could not hold a pay claim in suspense for more than a few weeks after registration before deciding whether it should be referred to the Commission or not. The Government might find at any moment that the two sides had agreed on a settlement which they would be very reluctant to upset, even though it might conflict with the Government’s policy.

17. The procedure contemplated might only be effective if it provided sanctions which would oblige private employers and trade unions to observe the Government’s request to bring a case before the Royal Commission. Sanctions might be applied either to employers or to the unions. For example:
   (a) it could be a criminal offence, subject to appropriate penalties, to increase an agreed wage or salary rate which had been referred by the Government to the Commission, until the Commission’s advice on it had been published;
   (b) alternatively the penalty might take a fiscal form, e.g., the imposition of a tax on the pay roll of the industry or firm concerned.

18. But it seems doubtful whether provisions of this sort would be generally regarded as tolerable for the following reasons:
   (a) as already mentioned, the Government’s choice of cases for reference to the Commission would be largely arbitrary;
   (b) it would be thought unfair to punish a whole industry for the deeds of its trade association with which many member firms might disagree;
   (c) it would be virtually impossible effectively to enforce a stop on the payment of higher wages or salaries, while a case was under review by the Commission.
19. Alternatively sanctions might be applied against any trade unions which disregarded the Government's request that a case should be deployed before the Commission. For example, such a union might be deprived of the protection afforded by S.3 of the Trade Disputes Act, 1906. This would mean that the union could be sued by an employer who suffered loss as a result of strike action by his workers. Such a sanction would be open to the objection already mentioned—that its application would be determined by the Government's selection of cases which would be largely arbitrary; and it would be of no more than limited effect in view of the prevalence of unofficial strikes and other forms of industrial action undertaken against the advice of the unions.

The Commission without sanctions

20. The creation of a Royal Commission on the lines proposed, backed by statutory powers enabling the Government to compel claims or proposals in the private sector to be referred to the Commission before decision, might be likely to arouse strong opposition from the trade unions, who might well criticise it as bringing to an end the traditional system of collective bargaining. Given the difficulty of devising effective sanctions and the doubt whether any incomes policy can succeed which does not command at least the passive support of the trade unions, it may be desirable to consider as an alternative possibility that the Government should rely on persuasion and the force of public opinion to secure observance by private employers and trade unions of their requests to refer cases to the Commission. Under this procedure the Government would pick out the cases of manifest national importance and would issue a public request (possibly in the form of a statement in Parliament) that the parties concerned should bring the matter before the Commission. This might sometimes be done at an early stage. For example, the engineers are well known "pace-setters" and the Government might think it right that their claim should go before the Commission at the outset. In some cases (as perhaps in the recent dockers' dispute) it might be better to wait until a later stage. It seems likely that employers generally would be willing to observe such a request. The unions might refuse to co-operate and it would remain open to the unions to seek to secure their original claim by strike action. But they would have to expect that refusal to co-operate would weaken their case in the eyes of the public, and at least the whole question would have been ventilated in public and both employers and the Government would thereby be fortified to withstand union pressures.

An alternative approach

21. Strong feelings might be aroused in the unions by insisting on the compulsory reference of wage claims to the new body and it might be thought reckless to the point of foolhardiness to pursue this line. But it is probable that, were the scheme to be carried out on a voluntary basis, the Commission would, before it had dealt with its first case, be boycotted by the unions. I have, therefore, cast about for some compromise.

22. It would seem a practical proposition for the Government, at their discretion, to refer to this body, as to a Board of Enquiry, such wage settlements in the private sector as had been reached above the guiding light. Any firm or industry which had reached such a settlement could be summoned to appear before the Commission, who would then make a full enquiry into the financial circumstances and organisation of the industry in question. Their report would be published. In this way, any industry which was inefficient or riddled with restrictive practices would have its weaknesses fully exposed. This would be the open-air cure. It is true, of course, that the wage settlement would have been reached. But not only would an enquiry of this sort, followed by a published report, make the particular industry extremely cautious before repeating a wage settlement above the guiding light. One or two references to the Commission would, like a gamekeeper's larder, act as a warning to everyone else.

23. The advantages of this procedure would be a full public disclosure of inefficiency, bad management, restrictive practices, over-staffing and a willingness to pay on higher wages immediately in the shape of higher costs. Yet at the same time, the ordinary processes of collective bargaining between the employers and the unions would be allowed to continue. There would be the element of compulsion only in requiring parties concerned to give evidence.
24. In this way we might reconcile Government intervention in wage settlements with the democratic principles we must maintain and it would be for the Government to decide which cases should be referred to the Commission. And we should need to work out the criteria to be applied. One test could be whether an increase in wages above the level of the guiding light had been immediately followed by an increase in prices or profits. But other factors could be taken into account, including the extent to which the settlement might be regarded as a "pace setter". And it might be an important step in educating public opinion to refer a case to the Commission which had been settled at a level above the guiding light because of the damaging effects to the nation of a strike in that particular industry.

