

Public Sector Pay Policy.

Treasury Monitoring reports.

ECONOMIC POLICY.

PART 4.

Part 1: July 1979

Part 4: March 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.3.81		22.6.81					
19.3.81		27.7.81					
20.3.81		7.7.81					
27.3.81		13.7.81					
30.3.81		28.7.81					
3.4.81		5.8.81					
8.4.81		6.8.81					
14.4.81		29.8.81					
16.4.81		6.8.81					
27.4.81		Ends					
1.5.81							
4.5.81							
10.5.81							
19.6.81							

PREM 19/4/83

PART 4 ends:-

P.V (81) 17 2/9

PART 5 begins:-

PSP (0) (81) 23 7/9

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(PSP)(81) 9	16/03/81
PSP(0)(81) 12	27/03/81
PSP(0)(81) 11	30/03/81
PSP(0)(81) 13	30/03/81
E(PSP)(81) 11	03/04/81
E(PSP)(81) 12	03/04/81
E(PSP)(81) 3 rd Meeting, Minutes	15/04/81
E(81) 49	16/04/81
E(PSP)(81) 13	01/05/81
E(PSP)(81) 14	11/05/81
PSP(0)(81) 19	19/05/81
E(PSP)(81) 14	11/05/81
PSP(0)(81) 19	19/05/81
E(PSP)(81) 16	26/05/81
PSP(0)(81) 20	17/06/81
E(PSP)(81) 17	22/06/81
PSP(0)(81) 21	07/07/81
E(PSP)(81) 18	13/07/81
PSP(0)(81) 22	28/07/81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland

Date 31 March 2011

PREM Records Team



B/C: MR LANKESTER

Econ Pal

10 DOWNING STREET

6 August 1981

Mr Gordon

12

Public Expenditure and Public Service Pay

After your meeting on 31 July which discussed the paper you circulated under cover of your letter of 28 July to Brian Pearce, I had a word with Peter Dixon to say that the more I reflected on the implications of the options for the pay and non-pay factors, the more I was attracted to announcing that the provisional figure for pay would be 0%. Having now discussed this with Alan Walters and John Hoskyns here, I thought it might be useful if I committed this thought to paper before departing on leave, in the hope that there might be an opportunity to probe this option further at the beginning of September before the options are put to Ministers.

If I recall it correctly, your conclusion from our discussion on 28 July was that there would have to be two factors, because the spread was too large to make a single factor work, even for a short time; and that the best way to encourage Ministers to focus on the issues would be to put to them the proposal that the factors should be 5% for pay, and 10% for non-pay. And I think we agreed that it would be useful for the Chancellor to have a word with the Prime Minister about this before it was discussed even among a small group of the Ministers principally concerned.

At your meeting the disadvantages of the 5% and 10% formula were very clearly aired. I think we all recognised that the 5% figure could provide a rallying point for public service union opposition, and that because of the undertakings given to the Civil Service unions it would be regarded by them as a floor, on top of which another 2% or so could be expected by arbitration. I must say I find the argument that it would be possible to start off the negotiations by offering them less than the pay factor unrealistic. On top of these practical disadvantages, a 5% factor would be as widely regarded as a "pay norm" as the 6% factor was last autumn, whereas we ought to be encouraging the concept of a spread of settlements in response to varying labour market factors.

/Against

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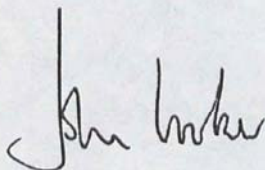
Against this background, it does seem to us that we ought to consider announcing in September that the non-pay factor would be 10 or 11%, or whatever the year on year inflation rate was expected to be; but that because the pay round had scarcely begun the provisional factor for pay in the cash limits would be set at zero. Of course, we would say, that is not intended to be a freeze, nor is it expected to be the outcome in many cases - but all public service pay increases would have to be argued for and justified. We would, in short, be setting an example by getting away from the concept of an automatic entitlement to an annual pay increase. We would be allowing ourselves the flexibility of providing for larger increases for, for instance, the firemen than for, for instance, the teachers; and we would completely circumvent the problem of having to show our hand in advance to the civil servants.

There would, it seems to us, be another important advantage. We know that some of the private sector groups who settle early in the round are hoping to get away with very low figures. By showing that we ourselves are operating zero based budgeting for the public service, and by avoiding the public indication of our willingness to go for middle single figures, we should be increasing the chance of the pay round starting with some low single figure settlements.

Peter Dixon has explained some of the difficulties to me, and indeed some of them are clear from the discussion at your meeting. At a time when Ministers have decided to go over to cash as a basis for their public expenditure decision making, we may be in danger of offering them distorted figures. To the extent that the need to accommodate pay rises within a low figure for the pay bill will provide an incentive to reduce manpower, that may be no bad thing; but we clearly ought not to be presenting Ministers with public expenditure options on the basis of misleading figures for the cost of labour intensive programmes. One possibility might be to provide Ministers with their own private figures indicating more realistic assumptions. This is the kind of point that it might be useful to investigate further, together with the question of at what point the "true" figures would end up being written into the public expenditure survey.

I am sending a copy of this letter to Alan Bailey and Brian Pearce.

Yours



G S Downey, Esq CB
HM Treasury

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LB

Handwritten initials

10 DOWNING STREET

From the Private Secretary

5 August 1981

MONITORING REPORTS: PUBLIC SECTOR PAY

The Prime Minister was grateful for the Chancellor's minute of 4 August with which he enclosed the latest Monitoring Report on Public Sector Pay. She agrees with his suggestion that the Home Secretary might circulate a paper to E(PSP) on fire service pay in time for discussion early in September. As regards the suggestion that there should be a further report on the British Rail pay negotiations, the Parliamentary Under Secretary of State in the Department of Transport has now minuted the Prime Minister (his minute of 4 August).

I am sending a copy of this letter to John Halliday (Home Office), David Heyhoe (Office of the Chancellor of the Duchy of Lancaster), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), David Edmonds (Department of the Environment), Julian West (Department of Energy), Stuart Hampson (Department of Trade), Anthony Mayer (Department of Transport), David Wright (Cabinet Office) and Gerry Spence (CPRS).

J. P. LANKESTER

Peter Jenkins, Esq.,
H.M. Treasury.

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B

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*cc Venches
Dwyer* 2
Ann Smith

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

PRIME MINISTER

12
4/8

MONITORING REPORTS: PUBLIC SECTOR PAY

Because there will now be no opportunity for consideration by E(PSP), I am circulating with this minute not only the usual monitoring report on the public trading sector, but also the report on the public services which is normally circulated to E(PSP).

2. This does also provide an opportunity to draw attention to some developments in both the public trading and services sectors which have implications for pay in the coming year. A settlement of 13.2 per cent has been reached for the police. The Fire Service Joint Negotiating Council has agreed to honour the index linking agreement for the Fire Service settlement in November, which could well imply a double figure settlement. This may be only an early indication of the problems on pay likely to be caused by the change in the political complexion of local authorities. Already this has led to a settlement totalling 11 per cent for London Transport; and the increase for the local authority manuals in November will be a key settlement. Looking further ahead the commitment on arbitration for the civil service could have an unhelpful effect on the level of settlements not just in the civil service but more widely in the public services.

3. As regards the nationalised industries, negotiations are continuing for British Rail, with the unions pressing very hard for the full implementation of an arbitration award totalling 11 per cent. And it will not be long before the coal industry pay negotiations are under way.



4. All this only reinforces the conclusion that it will not be easy to get the deceleration in pay which we need in the coming year if the prospects for output and employment are to improve. I have already let you have a report on the handling of nationalised industry pay negotiations in the months ahead with proposals for further work. But I should also like to reiterate Leon Brittan's request to Norman Fowler (letter of 30 July) for a further report on the British Rail pay negotiations: there are likely to be important questions here which merit early attention. And I think that it would also be very helpful if Willie Whitelaw could circulate a paper to E(PSP) on fire service pay in time for discussion early in September. In consultation with my officials this could cover the question of a no-strike agreement which I mentioned when we discussed police pay on 17 July.

This is in the box.

Agree?

T.

5. I am copying this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Sir Robert Armstrong and to Mr Ibbs.

*Yes
not*

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

4 August 1981

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PUBLIC TRADING SECTOR

1. UNITED KINGDOM ATOMIC ENERGY AUTHORITY - Staff (8700)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

UKAEA salaries are directly linked to those of civil servants and the settlement of the Authority's scales therefore awaits the conclusion of the central civil service settlement. The main unions are the civil service unions, who have recently voted to accept a revised offer of 7% plus £30.

2. BRITISH AIRWAYS (All groups 50,000)

Settlement date: 1 January
1 April for pilots

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU,
FTATU, UCATT, BALPA

Settlements have now been agreed for the larger part of the work force. Negotiations have been taking place in the National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. The distribution of the available sum has not been the same for all groups, but each Panel has kept within the planned overall cost.

The negotiations have not progressed since the last report, and three groups have not yet finally fallen into line. These are the ramp workers and cabin crews who are negotiating on detail, and the pilots. Negotiations for the pilots, whose increase would be implemented from 1 July, are moving only slowly. The pilots have neither rejected nor accepted the basic principles of the offer and there is the further difficulty in their case that anomalies left over from last year's restructuring need to be corrected and the Board wishes to do this without exceeding the cost for the group of the general pay offer.

3. CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

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CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their link with civil service pay has been maintained by agreement and increases have been in line with those agreed for civil servants with only minor variations. Four of the unions are civil service unions who have recently voted to accept a revised offer of 7% plus £30.

4. BRITISH STEEL CORPORATION (All groups - 140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTSS, APEX, SIMA

Earlier in the year, the Corporation obtained the agreement of all unions except ISTC to its "survival plan" and to pay increases of 7% from 1 July, with no increase from 1 January. As the ISTC decided at its Annual Conference to drop its opposition to the pay proposals and BSC is implementing the increases from 1 July, a settlement has in effect been concluded.

As well as the general increases many steelworkers can be expected to achieve additional earnings of the order of 3% to 4.5% from the renegotiation of local productivity schemes where the initial life of one year is expiring.

5. COALMINING - Manuals (224850)

Settlement date: 1 November

Union: NUM

The NUM Annual Conference on 6 July rejected a proposal calling for a "realistic and reasonable deal" and adopted an alternative Resolution which seeks a £100 a week basic minimum for surface workers with appropriate differentials for all other grades, these rates to be paid as a salary. The National Executive Committee is instructed to call a special Conference to consider the final offer if it does not meet the full demands of the Resolution.

A £100 basic minimum would mean a 23.7% increase on the 1 January 1981 minimum of

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80.85. Because of the characteristics of the wage system with its many variable components there is no simple arithmetical relationship between basic rates and total earnings. However 23.7% on rates would produce a somewhat smaller percentage rise in earnings, assuming constant shifts worked and no change in the other elements of pay.

Negotiations are not expected to begin until September.

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6. Passenger Transport Executive Non-manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

In September 1980 this group negotiated a staged settlement which gave estimated average earnings increases of 13.29% for the 12 months from 1 September 1980, and changed the ASD from 1 September to 1 April.

In the present negotiations staff voted to accept an increase of 7.5% on rates from 1 April 1981. The estimated average earnings increase is not known.

7. British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

Following the unilateral reference of their pay claim to the Railway Staff National Tribunal the unions have accepted the Tribunal's recommendation (published Thurs 16 July) for pay increases of 8% from 20 April 81, with a further 3% from 1 August 81 and a revision of London Weighting Allowance. The approximate cost of the award is 10.5% in a full year.

At the meeting on 23 July the Board held to their view that while the 8% award could be implemented immediately, the additional 3% must be related to a commitment by the unions to changes in working practices. Further discussions are taking place today. The unions have taken the line that productivity is a separate matter to pay and have threatened strike action if the award is not paid in full.

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8. London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date; 20 April 1981
Unions: ASLEF, NUR, TSSA

The unions claimed 12.5% increases and rejected offers of 8% plus a productivity element and 10% including a productivity element. They threatened an indefinite all out strike from 20 July.

At a meeting on 16 July LT offered to match the recommendations published earlier in the day by the Railway Staff National Tribunal, namely, 8% increase from 20 April 81 plus a further 3% from 1 August 81, costed at approximately 10.5% in the first year. There are no productivity strings.

On 17 July the Union Executives accepted the offer and called off the threatened strike.

The Chairman of the Executive's Transport Committee has publicly announced that the busmen's earlier settlement - 8% on basic pay, improved bonus worth 0.5% and an extra day of annual holiday - will be increased by 3% from 1 August to keep bus and underground pay in line. The offer has now been made (once again with no effort to improve productivity) and the TGWU/NEC voted to accept. As a small face saver LT have insisted that the extra day's holiday is postponed until next year.

Both underground and bus employees are to receive a lump sum payment of £50 as compensation for the erosion in the value of their free travel concession following the planned 25% reduction in fares from next October.

9. London Transport Executive (Rail Workshops Wages Grades - 3000)

Settlement date: 20 April 1981
Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMCHDE, NUR, TGWU, UCATT

In response to a claim for 12.5% pay increases LT offered a package worth just over 8.5% to which the unions did not respond. Talks will resume now that underground staff have settled.

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10. London Transport Executive (Road Workshops Wages Grades - 3540)

Settlement date: 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NUSMCHDE, TGWU, UCATT

Road Workshops grades accepted the same package as LTE Bus Drivers and Conductors 8% on basic pay, a minor bonus improvement worth some 0.5% and one extra day of annual holiday.

After the agreement for underground staff and the announcement on bus pay the unions await a revised and improved settlement.

11. British Telecom

CPSA: CA, CO, HCO, Typists, Data Processors etc (38,000)

SCPS: HCO, EO, HEO grades (7,000)

British Telecom have offered the above staff a similar deal to that agreed earlier with POEU and SPOE - 9% increase on basic pay, consolidation of an agreed productivity payment and an estimated 2% new productivity payment, replacing present productivity bonuses.

CPSA members have voted to accept the offer. The SCPS have voted narrowly against the offer.

The offer would add 9% to the paybill, estimated to add 10% to average earnings.

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12. British Transport Docks Board (Non-registered manual grades - 3300)

Settlement date: 22 April 1981

Unions: NUR, CSEU, EETPU, TGWU, UCATT

On a claim for increases in line with the annual movement in the RPI, Board offers of 7% and 7.5% have been rejected. 8% is acceptable to unions in principle but the remaining hurdle is to agree the date for the reduction of the working week to 39 hours and the associated changes in the calculation of overtime. Discussions will be resumed some time in August.

13. British Transport Docks Board (Non-Manuals - 1740)

Settlement date: 20 May 1981

Unions: TSSA, NUR, EETFU

Talks on salaried grades' pay opened on 23 June with an 8% offer. Discussions still have to take place on a reduction of 1 hour in the working week (see 12 above).

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KEY TO ABBREVIATIONS

ABS	Assoc. of Broadcasting Staff
ACTSS	Assoc. of Clerical, Technical and Scientific Staff
AGSRO	Assoc. of Government Supervisors and Radio Officers
AMEE	Assoc. of Managerial Electrical Executives
APEX	Assoc of Professional, Executive, Clerical and Computer Staff
ASBSBSW	Amal. Socty. of Boilermakers, Shipwrights, Blacksmiths and Structural Workers
ASLEF	Assoc. Socty. of Locomotive Engineers and Firemen
ASTMS	Assoc. of Supervisory, Technical and Managerial Staff
BAIPLA	British Airline Pilots' Assoc.
CPSA	Civil and Public Services Assoc.
CSU	Civil Service Union
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
EMA	Engineers and Managers Assoc.
EPEA	Electrical Power Engineers Assoc.
FTATU	Furniture, Timber and Allied Trades Union
GLCSA	Greater London Council Staff Assoc.
GMWU	General and Municipal Workers' Union
IPCS	Institute of Professional Civil Servants
ISTC	Iron and Steel Trades Confederation
MATSA	Managerial, Admin., Technical and Supervisory Assoc.
NALGO	Nat. Assoc. of Local Government Officers
NCCC	Nat. Craftsmen's Co-ordinating Committee
NSMM	Nat. Socty. of Metal Mechanics
NUB	Nat. Union of Blastfurnacemen
NUPE	Nat. Union of Public Employees
NUR	Nat. Union of Railwaymen
NUSMWHDE	Nat. Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
POEU	Post Office Engineering Union
SCPS	Socty. of Civil and Public Servants
SIMA	Steel Industry Management Assoc
SPOE	Socty. of Post Office Executives
TGWU	Transport and General Workers' Union
TSSA	Transport Salaried Staff's Assoc.
TWSA	Thames Water Staff Assoc.
UCATT	Union of Construction, Allied Trades and Technicians

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PUBLIC SERVICES

1. NHS Administrative and Clerical (123,000)

Settlement date: 1 April

Main Unions: NALGO, COHSE, NUPE

The staff side is claiming a substantial salary increase, restoration for the future of the link with non-industrial civil servants, broken in 1980; recoupment of the money lost since then as a result; annual leave improvements; and (separate from the main negotiations) a 35 hour week. At the meeting on 28 July a 'final' management side offer of 5.9 per cent on basic pay plus other improvements intended to comprise a 6 per cent package was rejected. The next meeting is scheduled for 25 August.

Comment

Now that the Civil Service has settled there is some hope that the staff side will accept the 5.9 per cent offer in August as on this occasion management side seem determined to preserve a small percentage for resolution of other problems.

2. NHS Ambulancemen (17,000)

Settlement date: 1 January

Main Unions: GMWU, NUPE, TGWU and COHSE

The trade union side of the Whitley Council is now ready to settle within the 6% pay factor but unions need to decide among themselves whether to opt for a 12 month or 15 month settlement (6½% or 7¼% on basic rates) and whether to take flat rate or differential increases. They will decide on 3 August, and thereafter joint secretaries will agree a settlement.

A review of terms and conditions of employment with particular reference to the feasibility of a salaried structure will begin this summer. All official industrial action has been called off.

3 Ambulance Officers (3,300)

Settlement date: 1 February

Unions: NALGO, COHSE, NUPE, TGWU AND GMWU

The Staff Side consulted members on alternative offers made on 15 April for ambulance officers and control assistants. The offers were (1) 6.04% on all basic salaries to cover the 12 months to 31 January 1982; and (2) 6.34% on all basic salaries to run for 14 months to 31 March 1982, together with 1 to 3 days additional leave for certain staff to match levels for ambulancemen taking into account the current offer to ambulancemen. Neither was acceptable to the officers and the Staff Side consulted the membership on their willingness to take part in industrial action in furtherance of an improved offer. Developments in the ambulancemen's Council are expected to produce a more favourable reaction to the offers and the JNC will reconvene on 12 August when it is expected that a settlement within 6% will be reached.

Comment

An offer which broadly preserves relativities with ambulancemen will probably prove acceptable. It seems unlikely that the officers will adopt a militant attitude.

4. Nurses and Midwives (492,000)

Settlement date: 1 April

Main Unions: RCN, COHSE, NUPE

At the Whitley Council meeting on 14 July, the staff side decided - after consulting their membership - to accept the 6% offer on basic pay and allowances linked to it. Other allowances are unchanged. The settlement is consistent with the NHS pay factor. Although DHSS Ministers have written to the Staff Side about future pay arrangements there has so far been no discussion with the Staff Side about the arrangements for next year's settlement.

Comment

The settlement is an important one for the NHS and will probably bring about early settlements in other NHS groups, namely professions supplementary to medicine, and other smaller groups.

6. Professions Supplementary to Medicine (25,000)

Settlement date: 1 April

Unions: various professional bodies

After rejecting three different 6% offers in pursuit of a claim to update salaries in line with New Earnings Survey figures, the staff side's constituent professional associations and trade unions now recommend to members acceptance of a 6% package giving 6% on all salary points and various minor improvements. These include improved emergency duty allowances for radiographers and a ½ hour reduction in the working week for orthoptists. The offer also provides for the immediate inclusion in the negotiating machinery of certain 'ad hoc' groups such as art and industrial therapists and building instructors.

Comment

A settlement is now possible without further negotiating meetings. The outcome of membership consultation is expected next week.

6. Medical Laboratory Scientific Officers (16,000)

Settlement date: 1 April

Unions: ASTMS, COHSE, NALGO, NUPE

At the fourth meeting of the Committee on 10 July, the Management Side made a final offer of 6% on all salary points and on each emergency duty rate. The Staff Side agreed to put this offer to the staff and reply by the end of the month. A settlement has now been reached.

7. NHS Maintenance Craftsmen and Assistants (24,000)

Settlement date: 1 January

Unions: EETPU, CSEU, NUPE, COHSE, TGWU, GMWU, FTATU, UCATT

The offer earlier accepted by MHS maintenance electricians and plumbers (partial consolidation of bonus earnings giving 6% in new money) has now been accepted by all

remaining groups, namely skilled and semi-skilled engineers and building and civil engineering craftsmen and labourers.

Comment

Conclusion of these and other main settlements with NHS improves the prospects for early settlements in the more senior works staff groups.

8. NHS Area and District Works Staff (3,900)

Settlement date: 1 April

Main Unions: STAMP, ASTMS, NALGO, COHSE, NUPE

At a meeting of the committee on 2 June the management side had offered an increase of 5.4% in basic pay and higher increases in the rates for emergency duties, conditional on the acceptance by the Staff Side of the full PTB council, that a small proportion of the pay factor should be reserved in each committee to fund improvements other than improvements in basic pay. At a subsequent meeting of the Council the full PTB Staff Side had taken the view that this year there should be no reserve fund of the kind proposed.

Management Side reviewed its position in the light of the Council Meeting and at a committee meeting on 22/7 offered an increase of 6% on pay point and on the rates for on-call stand-by-dates. The Staff side indicated that it would consult the staff and respond by the end of the month. It also indicated that staff were anxious that a settlement should be reached without further delay and it therefore seems likely that the offer will be accepted.

9. Police - Home Departments (134,322)

Settlement date: 1 September

Main Union: Police Federation

At the meeting of the full Police Negotiating Board on 22 July, agreement was reached on an increase of 13.2% from 1 September on all salaries of federated ranks and superintendents in line with the Edmund-Davies formula. This permits (May to May) police pay to be adjusted in line with the year on year movement in the average earnings index. The increase between May 1980 and May 1981 is 13.2%. The agreement is the basis of a recommendation to the Home Secretary who will accept in time for implementation on the settlement date. The settlement was announced by the Home Office on Friday 24 July.

10. Fire Service (36,500)

Settlement date: 7 November

Main Unions: FBU,NAFO

At a meeting of the Fire Service Joint Negotiating Council on 24 July the Management Side gave an undertaking that they would honour the index linking agreement for Fire Service pay in the 1981 pay negotiations. The Management Side had previously indicated that it was their intention to discontinue indexation. This change of policy reflects political changes in the GLC and AMC groups.

The indexation agreement has been in operation since 1977 and links Fire Service pay with pay of the upper quartile of Male Manual Workers given in the April New Earnings Survey with adjustment to the account of any further movement between April and their November settlement date.

Comment

Restoration of indexation will almost certainly lead to a settlement in excess of the 6% pay factor in the Rate Support Grant for 1981/82. The Fire Brigade Union had indicated that industrial action would follow if indexation was not honoured.

11. Non-Industrial Civil Service (562,000)

Settlement date: 1 April

Main Unions: CPSA,SCPS, IPCS, IRSF, CSU

Following informal discussions between CSD officials and representatives of the Council of Civil Service Unions (CCSU) the Government put revised proposals to the union side on 17 July. After a reassessment of the amount available within the cash limit, the Government has offered to increase basic rates of pay by £30 per head in addition to the previous 7% offer. The Government has also given an assurance that it will accept recourse to the Civil Service Arbitration Tribunal in 1982, if it proves impossible to achieve a negotiated settlement. This is on the understanding that the Government reserves the right to ask the House of Commons to approve setting aside an award on grounds of overriding national policy.

The Union have consulted their membership and on 30 July the CCSU voted to accept the offer and return to work.

12 Industrial Civil Service (148,000)

Settlement date: 1 July

Main Unions: AUEW, GMWU, GTWU, UCATT, EETPU

The unions' claim is for basic pay to be increased in line with the cost of living since their last settlement; for the number of conditioned hours in the working week to be reduced; and for the holiday entitlement to be increased. They have also made clear that they wish to reserve their position on alignment of their settlement date with that of the non-industrials and that they require a statement of intent on pay determination in the future.

An offer worth 7% to run for the year from 1 July 1981 was made on 1 July. The union side was offered the same assurances about the 1982 pay negotiations as the non-industrial civil service and told that the Government would in due course be ready to discuss pay determination for 1983 and beyond.

The union side said that it had wanted to receive alternative offers which could be put to members: a package worth 7% for 12 months or 5 $\frac{1}{4}$ % for 9 months, the latter enabling alignment of their settlement date with that for the non-industrials. They made it clear that they were not prepared to put the 7% offer by itself to their members.

CSD Ministers have now made a new offer which:

- (a) gives the unions a choice between a 12 month and 9 month settlement from 1 July 1981;
- (b) Following the recent offer to the non-industrials, increases the level of the offer to 7 $\frac{1}{2}$ % for a 12 month settlement and 5 $\frac{5}{8}$ % for a 9 month settlement.

They have also extended to the industrials the assurance given to the non-industrials that the Government would enter into negotiations in 1982 without a predetermined limit on settlement costs.

13 Local Authority APT and C Group (630,000)

Settlement date : 1 July

Main union : NALGO

An offer worth 7.5% has been accepted. It will give an increase of 7.3% for most staff with the remaining 0.2% being used for the restructuring of lower grades. The union's claim had been for an increase worth 13-14% plus other improvements.

Comment

This settlement is in accordance with the level of settlement reached for other local authority groups. It will be left to individual employing authorities to meet the cost in excess of the 6% pay factor but this may involve further manpower reductions.

14 Registrars of Births, Marriages and Deaths (1,700+)

Settlement date : 1 July

Unions : NALGO, SORO

Discussions continue on this regrading claim. Industrial action is also continuing.

15. Local Authority Chief Executives, Designated Chief Officers and Deputies

Chief Executives (453)

Settlement date: 1 July

Union: ALACE

Designated Chief Officers and Deputies (2,500)

Settlement date: 1 July

Union: Various professional officers associations; NALGO

A settlement has been reached for both groups giving increases of 2% from 1 April 1981, to remove discrepancies with other white collar staff which arose last year following the APT and C arbitration award, and 7.5% from 1 July.

Comment

The 2% increase prevents inverse differentials developing between the Chief Officers represented in the JNC and those Chief and Deputy Chief Officers represented in the JNC for APT and C Staff.

16. GLC/ILEA APT&C Grades (19,000)

Settlement date: 1 July

Unions: GLCSA, NALGO, NUPE

The union side has submitted a claim for an increase of 12.1% based on increases in various cost of living indices. The employers have now formally offered a package worth 7.5%. The unions have agreed to consider this offer, but there is unlikely to be any further discussion until the middle to end of August.

17. Metropolitan Police Traffic Wardens (1,100)

Settlement date: 1 July

Main Union: Civil Service Union

A claim has been submitted for increases (worth 7.5%) in line with those awarded to the Local Authority APT and C miscellaneous grades which cover provincial traffic wardens. Settlements for the Metropolitan Police Traffic Wardens normally follow this group. No offer has yet been made. CSD is considering the claim and no meeting has yet been arranged.

Comment

CSU are claiming a pay link with Civil Service security grades and have requested that the question be put to arbitration.

18. Magistrates Courts and Probation Service

Settlement date: 1 July

Unions: AMO, CPSA, SCPS.

Settlements have now been reached for these groups resulting in an increase of 7.5% for staff in Magistrates Courts and 7.9% for probation service staff. Both settlements are based on the settlement reached for local authority APT and C grades. The 7.9% in the probation service ^{also} includes provision to go part of the way to restore their traditional link with social workers.

New Town Whitley Council Grades GB (7,800)

Upper Salary Range (800) - Settlement date: 1 April

Union: NALGO

Grades I-IX (7000) - Settlement date: 1 July

Union: NALGO

There are two groups covered by the Whitley Council negotiations: those in the Upper Salary Range and those in Grades I-IX. Staff in the Upper Salary Range are by agreement percentage linked to a third group, the New Town Chief Officers, who have a direct and automatic link with the Civil Service.

The union has submitted a claim for the two groups covered by negotiations in the Whitley Council (the Upper Salary Range and Grades I-IX) which is based on that made by the Civil Service unions. It would give a 15% increase to all staff but also an additional 15% for Grades I-IX to rectify the large differential between the two groups. Other improvements are also claimed. The employers estimate the total cost of the claim as up to 40% of the paybill. They have made an offer worth about 6% based on restructuring which would end the automatic link between the Upper Salary Range and the Chief Officers and therefore with the Civil Service. This was rejected by the union side and it was agreed to make a joint reference to arbitration. It was also agreed that the award would be binding on both sides (technically subject to formal Government approval). ACAS has been asked to make arrangements for the issue to be heard by the Central Arbitration Committee.

Comment

The principal aim of the restructuring is a desirable one. The employers' case will rest on ability to pay related specifically to the administration cost ceilings imposed by DOE (in lieu of cash limits). The arbitrator might make an award in excess of 6% if he takes account of the traditional relationship (acknowledged by Clegg), with local government APT and C staff. This would be unlikely to have any significant public expenditure or repercussive effects in view of the small size of this group; but internal action may be necessary by the development corporations to keep costs within the ceilings. The Secretary of State could not use his powers of direction to overturn the award without the probability of successful legal challenge.

20. Local Authority Building and Civil Engineering Employees -
(Scotland) (10,900)

Settlement date: 1 July

Unions: FTAT, UCATT

Agreement has now been reached on a settlement worth 7.5%.

Comment

This settlement is at the same level as that for Local Authority Building Employees in England and Wales.

21. Local Authority Plumbers (Scotland) (1515)

Settlement date: 1 July

Union: EETPU

An offer worth 7.5% has now been accepted.

22. Local Authority Chief Officials in Scotland (800)

Settlement date: 1 July

Main union: Various professional officers associations; NALGO

An offer of an increase worth 7.5% from 1 July has been accepted.

The settlement also includes restructuring worth an additional 2% which the Standing Commission on Pay Comparability had recommended should be held in reserve for this purpose.

23. University Clerical Consortium (17,500)

Settlement date: 1 July

Unions : NALGO, NUPE, ASTMS

Agreement has been reached on an increase of 7% plus some restructuring at an additional cost of 0.2%. The unions had been claiming a 15% increase plus some restructuring and other improvements. The settlement is for a 12 month period and so involves no change of settlement date.

24. University Computer Operating Staff (750)

Settlement date: 1 July

Unions : ASTMS, NALGO

Agreement has been reached on an offer of 7% plus 0.2% for restructuring. The unions' had been claiming a 15% increase plus some restructuring. The settlement does not involve a change of settlement date.

25. Academic Staff in Central Institutions (Scotland) (1310)

Settlement date: 1 April

Unions : ASTMS, ALSCI

The unions are recommending to their members acceptance of an offer worth 6%. This follows an arbitration award of 6% for lecturers in Colleges of Education the outcome of which had been awaited by this group.