25. If we decided to operate a scheme on these lines, there is a further possibility open to us. We could also suggest that employers and employees might prefer, on a voluntary basis, to seek the views of the Commission before they conclude a wage negotiation that looked as if it might lead to a settlement above the guiding light. It would be our long-term hope that this might eventually become widely accepted as the best method of composing differences between employers and employees in the private sector. After all, the point which we must try and get accepted throughout the country is that there are three parties in any wage dispute: the employers, the employees and the nation. Until everyone realises this and feels that it applies to him and not just to the other chap, we shall never be able to get a workable incomes policy.

26. If we decide that it would be right for the Commission to take on this new and important development in our industrial life, we shall need to consider whether this can be done under prerogative powers. It might be thought necessary to set up the Commission and define its powers and terms of reference by legislation. The scope of such legislation would need to be carefully considered, with particular reference to existing statutes dealing with industrial conciliation.

CONSUMERS' PROTECTION

27. We need a programme of measures which will help to keep prices down; to bring them down where they are unnecessarily high; to ensure that the consumer gets value for his money; to remove the grounds of widespread suspicion and uneasiness, justified or not, that competition, which is the consumer's ultimate safeguard, is being whittled away by resale price maintenance, and by mergers and monopolies, and that the Government have been insufficiently alert to this; and to answer the charge that we are tough on wages but soft on the capital gains of the take-over. Our programme will comprise things to do and things to say.

28. On prices and value for money, we could and should give greater publicity to our policy and our achievements in the reduction of tariffs. We should underline the reductions already made in the post-war period, especially their cumulative effect, and stress our commitment to remove completely by 1970 the duty on industrial goods imported from countries in the European Free Trade Association and the extent (40 per cent.) to which we have already moved towards that end. And we should declare that our policy outside the Common Market is for lower tariffs.

29. We should proceed as early as we can to legislate to abolish resale price maintenance (or to make it unenforceable, if this is the better technique). We should legislate on weights and measures. We should set up a Consumers' Council, which will not require legislation. The first step will be to declare our intention of doing these things, but we must be careful about the timing. We should not go into detail about the Consumers' Council before the Molony Report on consumer protection has been published. We should not let the prospect of legislation on resale price maintenance hang over the shopkeeper for a long time as a vague threat. Action should follow quickly, presented as part of a drive to improve the efficiency of the economy. We shall need to work out the impact of all this on the legislative programme.

Monopolies

30. We should publicise the comprehensive review of policy and legislation on monopolies and restrictive practices which the Board of Trade are making in the light of experience since the passage of the Restrictive Trade Practices
Act, 1956. We should show that we are examining the experience of other countries also, and taking account of the criticisms and suggestions which have been made in Parliament and elsewhere. But we should make it clear that it would not be sensible to make changes in the present law on monopolies and restrictive practices until we know the outcome of the Common Market negotiations.

Mergers

31. Arising out of the I.C.I./Courtaulds affair and other recent take overs, there has been pressure to make proposed mergers, particularly those which may lead to the creation of near monopolies, subject to some sort of enquiry procedure. I consider that we must deal with this pressure by addressing ourselves to the substance of the proposal and not by pleading lack of powers. We must therefore make up our minds whether it would be right at the present time to arrange for enquiries of this kind and, if so, to set up standing machinery for the purpose. The object of having an enquiry would be to enable the Government to reach a judgment on whether the particular merger was against the public interest. The investigating body could not be left to comment at large on the social, economic and financial implications of the proposals and we should have to give it criteria by which to determine where the public interest lay and how it was likely to be affected. In practice this would mean trying to forecast whether the merger would have effects which would be condemned in the case of an existing monopoly. It may be doubted whether it would be feasible for anyone to form such a judgment. Until we have decided, following the review which the President of the Board of Trade has in hand, what changes, if any, we should make in our policy towards monopolies, perhaps the sensible course is to allow mergers to proceed as hitherto without investigation.

STATUS AND SECURITY OF WORK

32. We must publicise our programme of measures to improve the status and security of people at work, their health and safety, and the arrangements for their training. In doing so, we must be careful to show that we are thinking not merely of the wage-earning classes, but of the salaried and white-collar workers also.