26. Service Medical and Dental Officers (1400)

Settlement date: 1 April

The Armed forces Review Body's supplementary report on the pay of Service Medical and Dental officers has now been received by the Prime Minister. It recommends increases which represent an additional 7% in the paybill. It is consistent with the increase given to doctors and dentists in the NHS and the Government's acceptance of the Review Body report was announced on 31 July.

KEY TO ABBREVIATIONS

ALACE	Association of Local Authority Chief Executives
ALSCI	Association of Lecturers in Scottish Central Institutions
AMA	Association of Metropolitan Authorities
APT and C	Administrative, Professional, Technical and Clerical grades (Local Authority)
APTEC	Administrative, Professional, Technical, Executive and Clerical Grades (GLC/ILEA)
ASB	Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers
ASTMS	Association of Supervisory, Technical and Management Staff
AUEW	Amalgamated Union of Engineering Workers
COHSE	Confederation of Health Service Employees
CPSA	Civil and Public Servants Association
CSEU	Confederation of Shipbuilding and Engineering Unions
CSU	Civil Service Union
DDRB	Doctors and Dentists Review Body
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
FBU	Fire Brigades Union
FTATU	Furniture Timber and Allied Trades Union
GLCSA	Greater London Council Staff Association
GMWU	General and Municipal Workers Union
IPCS	Institution of Professional Civil Servants
IRSF	Inland Revenue Staff Federation
JCC	Joint Co-ordinating Committee
NAFO	National Association of Fire Officers
NALGO	National Association of Local Government Officers
NUPE	National Union of Public Employees
RCN	Royal College of Nursing
SCPS	Society of Civil and Public Servants
SORO	Society of Registration Officers
STAMP	Supervisory, Technical, Administrative, Managerial and Professional Section of UCATT
TGWU	Transport and General Workers Union
UCATT	Union of Construction, Allied Trades and Technicians

MR LANKESTER

3 August 1981

12

MR. VEREKER

PUBLIC EXPENDITURE AND PUBLIC SERVICE PAY

As I understand it the general policy of the Government is to first restrict the growth of public spending, and secondly to ensure that more public spending goes to the private sector and less is dispensed in pay of civil servants and employees of Government. Thus we want to set up arrangements that discourage the hiring of civil servants and encourage the Government to put work out to contract or to make purchases from the private sector.

This is all complicated, however, by the fact that if we put in even a notional value for pay, such as the 5% suggested by the Treasury, this will be taken as something like a norm for purposes of pay bargaining. It is, so to speak, what we have budgeted for and what they are entitled to get their hands on. And, as you say, they will be entitled to believe that with a bit of muscle they can get another 2% or so.

My first preference, which however I am sure is impossible, is to work in terms of a zero percent for the wage bill of each of the major departments. The non wage element would be inflated at the expected 10%. This would then present the departments with a total wage bill which would give them a mixture of cutting their employees and increasing wage rates, *pari passu*. Similarly the departments would be induced to put more work out to the private sector since their non wage inflation factor is 10%.

The argument against this approach is that it would squeeze those departments that are labour-intensive far more than those which have a small direct labour component. Similarly, those departments that have economised in previous years and have now a relatively small wage bill, will be penalised relative to those which maintained a large direct labour component. (Incidentally, I think your distinction at the bottom of page 1 between labour intensive and capital intensive programmes is a little misleading: what you should distinguish between is direct labour intensive and non direct labour intensive programmes. The fact that the public

/authority does not

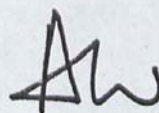
authority does not spend money directly on wages but spends it on acquiring goods from private industry, does not imply that such expenditure is not labour intensive; it may well be.)

My objective in switching to a wage bill norm instead of a pay figure is to induce an incentive to cut the direct labour force. Of course to some extent this depends upon the fact that the department will negotiate rates individually with the labour force employed by that department or its constituent agencies. For example, it seems to me that it might be a very good thing to have a wage bill norm of zero percent increase in, for example, higher education.

However, granted that the wage bill norm is a non-starter, I am still very much inclined to your view that we should put a low figure on the pay assumption and a high figure on the non pay rate of increase. My main reason for doing this is that I regard them as shadow prices in negotiating with departments on their policy. What we want to see is departments reducing their direct labour and putting more work out to the private sector. Thus our price indices, for planning purposes, should reflect this predilection. Thus I would be inclined to your view for zero percent for pay and, say 13% or 14% for non pay expenditure. Now you may object that these are not "realistic" as expected inflation rates. Of course they are not. They are meant to be planning magnitudes. And planning is concerned primarily with day-to-day decisions not with realised values. Departments should be aware that they will be treated much more leniently in terms of their cash planning if they economise on direct manpower and put more work out to the private sector. I think that this approach would fit rather nicely into the concern that you have that any figure we put into the planning process will be used as a base figure for pay bargaining. If it is zero then I do not think that it will provide very much leverage. I would regard this aspect of the planning process as a secondary matter. But I may be completely wrong since politically and in terms of the pay bargaining process it may be a dominant consideration.

/I have stated

I have stated these conditions in rather stark terms. But it is possible to develop more sophisticated rules that take into account the relative direct labour intensity of different departments. I doubt, however, whether it is worthwhile at this stage to elaborate any further.



ALAN WALTERS

3 August 1981

cc Mr. Duguid
Mr. Lankester ✓
Mr. Ingham

CONFIDENTIAL

cc: Mr. Duguid
~~Mr. Lankester~~
Mr. Ingham

MR. WALTERS

Public Expenditure and Public Service Pay

12.

The Treasury has started thinking about the interactions between decisions on public expenditure and pay in the public services between now and next Spring; and I attended a first discussion of the issues, chaired by Gordon Downey, on Friday morning. Decisions on the pay and price factors will have to be made fairly early in the Autumn, and it would be useful to have your views on how we approach these before you go away: and I have a preference of my own which I would like to put to you.

Timing

Decisions on pay and price factors for the public expenditure survey and for the opening of negotiations with local authority manuals ^{as needed} by mid September - six weeks earlier than last year, as a result of the decision to go over to cash planning. The consensus, which I share, is that these decisions should be announced and explained at the time they are made, rather than allowed to leak out and give rise to misunderstandings. But clearly both, and especially the pay one, will give rise to controversy.

One factor or two?

It is perfectly possible to combine these into one factor, and there is a line of argument in the Treasury which still argues for that. But since the inflation assumption has now worsened, the gap between the two is so large that a single factor would lead to massive distortions between labour-intensive and capital-intensive programmes, and a very messy series of negotiations between the Treasury and spending departments to straighten it out. So the consensus is for two factors, and the Treasury will propose 5% for pay and 10% for non-pay.

/ These figures

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- 2 -

These figures are of course a compromise between a political judgement of what the public will swallow by way of a forecast drop in living standards, and an economic judgement of what is needed (in the case of pay) or expected (in the case of non-pay). On the latter grounds the figures probably ought to be 4% and 11% respectively.

Announcing in mid September a 5% pay factor for the public services will get us into considerable difficulty. In the first place, it provides a figure (and one with an unhappy recent political history) against which the unions can combine to destroy. Second, it looks like a norm, just as the 6% pay factor last Autumn did. Third, because we have promised the Civil Servants that we will not pre-determine cash limits, Civil Service Unions will (justifiably) regard it as a base and expect around 2% more. With the explicit prospect of a 5% fall in living standards of wage earners, the chances of holding to the pay factor will be slim.

A provisional pay factor of zero

One way round these problems, which does cause considerable internal difficulties for the Treasury, would be to announce that the pay factor would be provisionally put at zero, and that revisions would subsequently be made in line with the pay increases agreed. I think we could get away with explaining that this is not in any sense a pay freeze, simply a form of zero-based budgeting: all pay increases would have to be justified, and we would expect a range of settlements in the public services. It would solve the Civil Service problem, and it would be consistent with our overall approach to pay, which is that there may well be ~~some~~ groups for whom no pay increase at all is justifiable (in practice, I doubt if that would apply except perhaps in the case of the teachers). But the Treasury point out that the decision to go over to cash planning is based on the intention to provide Ministers early in the Autumn with figures reflecting actual costs, and that a 0% plus 10% formula would distort the basis for their decisions by concealing the cost of labour-intensive programmes. I am inclined to think we ought to find a

/ way round that,

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- 3 -

way round that, perhaps by providing Ministers with two sets of figures, one containing the 5% assumption and the other with 0%. In any case the true figures, or at least well informed assumptions, would have to be written in before the New Year.

Do you, or other recipients of this minute, see merit in this approach? The Treasury's intention is to have the Chancellor minute the Prime Minister on the basis of the 5% and 10% factors, proposing that if she agrees she might hold an ad hoc meeting of Ministers controlling substantial public service pay (Messrs. Jenkin, Heseltine and Soames, plus Prior) early in September. Lord Soames is apparently only available on 10 and 11 September.

J. M. M. VEREKER

3 August 1981

CONFIDENTIAL

CONFIDENTIAL

Ami Smith

MR. LANKESTER

c. Mr. Ingham
Mr. Duguid

MT

To note
13/7

PUBLIC TRADING SECTOR MONITORING REPORT

The only issue to which you may wish to draw the Prime Minister's attention in the monitoring report dated 10 July sent to her by the Chancellor is the question of the treatment of the forthcoming arbitration award for British Rail (Item 9).

Flas A

This is significant in two senses. If, as expected, Lord McCarthy's recommendation is several points over the 7% which is the maximum that can be financed within the EFL Ministers will face an awkward decision as to whether the EFL should be increased or the railway strike faced. In the expectation that the arbitration award would be known at the end of last week, this was planned for E this coming Thursday; but we do not now expect the award until Thursday, so presumably the discussion will have to be postponed.

And it is generally expected that the arbitration award will affect the prospects for a strike, already planned for 20 July, on the London Underground (Item 10). Certainly the tube workers will expect whatever BR get, but those negotiations are of course complicated by the relationship between London Transport and the new GLC, who are facing up to the financial reality that they cannot both lower fares and increase wages. The Contingency Unit met this morning to look at the prospects for a tube strike, and heard advice that the likelihood was assessed at 50%; the usual contingency arrangements for an underground strike - which concentrate on emergency clearways on main roads, and extra car parking spaces - will, if necessary, be put into effect. If there is a strike, it may well last for as long as two weeks; Mr. Fowler will be reporting to the Prime Minister as soon as the decision is known.

Jr.

13 July 1981

CONFIDENTIAL



10 DOWNING STREET

CF

THE PRIME MINISTER

DSG
cc: Mr Verelst

13 July 1981

Dear Sir Ray,

Thank you very much for your letter of 7 July about pay in 1981/82, and for the document which you enclosed with it, which I found most interesting.

I need hardly say that we very much share the CBI's view of the importance of the coming pay round because of the impact it will have on our national competitiveness, and hence on the prospects for industry and employment.

I found the analysis on page 10 onwards of the document on private sector labour costs most revealing, and I was also interested in the information - later in the report - on the increasing tendency towards longer holidays and shorter working hours.

Sir Raymond Pennock

y
Yours sincerely
Margaret Thatcher

10

CONFIDENTIAL



*cc Verelst
Duguid 2*

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

Ami Amst

PRIME MINISTER

12

MONITORING REPORT: PUBLIC TRADING SECTOR

... I attach the latest pay monitoring report on the public trading sector. I do not think that there are any particular issues to which I need draw attention on this report.

2. I am sending a copy of this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr Ibbs and to Sir Robert Armstrong.

Ami Amst
for (G.H.)
10 July 1981

(Approved by the Chancellor and signed in his absence.)

PAY MONITORING REPORT - PUBLIC TRADING SECTOR

1. British Nuclear Fuels Ltd - Industrials (8760)

Settlement date: 1 July

Unions: GMWU, AUEW, TGWU, EETPU

The Company at first offered 7.5% and later moved to 9% on all scales. The unions have agreed to recommend acceptance of the improved offer, which is to be put to shop floor meetings. No difficulties are expected in obtaining final ratification. The settlement includes a shortened working week from 1 January 1982. The length of the revised working week has not yet been determined. A joint working group has been set up to study the matter and to resolve problems of implementation. The Company hopes the arrangements for the introduction of the shorter week will include measures of rationalisation which could save money.

BNFL's estimate of the total cost of the settlement is 8.5% on the paybill.

2. United Kingdom Atomic Energy Authority - Staff (8700)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

UKAEA salaries are directly linked to those of civil servants and the settlement of the Authority's scales therefore awaits the conclusion of the central civil service settlement. The main unions are civil service unions currently in dispute with the Government. There has been some participation by the Authority's staff in the civil service industrial action, but at present this does not extend beyond 8 blastblowers at Harwell. The 20 or so workers at Dounreay who had been on strike have returned.

3. Electricity Supply - Clerical and Administrative (50,000)

Settlement date: 1 May

Union: NALGO

The expected settlement on the terms previously reported has been confirmed. It provides:

- (a) for administrative grades, the same terms as the engineers, ie 10.8% on salaries tapering at the top to 9% ;
- (b) for clerical grades, 10.8% on salaries for the top grades tapering to 9% at the bottom of the scales

All grades obtain a one-hour reduction in the working week from 1 October 1981. Most of the cost is expected to be absorbed without increase in the salary bill.

The Council assesses the total cost over a full year at under 11%

4. Water Services - Non-manuals

Settlement date: 1 July

Settlements have now been reached with all three white collar groups. As expected, the recommended offer to staff (31,500), the terms of which were reported previously, has been formally accepted. Senior staff (500) have settled for a similar 10.9% increase on salary scales but tapering to 10% at the top where scales overlap with those for chief officers (500) who have also settled for a 10.% increase.

5. British Steel Corporation (All groups - 112,700)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTSS, ASTMS, APEX, SIMA

The Corporation obtained the agreement of all unions except ISTC to

its "survival plan" and to pay increases of 7% from 1 July, with no increase from 1 January. ISTC has rejected the offer and refused national agreement on the survival plan, although they are willing to engage in local negotiations on redundancies in particular plants.

The issues came before ISTC's Annual Conference in the week of 16 June, the outcome being that the union decided to drop its opposition to the pay proposals. It is not clear whether this means ISTC will actually subscribe to the agreement, but in any case BSC implemented the increase on 1 July.

The Times reported on 20 June that on top of the 7% steelworkers would be receiving additional money of the order of 3% to 4.5% from increased productivity payments. Department of Industry has asked BSC about this apparently new item, and the Corporation has explained that it is not a part of the 1981 settlement. Locally negotiated productivity schemes yielding lump-sum bonuses were an element of the 1980 agreement which followed the prolonged strike. The schemes had an initial life of one year and extensions have now been negotiated. The Corporation has stipulated that the increased bonuses flowing from such negotiations must be financed by improved productivity.

6. British Airways (All groups 50,000)

Settlement date: 1 January
1 April for pilots

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU,
FTATU, UCATT, BALPA

Settlements have now been agreed for the larger part of the work force. Negotiations have been taking place in the National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. The distribution of the available sum has not been the same for all groups, but each Panel has kept within the planned overall cost.

Three groups have not yet finally fallen into line. These are the ramp workers and cabin crews who are negotiating on detail, and the pilots. Negotiations for the pilots, whose increase would not be implemented until 1 July, are moving only slowly. The pilots have neither rejected nor accepted the basic principles of the offer and there is the further difficulty in their case that anomalies left over from last year's restructuring need to be corrected and the Board wishes to do this without exceeding the cost for the group of the general pay offer.

7. Civil Aviation Authority (All grades.-- 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

CAA staff were originally civil servants and remained civil servants until 1975 when they become direct employees of the CAA. Since then their link with civil service pay has been maintained by agreement and increases have been in line with those agreed for civil servants with only minor variations. Four of the unions are civil service unions currently in dispute with the Government on the central civil service pay claim.

A proportion of the air traffic control staff continues to support the civil service action with a campaign of selective strikes which cause considerable disruption to services on the selected occasions.

8. Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% for the 12 months period from 1 September 1980. In the present round offers of increases, from

1 April 1981, of 6%, 6.5% and finally 7.5%, have all been rejected. Union members have been asked to vote on whether to take industrial action in support of an improved offer. The results of the ballot are expected on 11 July.

9. British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

The 3 rail unions submitted a claim for "substantial pay increases" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which union negotiators rejected. Further meetings were held on 16 and 21 April at which BR were unable to improve their offer.

The unions then decided on the unilateral reference of their claim to the Railway Staff National Tribunal and both sides presented their cases on Monday 8 June. In line with their annual conference (2-10 June) decision, ASLEF is reportedly threatening strike action over investment levels and possible cuts in services which would affect earnings and jobs.

The NUR considered the same issues at their annual conference last week. BRB take the view that no official trouble is likely in advance of the meetings which will follow Lord McCarthy's recommendations, which are now expected around the middle of this month. The Secretary of State for ^{Transport} will be consulting colleagues about the likely impact of the arbitration award on the Boards' EFL.

10. London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

Claims for a 12.5% pay increase were submitted on 31 March. The

unions have rejected offers of 6%, 8.5% plus a day of annual holiday and discussions on reducing hours, and 8% on basic rates plus productivity payments would could lift some drivers increases to over 15%.

In an attempt to persuade the GLC leadership to make more money available to improve the last offer the unions have set up a £500,000 strike fund and is now seeking support from other transport unions.

The leader of the GLC has now said that he will more than match any increases which resulted from the RSNT recommendations.

11. London Transport Executive (Rail Workshops Wages Grades - 3000)

Settlement date: 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMCHDE, NUR, TGWU, UCATT

In response to a claim for 12.5% pay increases BR has offered a package worth just over 8.5%. The unions have not yet replied (but see item 10).

12. London Transport Executive (Road Workshop Wages Grades - 3540)

Settlement date: 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NUSMCHDE, TGWU, UCATT

Road Workshops grades have accepted the same package as LTE Bus Drivers and Conductors - 8% on basic pay, a minor bonus improvement worth some 0.5%, one extra day of annual holiday and a promise to consider the possibility of a 38-hour week. LTE has been warned by the TGWU that their road staffs' settlements will have to be re-opened if any group (eg rail staffs) is offered more.

13. British Transport Docks Board (Non-registered Manual grades - 3300)

Settlement date: 22 April 1981

Unions: NUR CSEU, EETPU, TGWU, UCATT

A claim for increases in line with the annual movement in the RPI was discussed at a meeting on 13 May, when the Board's initial offer of 7% was rejected. A revised offer of 7.5% was rejected and the Board made an improved offer of 8%.

Unions' representatives undertook to consult their Executives on the offer and talks resume on 22 July.

14. British Transport Docks Board (Non-Manuals - 1740)

Settlement date: 20 May 1981

Unions: TSSA, NUR, EETPU

Talks on salaried grades' pay opened on 23 June and were adjourned until 22 July without an offer being made.



10 DOWNING STREET

PRIME MINISTER

This letter from Ray Pennock about the CBI's 1981/82 pay campaign, and the document enclosed with it, has some good material in it. You will find the analysis of labour costs on page 10 onwards, and the information on the rising tendency towards longer holidays and shorter hours (pages 44 and 45), interesting.

I attach a draft reply for you to send.

Handwritten notes: "not 1" with an arrow pointing to a circled "CML"; "The Pennock copy to Treasury"; "copy of this and Pennock letter (with document) to -"; "Miss O'Brien, Tsy, Employment, Vendor".

10 July 1981

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Telegrams Cobustry London WC1

From
Sir Raymond Pennock
President

15

CBI
CONFEDERATION OF
BRITISH INDUSTRY

CONFIDENTIAL

7th July 1981

K9/7

Dear Prime Minister,

PAY IN 1981/82

I have mentioned to you in recent meetings that we were planning to hold two conferences of chief executives and industrial relations directors from a wide range of companies and employer organisations to discuss an agreed course of action for pay settlements in the twelve months ahead.

Approximately 140 attended the conferences which were held on 18 and 25 June and I thought you would be interested to know how the discussions developed there.

The conferences began with two fifteen minute presentations by the CBI's Chief Economic Adviser and the Director of Social Affairs. Their main themes were as follows:

On the economic front

Since mid 1980, settlement levels have reduced substantially - for example from an average of just over 16% in manufacturing to a current average of about 8%. Although this has been a substantial achievement, it has been insufficient to prevent a further decline in output, employment, profitability and above all competitiveness.

Our labour costs have risen consistently faster than our competitors' (for example by 25% compared to their 10% on average in 1979/80). Unless we can reverse this by higher productivity and lower pay settlements we cannot hope to reverse the decline in competitiveness.

High pay settlements have eaten away at real profits (forecast at 2% for 1981, apart from the North Sea). This has led directly to falls in investment and employment.

Unless labour costs are contained, inflation and unemployment will rise, output will stagnate and eventually fall back and profitability and investment will remain intolerably low.

/ ...

On the industrial relations front

We must ask whether the "realism" of the last twelve months has been based on fear or understanding; whether there has been a change of behaviour or of attitude.

Pay bargaining in the last twelve months has resulted in settlement levels well below the Retail Price Index, and a considerably wider distribution of settlements than in previous years.

There has been much less evidence of a "going rate".

In sharp contrast to 1980/81, and despite a wide spread within the sectors, there has been far less disparity in settlements between private sector manufacturing, nationalised industries and public services (see Chart 32 in enclosed booklet).

We have further handicapped ourselves by substantial concessions on working time, in advance of our competitors (nearly 50% of British manual workers will be on a standard week of 39 hours by next year).

Industrial relations pressures may well increase in the next twelve months, making low settlements harder to achieve.

Economic pressures, on the other hand, particularly of unemployment and cash flow, will still be there.

It will be up to managers to swing the balance. They will have to set firm objectives of planning ahead, explaining the realities of business, aiming for far, far lower settlements than in the previous twelve months and avoiding further concessions on working time.

As someone not involved in their preparation, I can say that the presentations were thought to be first class, with the analysis fully accepted. We were encouraged to repeat the presentations as widely as possible - for example with appropriate members of the Cabinet, with the Permanent Secretaries, with union leaders and with our members throughout the country.

A good deal will depend on the will of managers to carry through lower pay settlements. This in turn will depend on their understanding in depth the economic and financial constraints facing business and thus being thoroughly equipped to communicate these realities to employees well in advance of negotiations.

/ ...

Employers in the public services, nationalised industries and the few parts of the private sector with relatively high profits which might encourage trade union pressure will have a critical task - to avoid exporting unemployment to the rest of the economy through high pay settlements.

It was also agreed that it would be wrong for the CBI, or the Government, to propose any norm for settlements in the coming months, although it was clear that they must be reduced substantially. Some companies doubted whether they could afford any increase at all.

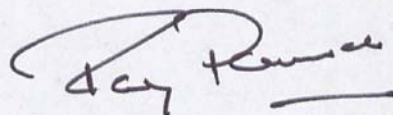
In addition to the immediate tasks for individual businesses, there was the wider task, particularly for the Government itself, and for the CBI, to do everything possible to influence the public climate on pay and reduce expectations by full and constant explanation of the realities of our economic problems.

We shall be doing everything we can to get these messages across in the weeks and months ahead.

I am enclosing a copy of the illustrated text of the presentations which you may wish to pass on to your staff.

I am sending copies of this letter to the Chancellor of the Exchequer and the Secretary of State for Employment.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Roy Jenkins", with a horizontal line underneath the name.

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10, Downing Street,
London, SW 1.

RAY 1981/82

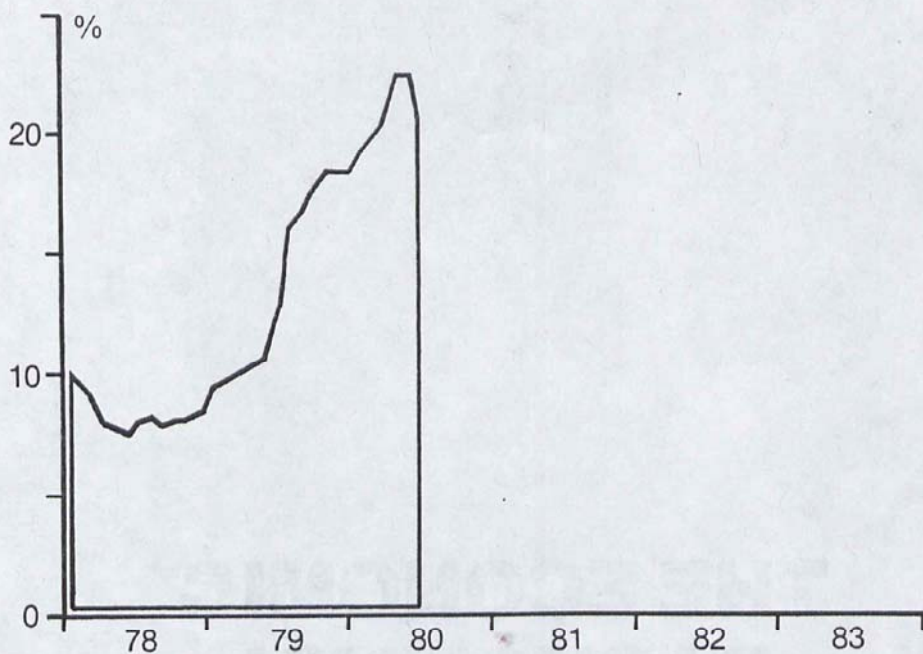
CBI
CONFEDERATION OF
BRITISH INDUSTRY

Confederation of British Industry
JUNE 1981(3)
£2.00

**THE ECONOMIC
BACKCLOTH**

INFLATION TO MID 1980

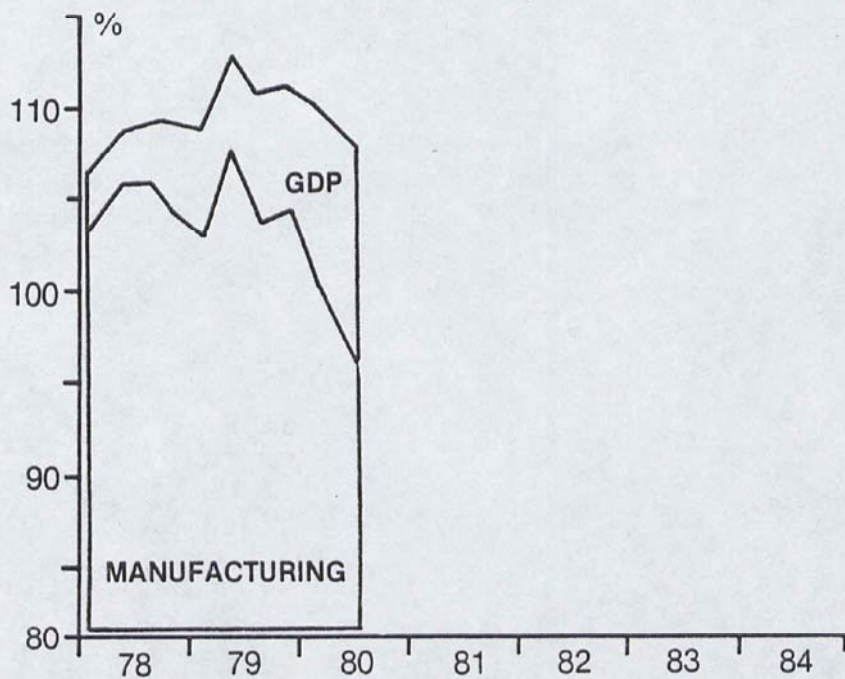
CHART 1



Percentage change in RPI over a year earlier.

OUTPUT TO MID 1980

CHART 2



1975 = 100.

THIS TIME LAST YEAR

In the middle of last year, manufacturing settlements were running at 16% (and earnings in the economy as a whole had risen more than 20% over the previous year).

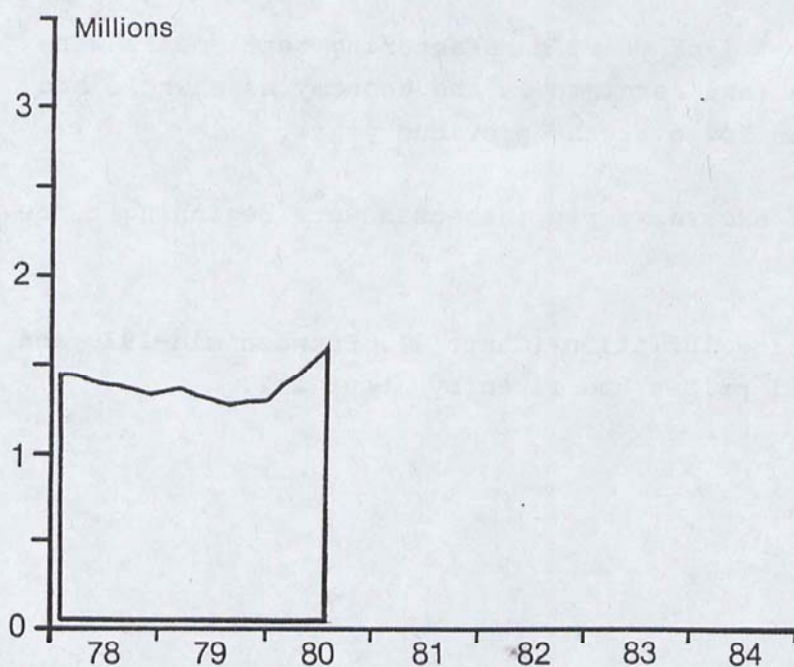
The effects of excessive pay increases were beginning to be seen clearly.

First, in soaring inflation (Chart 1). Between mid-1979 and mid-1980 retail prices had risen by about 21%.

Second, in slumping output (Chart 2). The top line shows the fall in gross domestic product from mid-79 to mid-80, the bottom line the steeper fall in manufacturing. The vertical axis shows how output compares with its 1975 level - shown as 100.

UNEMPLOYMENT TO MID 1980

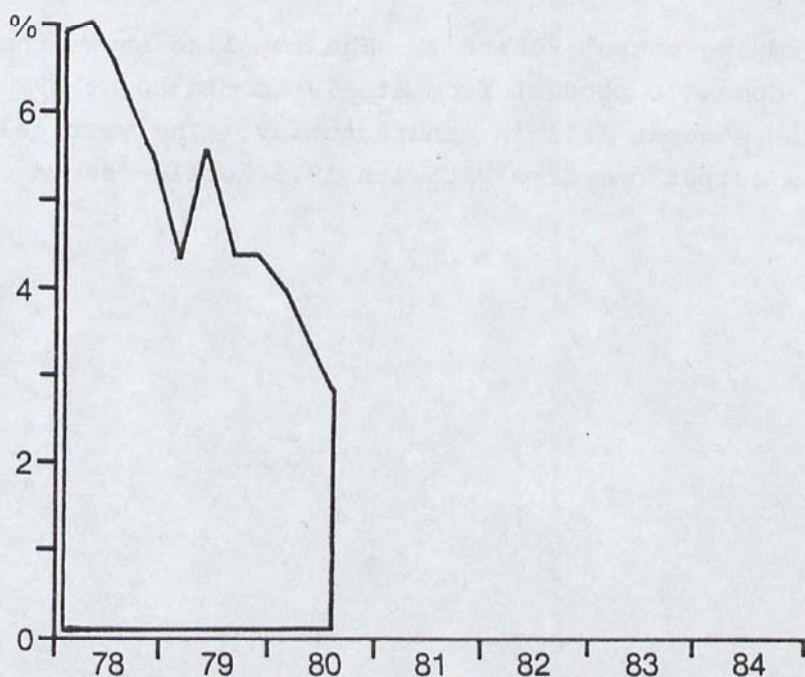
CHART 3



UK unemployment, seasonally adjusted,
excluding school leavers.