33. It will not be easy to hold this balance. There must, in the nature of things, be more in this programme for the wage earner than for the salary earner; and there will be some feeling on both sides. While the salaried man may envy the protection which the wage earner's standard of living receives from the power of his union, the wage earner may look upon the incremental scales of the salaried man as a protection no less effective and perhaps more secure from political conflict. It is for these reasons that I want to see a wide variety of measures in this part of the new approach. The mixture is of things we can do ourselves and things we can persuade employers to do.

34. The Government should announce that they will introduce the Shops and Offices Bill next session—a major measure for the salaried workers. We should also commit ourselves to legislate in due course on the minimum period of notice and on written statements of basic conditions of service—measures which will benefit the wage earners primarily.

35. The rest are matters in which we must rely on persuasion in the first place, although we may be able to take effective initiatives; improved redundancy arrangements, including severance pay; measures to reduce excessive fluctuations in earnings; schemes to supplement statutory sickness benefit; and measures to improve the training of apprentices.

36. The details of all these measures are set out in the Annex to this paper.
OTHER MEASURES

37. There are other things that we can do and may want to do, sooner or later.

(a) House Purchase.—I have asked the Minister of Housing to consider the proposal that the business of house purchase and sale should be simplified. I hope that he will be able to produce a scheme which will achieve this.

(b) Profits.—We should make it clear that in fact incomes and profits have moved together, and that it is unlikely, on the evidence, that restraint in wages and salaries would add to profits. But we should repeat the assurance given in the February White Paper that the Government would act if necessary by fiscal means to restrain any undue growth in profits following restraint on incomes. We should also propose that the National Economic Development Council should watch the movements in profits in order to advise the Government whether any change that might take place in the relativity between profits and other incomes was consistent with the national interest or not.

(c) Dividends.—We should call for dividends restraint both because dividends are incomes and because there is advantage in making a greater part of the profits available for investment. If necessary, we should threaten fiscal action to enforce restraint.

(d) Dependent relief.

(e) Exemption from stamp duty on conveyances.

(f) Tax relief in respect of private education expenses.

These are budgetary measures, and they cannot be announced now. But they should be considered now for next year's Budget.

CONCLUSION

38. Our object must be to develop an incomes policy which will be freely accepted as fair and constructive. If it is something which the Government have to impose that very fact will give the impression that the Government are in some sense "against" the rest of the population. We have now to ask ourselves whether this whole package taken together is of sufficient strength and has sufficient appeal to do this. It forms a logical whole since the measures designed to improve conditions at work and secure a square deal for the consumer flow from those which will require the individual employer or worker to accept some limitation on his personal freedom of action in the light of the national interest as a whole. Presented with conviction and clarity I believe that it might carry the day. We have not perhaps made enough in the past of the fact that we are still in a very real sense the only party working for the creation of one nation—a classless society.

39. There is also the point that too many elements in the package will confuse its outline. In terms of presentation it is often easier to carry conviction with a few simple themes which can be hammered home rather than with larger and more complicated proposals. Nevertheless, if the package can be strengthened without damage to its logic or its credibility we should certainly do so.

40. The first way in which this might be done would be to show the advantages of the incomes policy in terms of economic growth and all that this would mean in terms of schools, housing and the rest. This would be a dangerous game if we played it in such a way as to mortgage the future and increase the likelihood of inflation. In the last resort the benefits of the new policy must wait on its success; they cannot be counted in advance. But there is perhaps a half-way house. The paper by the Chancellor of the Exchequer (C. (62) 96) makes it clear that even when all possible economies have been made Government expenditure is going to increase. Since this increase cannot be concealed or avoided we should at least take credit for what it will mean in terms of larger programmes of school building, housing or roads. We could say that only by going for growth which in turn must depend on a sound incomes policy could we justify these increases and that they
are an earnest of our confidence in the country's self-discipline and commonsense. We must avoid giving the impression that the increases have been forced on us against our better judgment and that we have been helpless to stem the tide. Apart from its internal effect this could have serious results on our international standing.

41. A second way in which we might broaden out the new approach without weakening its presentation would be by stressing the importance of insuring that economic disciplines are matched by a real improvement in techniques. There is a whole range of related subjects here in which I know that many of my colleagues feel that we have been falling behind in the race: business management, design, technology, better organisation of the construction and engineering industries, etc. If we were to put thoughts of this kind forward we should be expected to back them with some concrete measures. These would take time to evolve and it might therefore be better to bring in new ideas of industrial efficiency as a second instalment of the new approach and as a reinforcement of its effect. I know that the Ministers of Housing and Works are considering urgently how to improve the efficiency of the Building Industry.