PROFITABILITY TO MID 1980

CHART 4



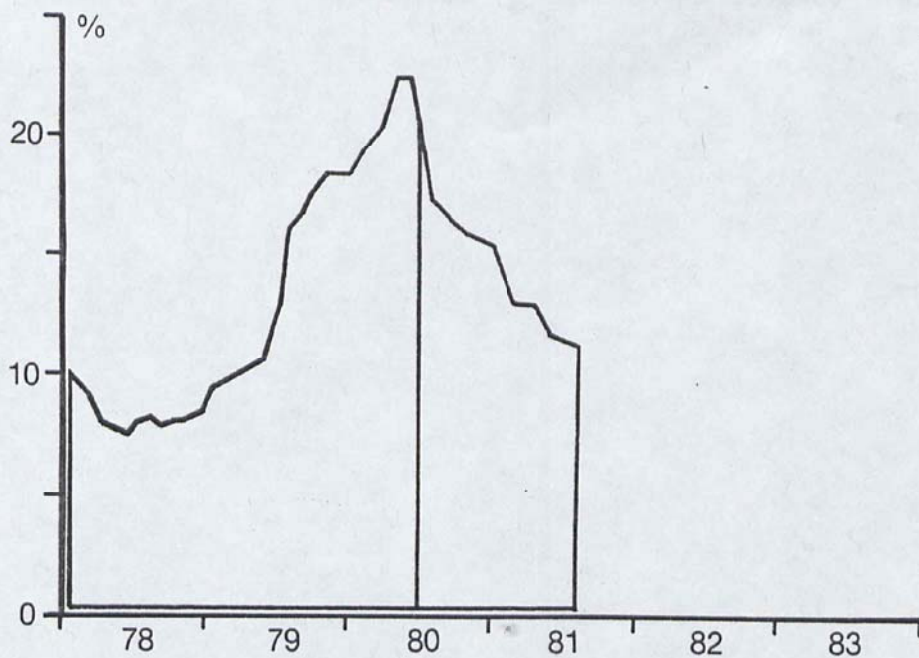
Replacement cost profitability, excluding North
Sea activities.

The effect of excessive pay increases was also beginning to be seen in rising unemployment (Chart 3) - from about $1\frac{1}{4}$ million in mid-79 to over $1\frac{1}{2}$ million by mid-1980.

It was showing up much more clearly in slumping profitability (Chart 4) ; with the real rate of return on capital falling from an inadequate $4\frac{1}{2}\%$ in mid-79 to under 3% by mid-1980..

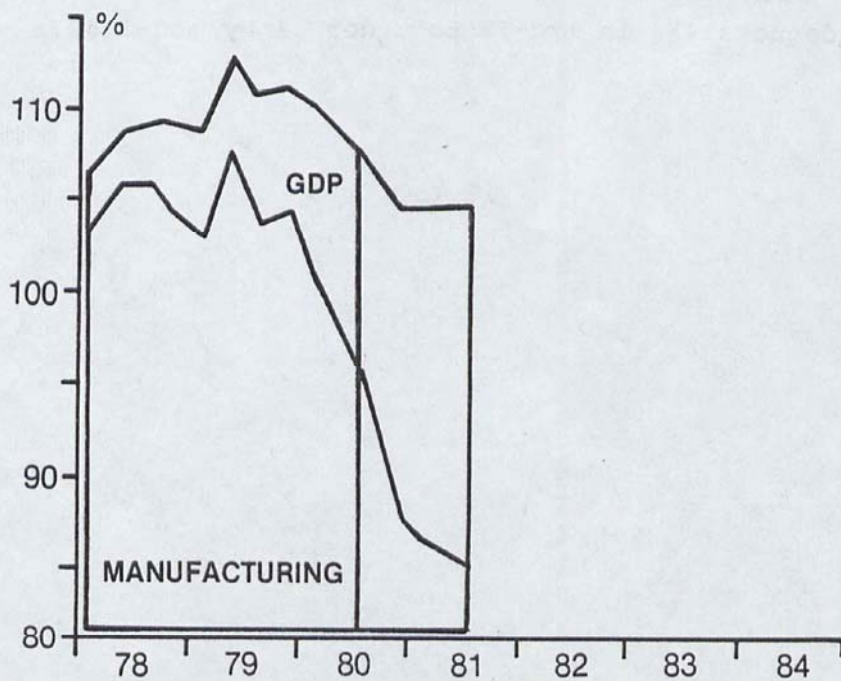
INFLATION TO MID 1981

CHART 5



OUTPUT TO MID 1981

CHART 6



DEVELOPMENTS OVER THE PAST YEAR

Last summer, the aim was to get far, far lower settlements during the following 12 months.

In fact, they've been roughly halved. In the last few months manufacturing settlements have averaged 8%. An important achievement, but it hasn't been enough.

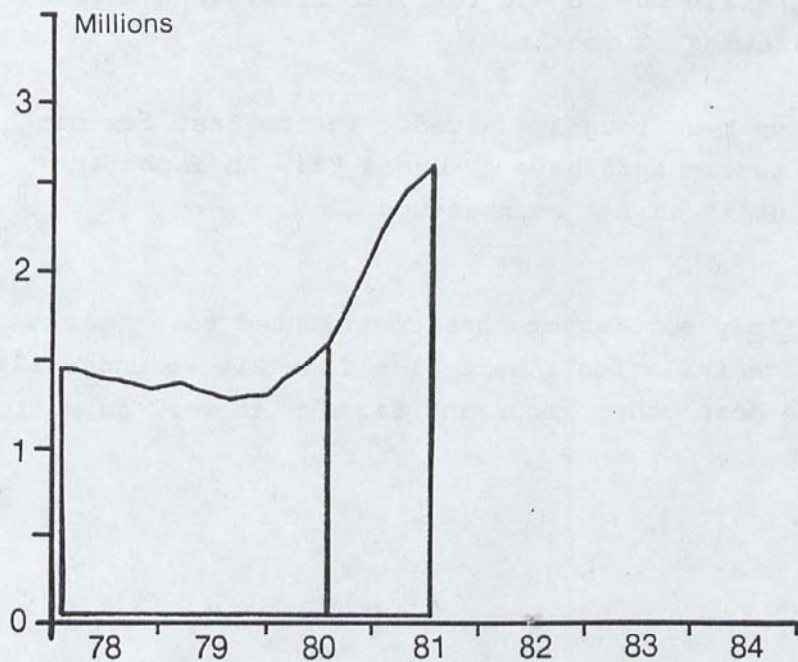
The halving of pay settlements has contributed to a near halving of price inflation (Chart 5) - from 21% to under 12% - but there have been other important factors at work as well.

It hasn't prevented:

- * A further fall in output (Chart 6) - particularly in manufacturing, though there are now signs of a flattening out.

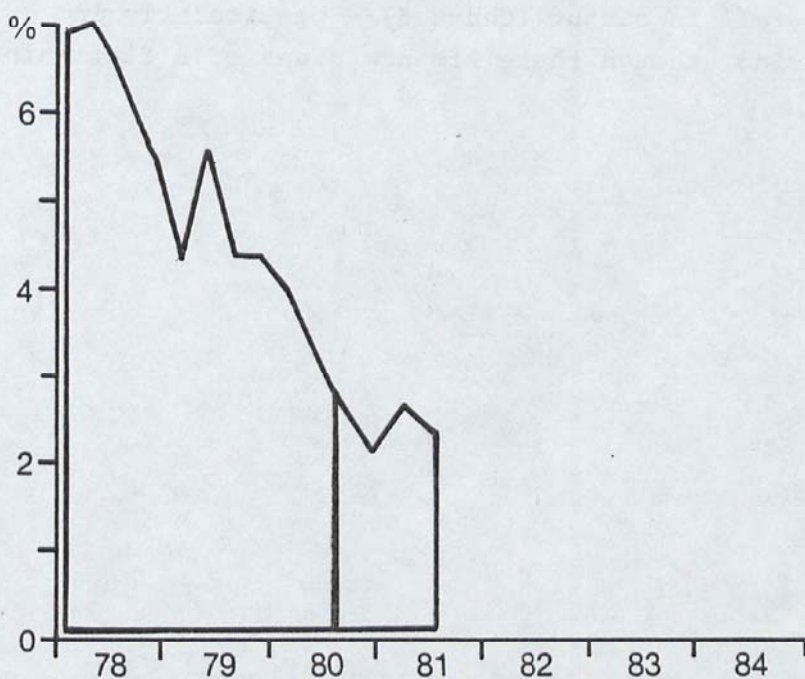
UNEMPLOYMENT TO MID 1981

CHART 7



PROFITABILITY TO MID 1981

CHART 8



It has not prevented:

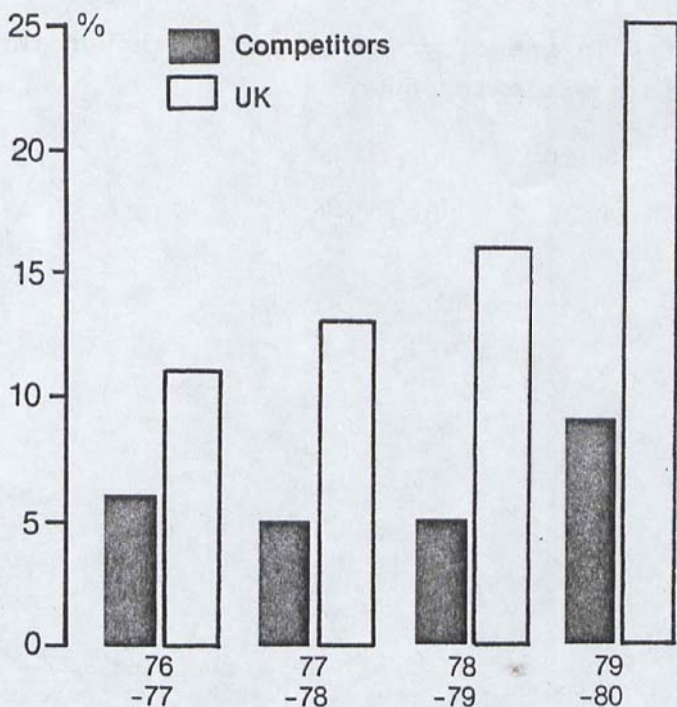
- * A further large rise in unemployment (Chart 7), though the rate of increase is now slowing down.

- * A further fall in profitability (Chart 8), though this too may be levelling off.

And it hasn't prevented a further loss of competitiveness, though this is now flattening out too. This loss of competitiveness really is the crux of Britain's problem.

LABOUR COSTS

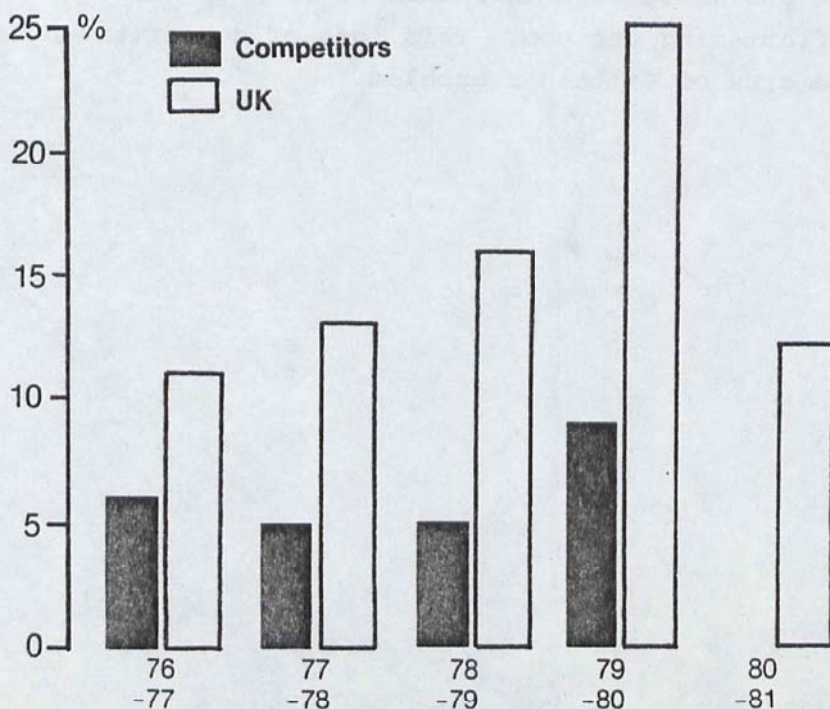
CHART 9



Percentage increase in labour costs per unit of output in manufacturing, between middle quarters of successive years. Weighted average of main competitor countries. 1980/81 and 1981/82, CBI forecasts.

LABOUR COSTS

CHART 10



COMPETITIVENESS

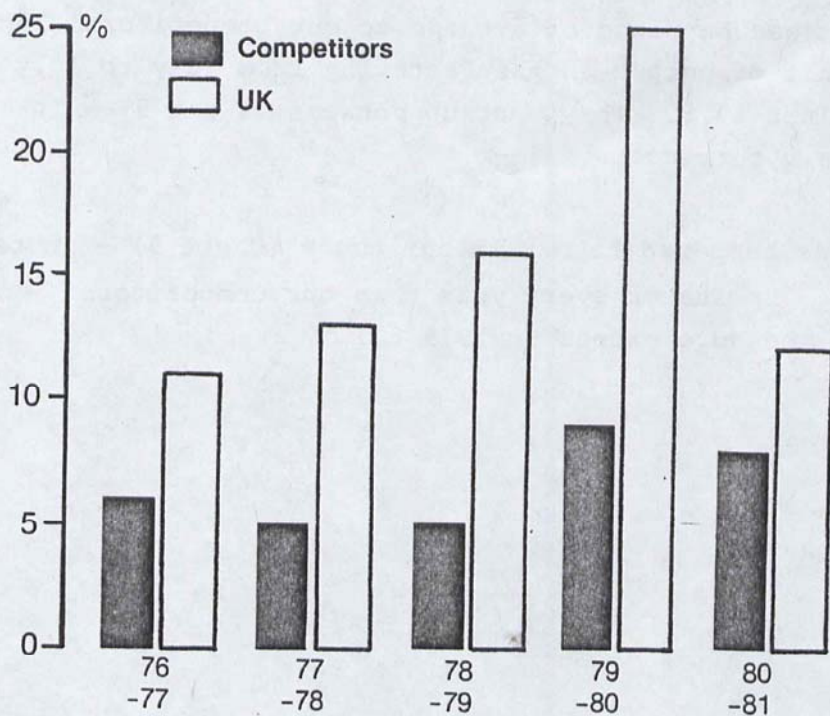
Look at what has happened on average to our competitors' labour costs per unit of output in manufacturing from July to July in each year since 1976. They went up between 5% and 9% - in terms of their currencies.

Look what has happened to our labour costs (Chart 9) - in terms of sterling. Up faster every year than our competitors' - ending with the huge excess in 1979/80.

Chart 10 shows the dramatic halving the CBI estimates for the UK increase between July 1980 and July 1981.

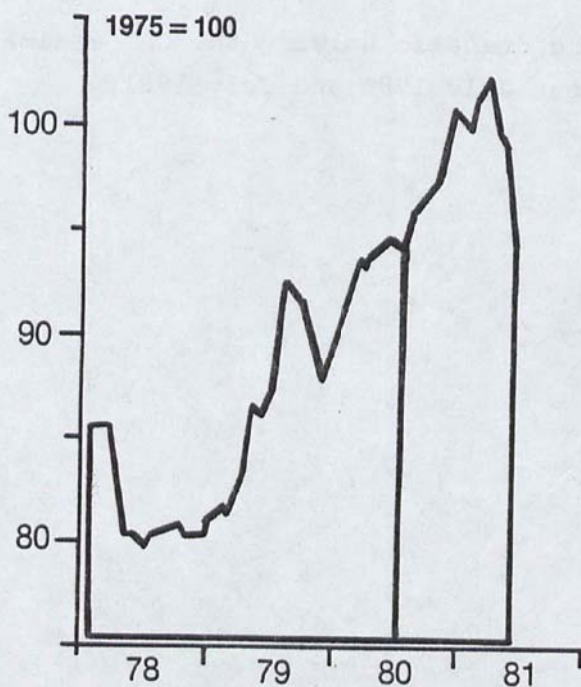
LABOUR COSTS

CHART 11




STERLING EXCHANGE RATE

CHART 12



"Effective" rate against basket of currencies.

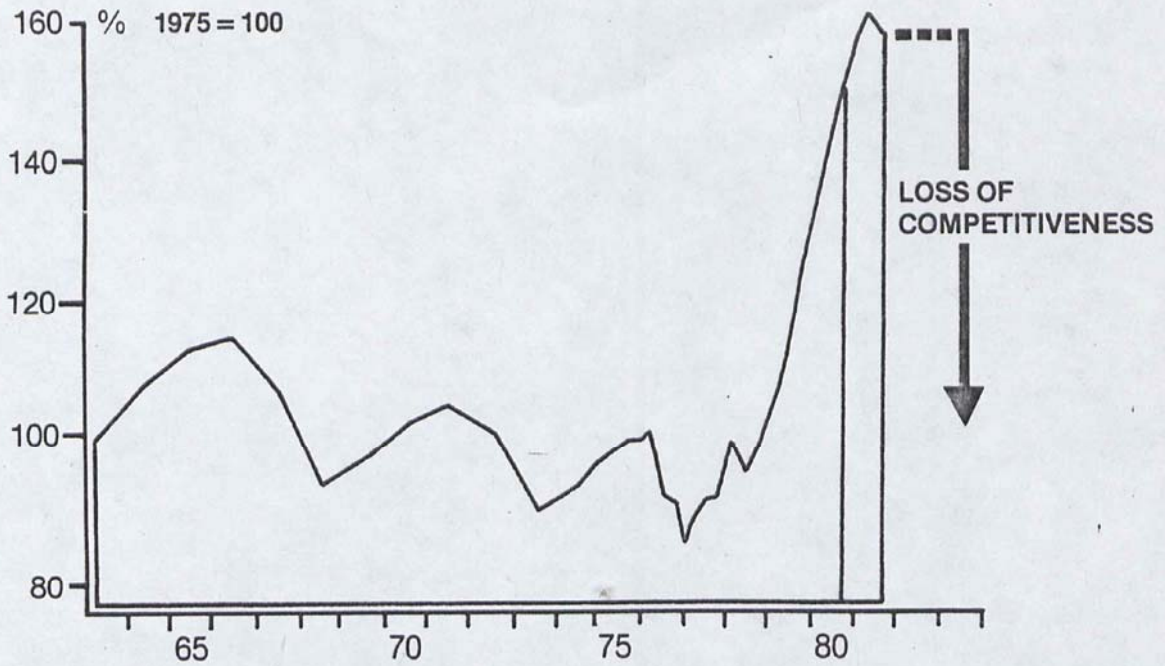
But look what our competitors have done (Chart 11). Our labour costs have still risen faster.



And we've had no help from movements in the average level of sterling during the past 12 months (Chart 12). It's now roughly where it was a year ago, the recent fall having roughly offset the previous rise. It's true that sterling has fallen against the dollar and the yen, but this has been offset by the rise against European currencies.

RELATIVE COSTS IN WORLD MARKETS

CHART 13



UK labour costs per unit of output in manufacturing relative to average of competitors in terms of a common currency. 1975 = 100.

So following the massive rise in our relative labour costs between 1976 and last summer, there's been a further rise since then. But it's now levelling off - thanks to lower pay settlements, drastic de-manning and, in the last few months, a fall in the average value of the pound (Chart 13).

But we've made only a tiny dent so far in our huge loss of competitiveness during the past 5 years or so. We've really got to make a significant dent in the next 12 months to have any chance of getting the economy moving genuinely ahead again.

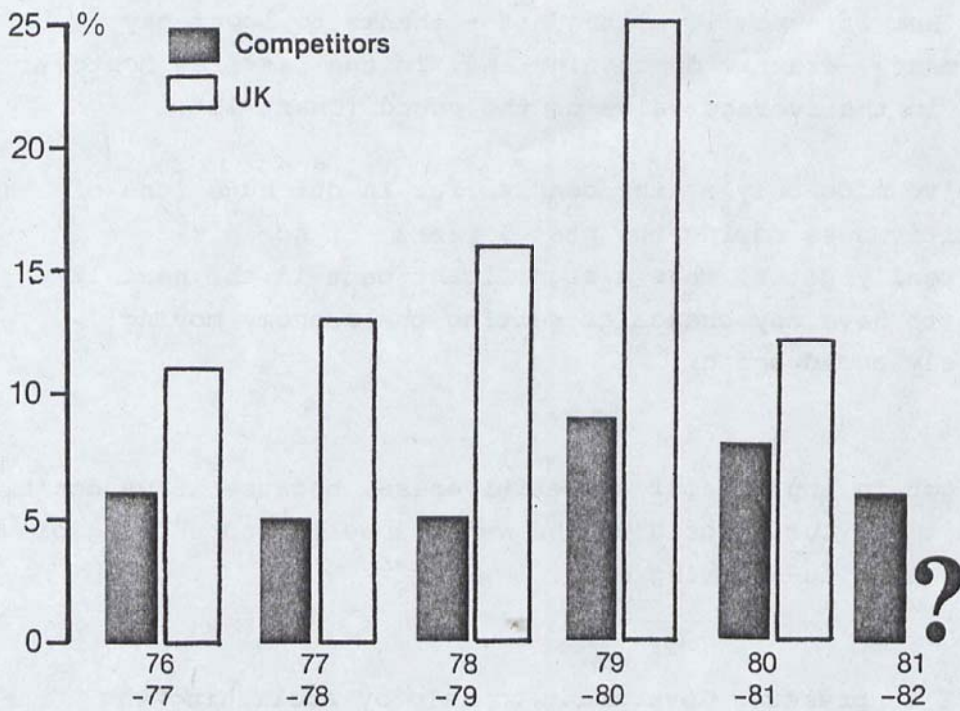
We've got to improve our competitiveness, because if we don't, we won't get our exports up and we'll lose out to a flood of imports when de-stocking ends.

The CBI is pressing Government to help by abolishing the National Insurance Surcharge, lowering energy costs, rate increases and interest rates. There's been some limited success, and there is hope for more; but it would be most unwise to rely on a major easement in these fields in the coming year. There may also be some help from a further fall in the pound. But again we can't count on this.

So we've simply got to keep our labour cost increases below our competitors'.

LABOUR COSTS

CHART 14



What does this mean?

Let's go back to an earlier chart and add in our forecast of the average increase in our competitors' unit labour costs over the coming pay round (Chart 14).

This is about 6% - rather less than in their current round.

The question raised in the chart is what we've got to do about our labour costs. The answer is that we've got to get them below our competitors' - and as far below as we possibly can.

For this we need higher productivity and lower pay settlements.

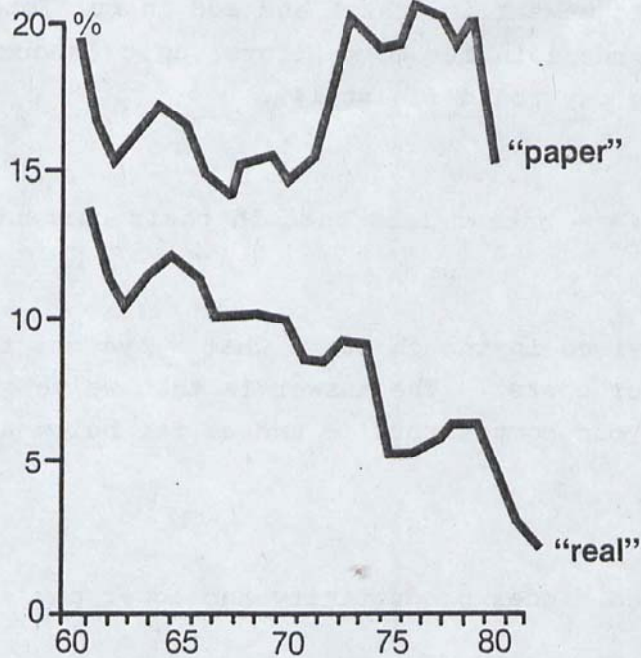
There have been encouraging improvements in working practices during the past year or so but their effect on productivity has been masked until recently by the dramatic fall in output.

As this comes to an end, there should be a substantial recovery in productivity. But other countries will be increasing their productivity, too.

So, if we're to start recovering competitiveness to any significant extent, our pay settlements have clearly got to be far, far lower than in the current round.

PROFITABILITY

CHART 15



"Paper" profits: Historic cost rate of return on capital employed by industrial and commercial companies, excluding North Sea activities. 1980: CBI estimate.

"Real" profits: replacement cost rate of return, excluding North Sea activities. 1981: CBI estimate.

PROFITABILITY

Another vital reason for keeping down labour costs - closely related to competitiveness - is the need to improve profitability from the ruinously low level to which it has fallen.

In the CBI's Trends Survey, a record 85% of firms say that prices relative to overseas competitors' are limiting their exports. Total exports of manufactures have already fallen 13% over the past year; and many businesses are holding on to markets abroad - and markets at home competing with imports - only by their fingertips and with margins cut to the bone.

They can't continue indefinitely unless profitability improves.

It's true that, by the traditional historic cost yardstick, profitability has held up rather well, despite a sharp fall recently. But that's just on paper; this way of measuring it doesn't take account of inflation.

Real profitability - which does take account of the cost of replacing worn-out plant at today's higher prices - has fallen dramatically (Chart 15).

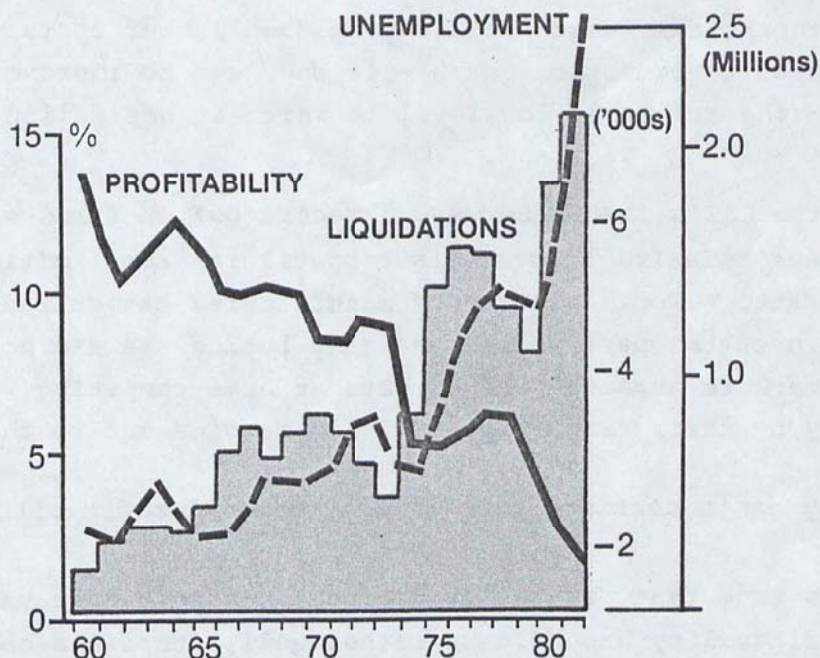
For all industrial and commercial companies, excluding North Sea activities, it's fallen from 13% in 1960 to below 3% last year, and an estimated 2% this year. This is before interest and tax. After deducting these, real profits are negative.

What's happened - quite simply - is that, during the last 20 years, excessive pay settlements have eaten away at profits. There's been a huge shift from profits to pay.

It remains vitally important to understand how misleading "paper" profits are. The point can be illustrated with concrete examples of the cost of replacing household goods or cars bought 5 to 10 years ago or with comparable figures for machine tools and other equipment that now have to be replaced in the factory.

PROFITABILITY, LIQUIDATIONS, UNEMPLOYMENT

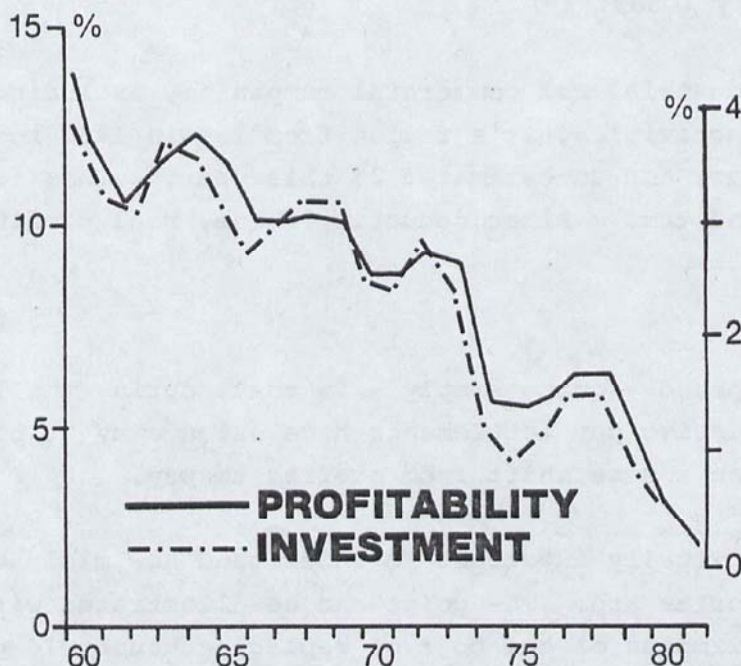
CHART 16



Replacement cost profitability, excluding North Sea activities.
 Company liquidations in England and Wales. 1981: CBI estimate.
 UK unemployment, seasonally adjusted, excluding school leavers.

PROFITABILITY AND INVESTMENT A YEAR LATER

CHART 17



Replacement cost profitability, excluding North Sea activities.
 Rate of investment: net domestic fixed capital formation as a
 percentage of net fixed capital stock at replacement cost plus
 the book value of stocks. Both measures exclude North Sea activities.

PROFITS AND JOBS

It must now be clear that firms that can't make real profits can't provide jobs.

Chart 16 shows dramatically the relationship over the past 20 years between:

- * Falling real profitability.
- * More companies going into liquidation.
- * Rising unemployment.

This shows clearly that falling profits mean fewer jobs now.

They also mean fewer jobs in the future.

Chart 17 shows the close relationship between real profitability and investment.