42. We can make much of the relationship between the new approach and Britain's place in the world; the idea that in the long run Britain's contribution to the present dramatic changes in human society and in world relations demands not only a sound economic basis, but a realisation of the spiritual and moral issues at stake. The new approach would be presented as the first step, but only as the first step, in a new total phase of our national development and our international influence for good.

43. Finally, whatever we may decide about the context within which the new approach should be presented and the elements which should be included in it, I am sure that we should put it forward as a single coherent plan for national development.

H. M.

Admiralty House, S.W.1,
18th June, 1962.
ANNEX

STATUS AND SECURITY AT WORK

NOTE BY THE MINISTRY OF LABOUR

For the great majority of people, who are dependent on their wages and salaries, full employment and national insurance are a safeguard against the worst hardships. But the misfortunes of losing a job or having to go on to short time, of sickness and old age, are still a serious threat to their financial security and standard of life. Too few wage and salary earners enjoy the advantages of a reasonable period of notice if they are no longer needed in a particular post; sick pay during illness; retirement pensions from their firm; and the assurance of a steady pay packet.

2. It should be Government policy to encourage a general extension of these advantages as we become more prosperous. This would increase the sense of security of those in employment and remove differences in status between the great mass of workers in industry, shops and offices on the one hand, and the minority of staff employees in industrial firms, the public services and the professional salaried worker. It should be Government policy to encourage employers to advance on these lines on a voluntary basis but to legislate to provide minimum standards on the most important issues. Any advance would have to be made by stages and the Government should indicate an order of priorities as below.

Period of notice

3. The first need is for contracts of service which provide for a reasonable period of notice. Most weekly-paid employees are at present liable to dismissal at a week’s notice. In some industries manual workers may be dismissed at a day’s notice or even less. It would be right to provide for a longer period of notice after a worker has served for a qualifying period with his employer.

4. A longer period of notice should not add substantially to industrial costs. In manufacturing industry there are about 3 million job changes each year, including both manual and non-manual workers. The great majority of these, however, arise from workers leaving their jobs voluntarily and a longer period of notice would involve no extra cost in these cases. It is estimated that only about 100,000 to 150,000 workers (manual and non-manual) are discharged each year because of redundancy, and some of these are already covered by redundancy schemes giving a longer period of notice. Moreover, an obligation to give a longer period of notice would be an incentive to firms to plan their labour needs more carefully and this would yield offsetting economies.

Redundancy

5. Employers should be encouraged to adopt other arrangements which can reduce the need for sudden dismissal and minimise personal hardships if dismissals are necessary. These include forward planning of labour needs; advance warning to employees of the prospect of dismissal and help in finding another job; dismissal of individuals to be made on the basis of fair and established principles and procedures; financial measures to meet individual hardships, such as severance payments.

Sick pay schemes

6. Schemes should be developed by employers to supplement statutory sickness benefit to bring an employees’ income during periods of illness nearer to his wage and salary earnings when employed. It is thought that about 55 per cent. of men in employment are already covered by schemes of this kind; the proportion being higher amongst salaried workers than wage earners. The schemes vary widely in the qualifications which entitle an employee to receive pay during illness, but are commonly related to length of service. They vary widely also in the amount of money paid.
Guarantee of earnings

7. The weekly pay packet of many manual workers is liable to vary quite considerably for reasons such as short-time working and changes, outside their control, which affect piece-work earnings. Many industries already have agreements for a guaranteed minimum weekly wage and it is estimated that these cover 8-9 million workers. In some of these agreements, however, the basis of guarantee now provides only very limited protection against a serious drop in the weekly pay packet. The Government should encourage improved arrangements to reduce excessive fluctuations in earnings where these can be worked out and the extension of the principle of a guarantee to those industries which have not so far adopted it.

Legislation

8. A declaration by the Government that employers should now move towards a longer period of notice on a voluntary basis is likely to be well received by employers. (The Minister of Labour has had encouraging talks on this subject with the office holders of the British Employers' Confederation and the more progressive employers already make a practice of providing for something like a month's notice.) As this is the most important step to be taken in the immediate future to increase the sense of security of employment, the Government should also announce their intention to introduce legislation to lay down a general statutory minimum period of notice to come into effect at a forward date so that employers would be given time to make their own arrangements.

9. Legislation on period of notice would provide a convenient opportunity for the Government to legislate also on contract of service in more general terms. Such legislation might require employers to give each worker a written statement setting out his basic conditions of service, e.g., hours of work, basis of remuneration, time and method of payment, length of notice, entitlement to holidays and rights, if any, to joint sick pay and pension schemes. The legislation would list the matters to be covered, but would not, on those other than length of notice, lay down any minimum standards.