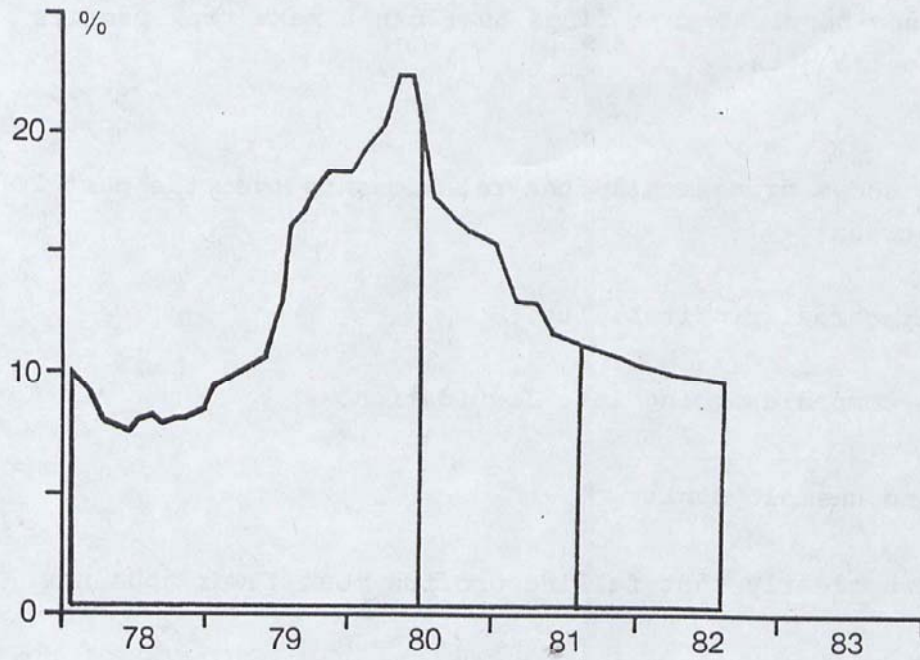
There's a lag between earning profits and investing, and this is allowed for - very roughly - by moving the investment line back one year.

We shan't get the recovery in investment we so desperately need to keep up with technological advances in Japan, Germany and elsewhere, unless profitability recovers.

So the message is that there must be a recovery in profits to safeguard jobs tomorrow, as well as today.

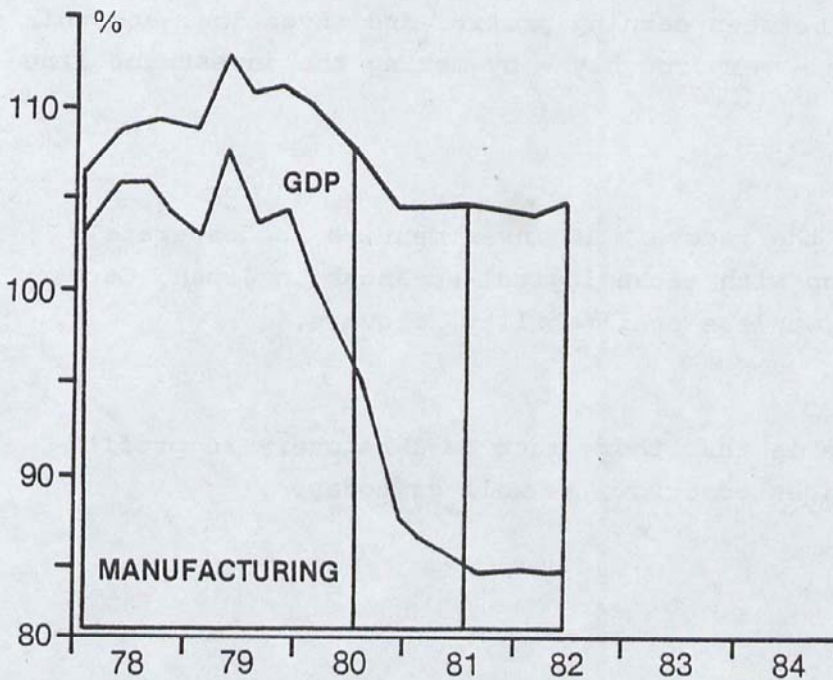
INFLATION TO MID 1982

CHART 18



OUTPUT TO MID 1982

CHART 19



THE NEXT 12 MONTHS

Turning to the economic background to pay bargaining in the next 12 months, the CBI's best estimates, inevitably subject to margins of error, are as follows:

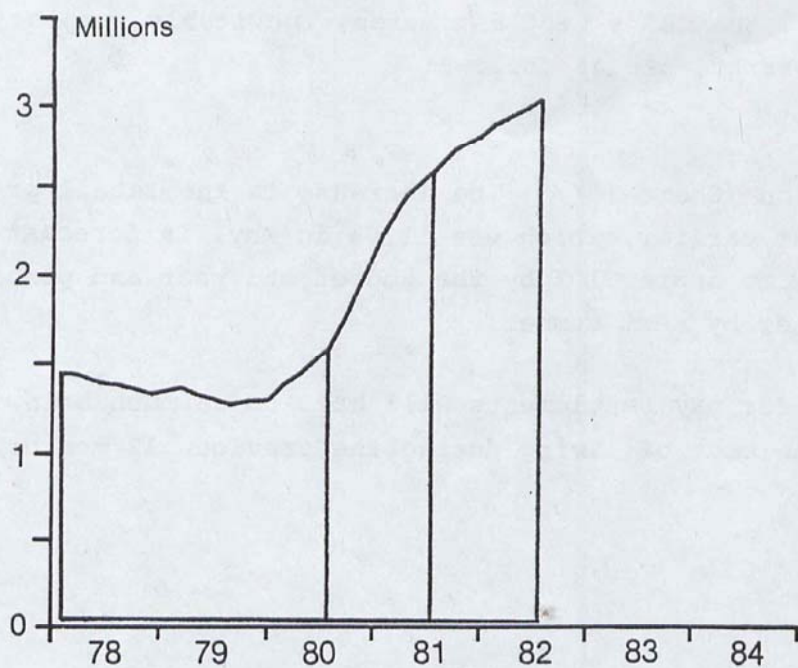
First, inflation (Chart 18). The increase in the retail price index on a year earlier, which was 11.7% in May, is forecast to fall slowly to nearer 10% by the end of the year and perhaps a little further by next summer.

So the target for pay settlements will have to be much below the rise in the cost of living during the previous 12 months.

Output (Chart 19) - both GDP and manufacturing - can be expected to be fairly flat during the next 12 months and at best recover only slowly.

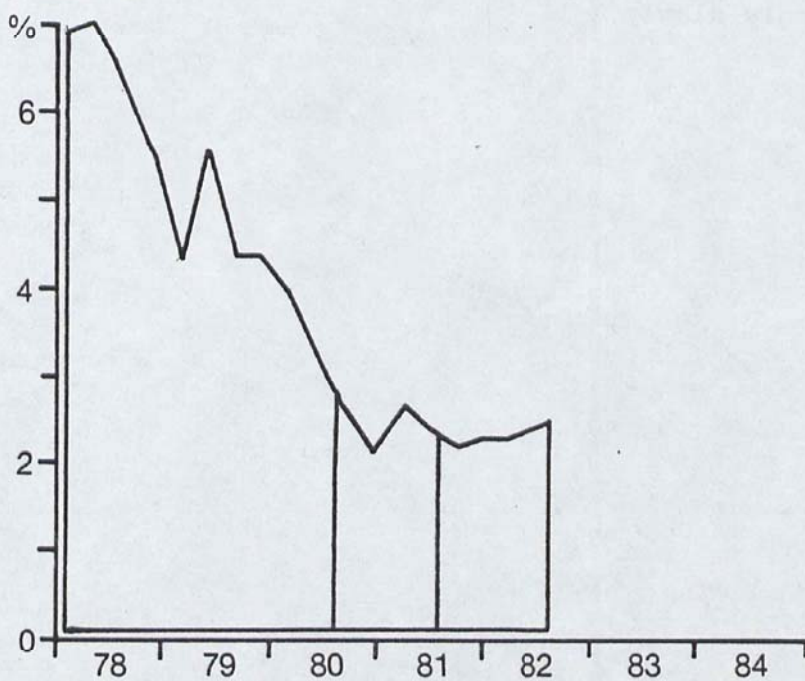
UNEMPLOYMENT TO MID 1982

CHART 20



PROFITABILITY TO MID 1982

CHART 21



Unemployment (Chart 20) will almost certainly continue to rise throughout at least most of the period - only extreme optimists expect a fall - but the rate of increase will decline further.

Some companies will produce good results. But, in aggregate, profitability, outside the North Sea, will remain at very low levels (Chart 21).

OUTPUT EXPECTED IN NEXT FOUR MONTHS

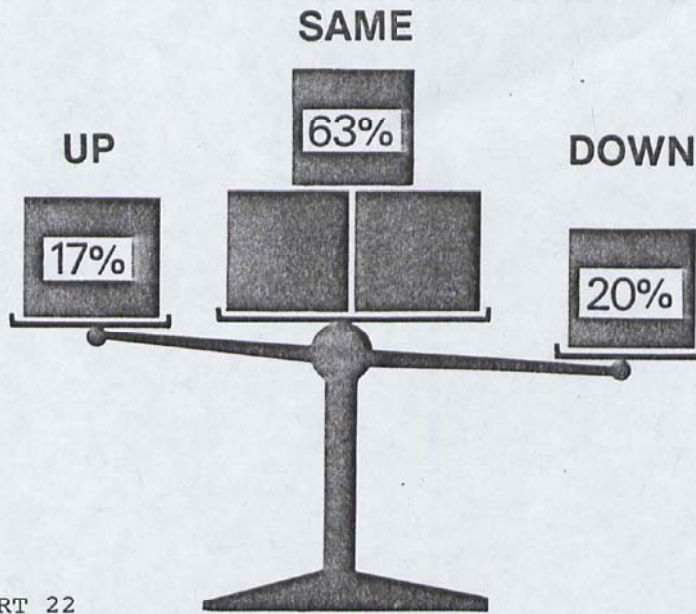
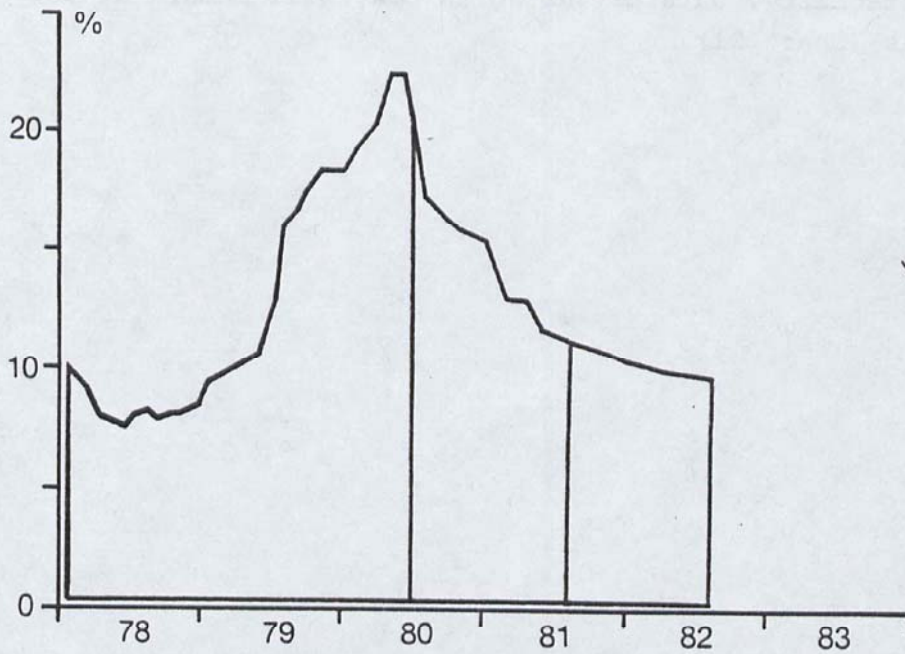


CHART 22

IF WE FAIL — INFLATION

CHART 23



Now that manufacturing output is beginning to flatten out, a considerable number of firms are reporting to the CBI's Trends Survey - for June - that things are improving (17%), though they are still slightly outweighed by those on a downward trend (20%), with 63% saying things are flat (Chart 22).

This diversity of experience - between industries, between firms within industries, between regions - is likely to be marked during the year ahead. If better placed companies concede high settlements, this could endanger the objective of a sharp lowering of settlements generally.

THIS TIME NEXT YEAR - AND BEYOND

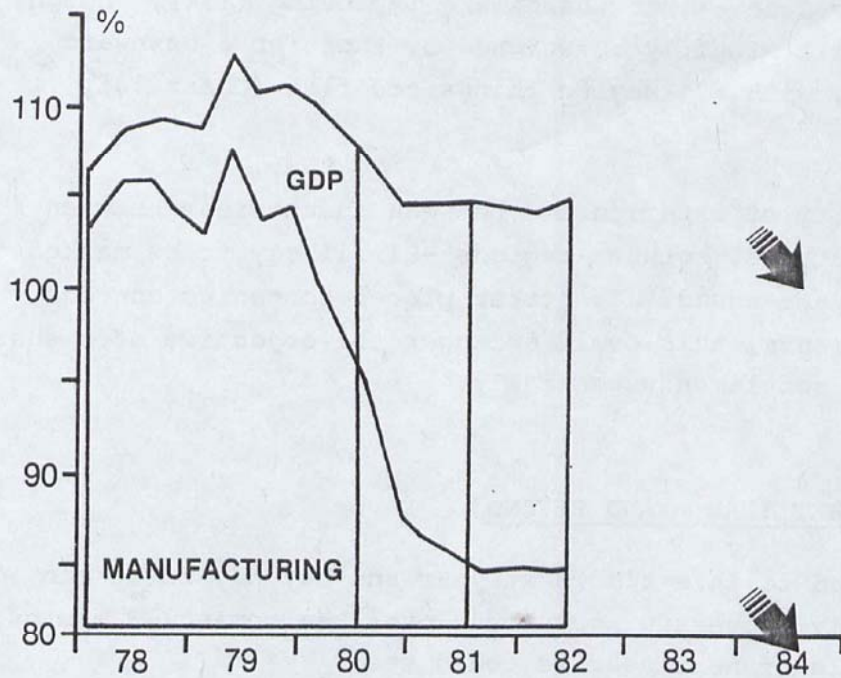
Looking ahead to this time next year and beyond, if we can have a really successful pay round over the coming 12 months, by the middle of next year we could see:

- * Unemployment flattening out and possibly beginning to fall.
- * Real profits improving
- * Investment recovering
- * Inflation slowing down further.

If, on the other hand, we don't succeed in getting settlements down and productivity up in the next 12 months, the prospects this time next year - looking ahead to 1983 and 1984 - will be bleak. If we fail, and labour costs are not contained:

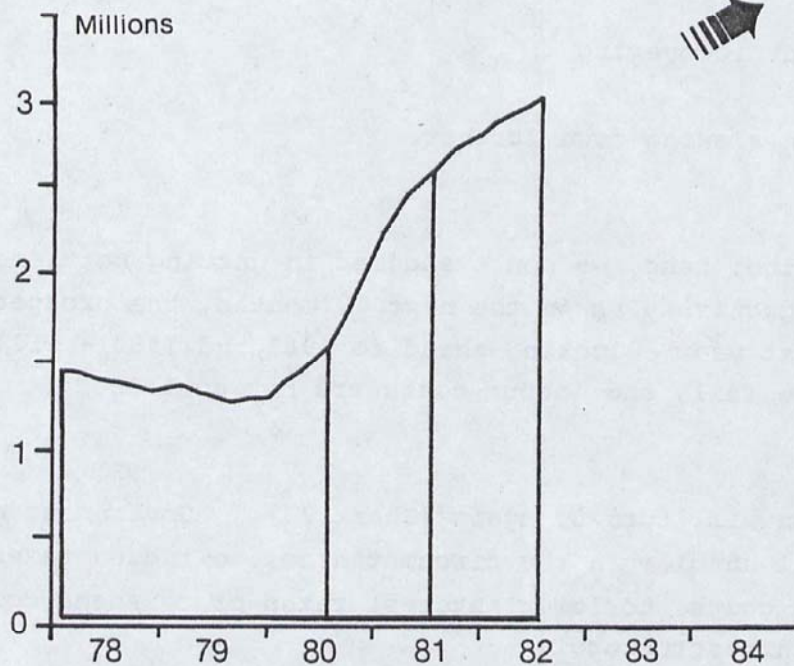
- * Inflation will turn up again (Chart 23). Government may well feel unable, in the circumstances, to reduce taxes on business costs, to lower interest rates or to spend more on the infrastructure.