SAFETY AND HEALTH AT WORK

10. The Government should make clear their policies for the protection of the safety, health and welfare of workers in all types of employment. In industry standards for safety, health and welfare are laid down in the Factories Acts and enforced by the Factory Inspectorate. This legislation was extended and brought up to date in 1959. In the industrial field Government policy in the immediate future is to encourage employers and work-people to develop better organisation for safety on a voluntary basis.

Legislation

11. In the past statutory protection of safety, health and welfare has not extended to workers in shops and offices. The Government should reaffirm their pledge to introduce legislation next session to do this. The proposed Shops and Offices Bill will give protection to 6 or 7 million employees by laying down standards for the general physical conditions of work and dealing with such matters as washing facilities, first aid and fire precautions.

APPRENTICESHIP AND TRAINING

12. There has been an encouraging increase in the last two years in the number of apprentices engaged, but the quality of much of the training given to apprentices by industry does not equip them adequately to cope with changing industrial techniques and the usual five-year period is unnecessarily long.

13. At the request of the Minister of Labour the two major apprentice training industries, engineering and building, are reviewing their arrangements. The first result of these efforts is the decision by the National Joint Council of the Building Industry to authorise its regional committees to reduce the apprenticeship period from five to four years. The engineering industry is still considering the subject. The Minister will continue to press industry in general to make the necessary radical changes in apprenticeship arrangements.
14. Recently courses have been started to give first year training to apprentices in technical colleges and Government Training Centres. These provide facilities for about 3,500 apprentices each year out of a total of some 120,000. The employer pays the wages during this year. At the Government Training Centre courses, which are regarded as demonstration courses, no charge is made to employers; at the local technical colleges the local authorities are expected to charge the employers for the industrial element in the course but the amount charged varies a great deal between different authorities. The standard of training given at these courses is of a high order and their expansion would contribute substantially to the improvement of the quality of apprenticeship training in industry generally. The Ministry of Education think that the courses in technical colleges could be expanded to provide for 10,000 by the autumn of 1964 and to provide for 30,000 five years from now. These proposals form one part of a plan for educational expansion put forward by the Minister of Education which is now being considered by the Chancellor of the Exchequer and the Chief Secretary on the Prime Minister’s instructions. It is not easy to reach a decision on this particular aspect in isolation from the rest of the plan.

15. The Ministry of Education would also like to abolish the charge for the industrial element in the training now made by the technical colleges. The Government would then be accepting responsibility on a fairly substantial scale for the cost of industrial training of young people. This departure from the principle that industry is responsible for industrial training could best be considered in the context of a wider examination of the financing of industrial training, as suggested in paragraph 18 below.

16. The further suggestion that the first year courses at technical colleges (and presumably also at Government Training Centres) should count for two years’ apprenticeship would require the agreement of the employers and unions. Raising this question on this narrow basis might prejudice the more general reduction in the apprenticeship period which has been raised by the Minister of Labour with the engineering and building industries. In practice it would be impossible to apply the reduction to public courses and not to the excellent apprentice training courses run by some large industrial firms.

17. In general an extension of the first-year technical college courses would help to improve the quality of apprenticeship training but not necessarily the quantity. To obtain an increase in numbers more direct pressure on industry may be required. The Report of the Working Party which considered the French levy rebate system showed that it would be extremely difficult to introduce a national system of that kind in this country, and that in any case the success of the French training system depends on several factors other than the levy which are not present here. The Working Party also thought there were difficulties about introducing a levy rebate arrangement in individual industries, chiefly because of the difficulty of demarcation of an industry for this purpose. But more recent thought suggests that this may not be insoluble and that it should be examined further. Such an arrangement would be consistent with the objective of encouraging industries to take more collective responsibility for improving their training.

18. In addition to apprentice training there will be need for expansion of adult training. Public provision for this is made at present in the Ministry of Labour Government Training Centres which train up to 3,500 unemployed men a year. This number is very small in relation to the needs of industry for skilled men, but expansion has been hindered partly by trade union restrictions of various kinds and partly because unemployed men are often unwilling to take courses on the relatively low maintenance allowances available when unskilled or semi-skilled employment can so readily be obtained. The Ministry of Labour have recently offered to undertake re-training of men in employment for their employers at a charge roughly covering cost; but so far there has been little response. In view of the expected substantial reduction in employment in the declining industries, coalmining, railways, and agriculture, however, an increasing number of men will require training and in the national interest they should get this rather than take unskilled employment. But some trade unions may oppose expansion of adult training, and discussion with them will be required.

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