IF WE FAIL — OUTPUT



IF WE FAIL — UNEMPLOYMENT

CHART 25

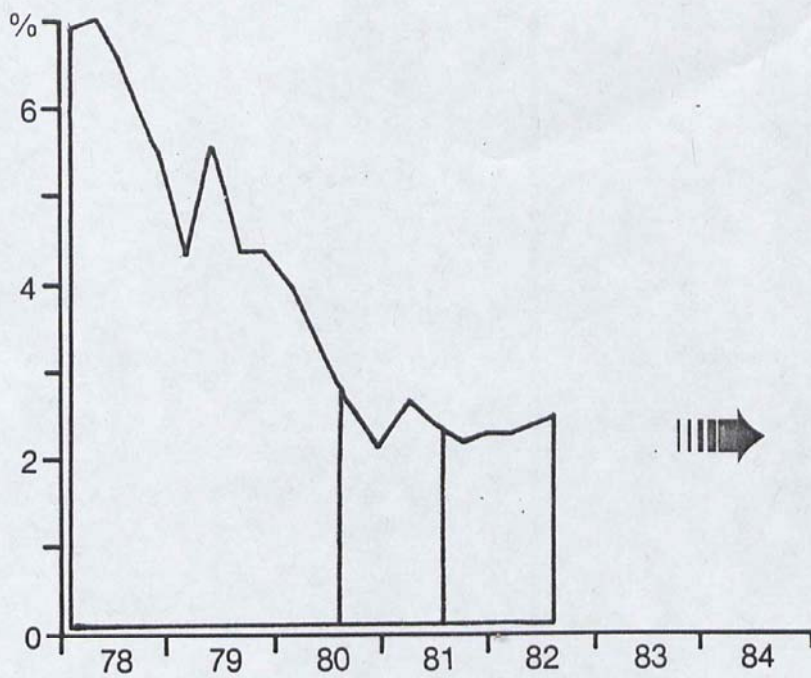


* Output will stagnate and eventually fall back (Chart 24).

* Unemployment will continue to rise - possibly beyond the 3½ million mark (Chart 25).

IF WE FAIL — PROFITABILITY

CHART 26



- * Profitability - and investment - will remain at intolerably low levels (Chart 26).

And, on all counts, the sacrifices of the last two years will have been in vain. So we are playing for very high stakes in the forthcoming pay round.

PAY BARGAINING
in this round and the next

What we are concerned with in this part of the presentation is the industrial relations aspect of pay bargaining - what happened up to June 1981 in the current round, and what is likely to happen in the next year.

Optimists have called the last 12 months the wakening of a new realism. Pay settlements have fallen sharply. Apart from the Civil Service there have been very few strikes.

But others have said that there has been more fear than understanding - more of a change of behaviour than of attitude. Well what has happened? Let's have a look at the 1980/81 round.

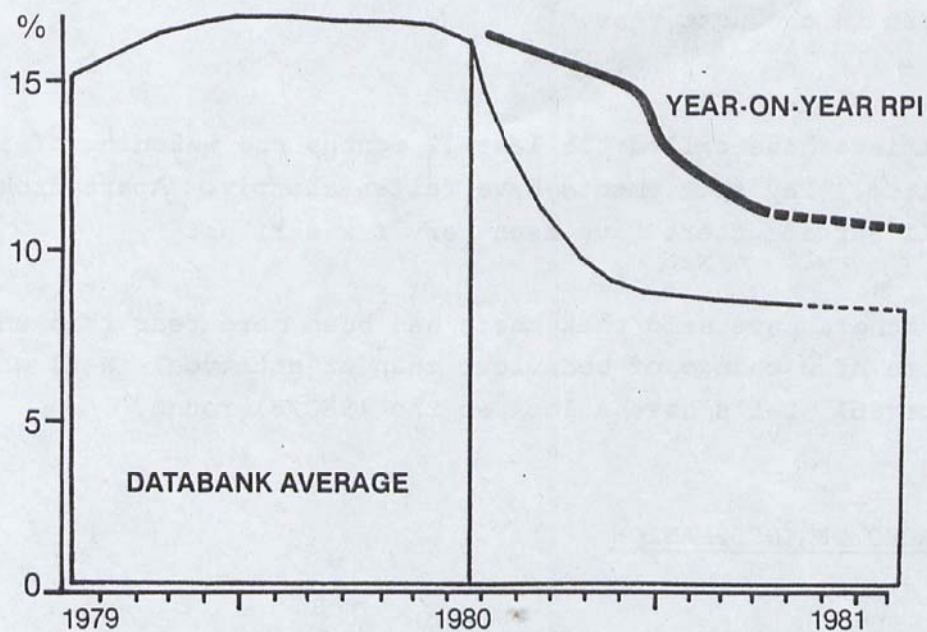
SOURCES OF INFORMATION

- * National agreements and wages councils,
- * The CBI Databank survey of manufacturing, covering some 1,500 establishments,
- * Major private service companies, including retailing, finance, commerce, catering and leisure,
- * Nationalised industries and public corporations,
- * Central and local government.

The information in this presentation covers over 1,000 settlements made since last August, involving over 11 million employees.

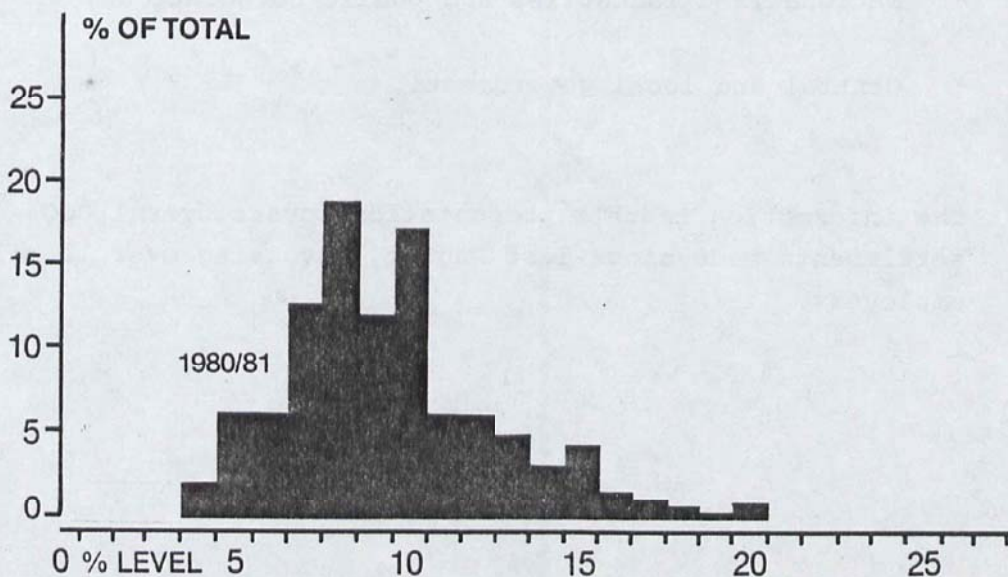
MANUFACTURING SETTLEMENTS + RPI TO MID 1981

CHART 27



MANUFACTURING SETTLEMENTS DISTRIBUTION

CHART 28



In early summer last year, pay increases in the private sector and nationalised industries were averaging between 15% and 20%, and rather more in the public services.

MANUFACTURING SETTLEMENTS

We see in chart 27 what was happening to manufacturing settlement levels - about 16% - in the twelve months up to July 1980.

Extending the graph into the 1980/81 round, we see that settlements have come down very significantly to a monthly average of around 8% since January.

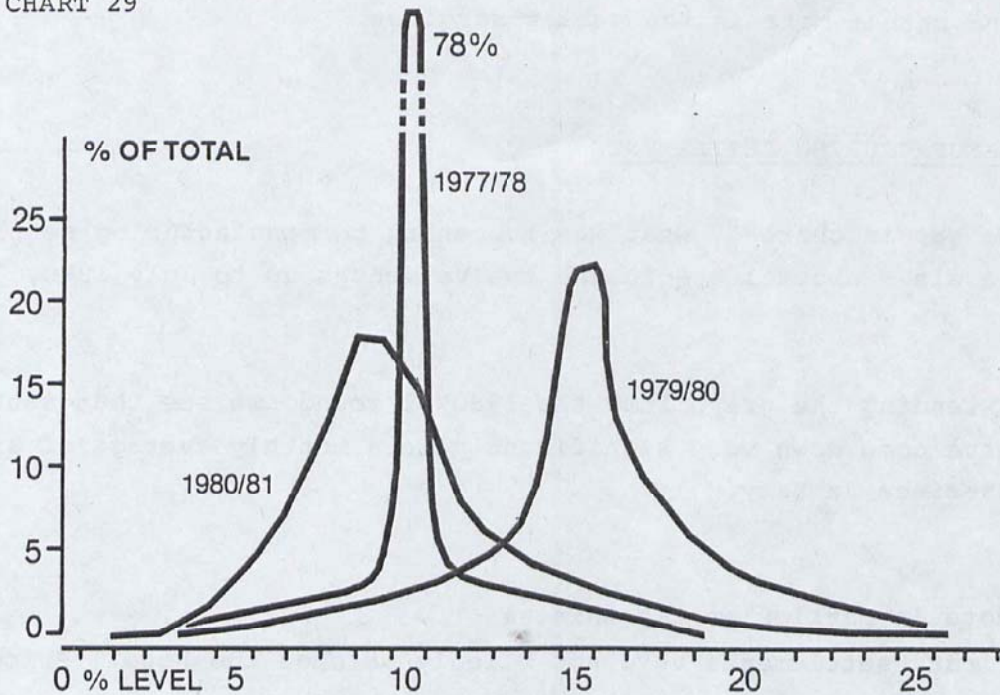
Note in particular two things:

First, settlements have not blindly matched the Retail Price Index (as many sceptics said they would). In fact, the average level of settlements reported to Databank has consistently been 3 to 7 points below the year on year RPI figure. Previously it has needed incomes policy to achieve this sort of result.

Secondly, the distribution of manufacturing settlements has been pretty wide (Chart 28). This strongly suggests that negotiators have had their minds very much on their own affairs, with much less evidence of a going rate than in past years.

MANUFACTURING SETTLEMENTS DISTRIBUTION

CHART 29



INFLUENCES ON SETTLEMENTS

'Very important' 1979/80



'Very important' 1980/81

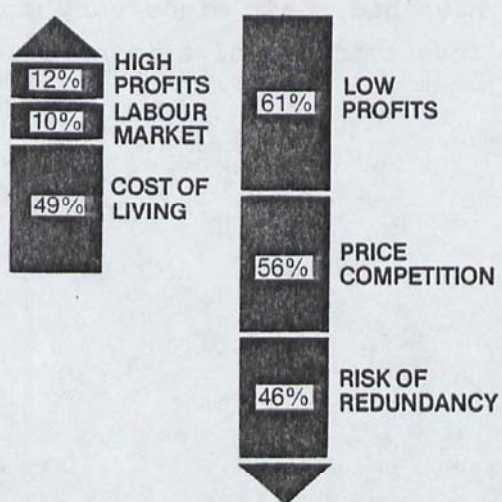


CHART 30

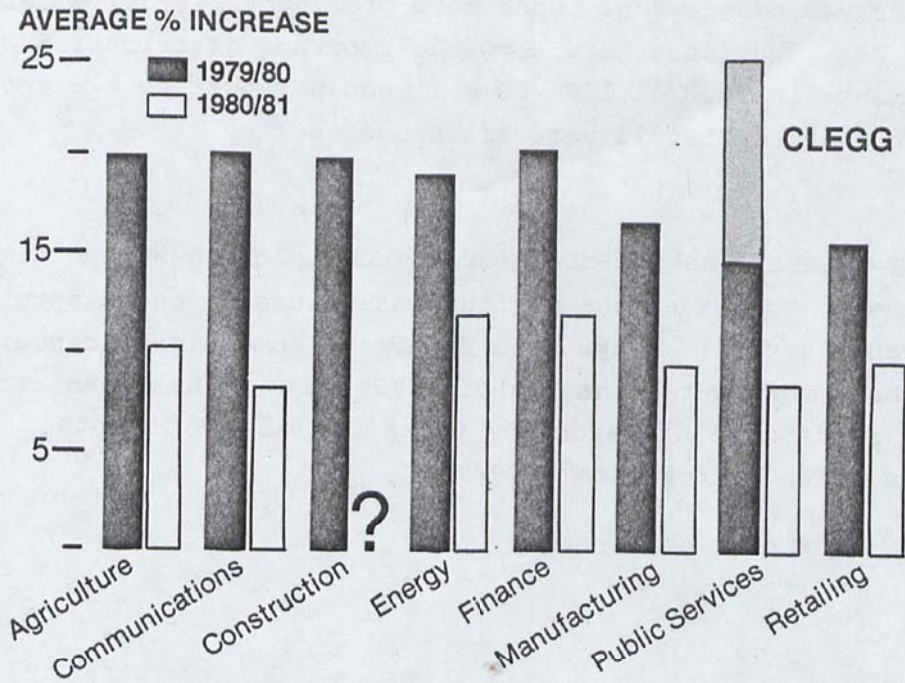
The contrast with previous years when the idea of a going rate was, for various reasons, much more prominent, is quite marked (Chart 29). The lines here show the smoothed distribution of settlements in 1980/81, 1979/80 - a much narrower peak - and 1977/78 - the last full year of incomes policy.

The CBI Databank asks manufacturing companies when reporting settlements to assess the various influences on those settlements. Comparability will always be a factor of some significance, if only for labour market reasons, but in 1980/81 it has been cited as a very important influence by under 50% of respondents compared with over 66% in 1979/80.

There have also been major changes in respondents' assessment of other influences (Chart 30). In 1979/80, the upward pressures - of high profits, recruitment difficulty in the labour market and the cost of living - fairly evenly balanced the downward pressures. In 1980/81 the downward pressures have all been much stronger, and not just fear of redundancy but also low profits and price competition.

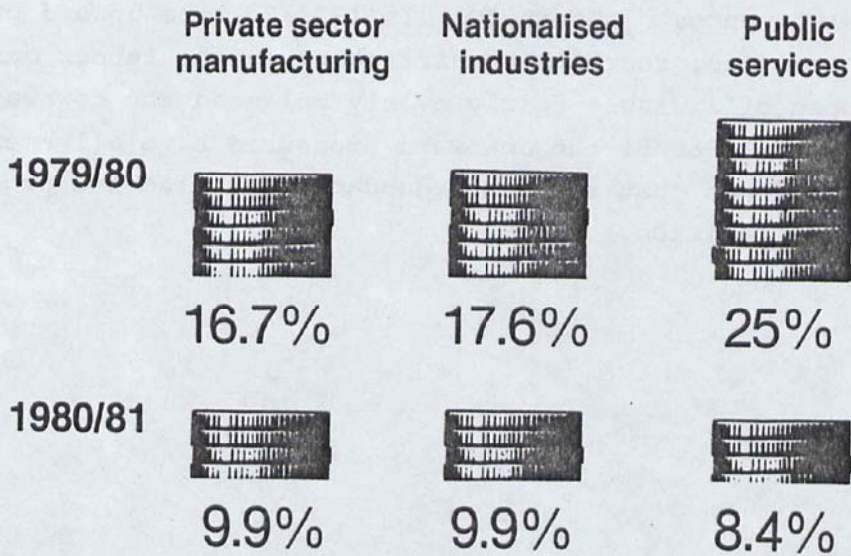
SETTLEMENTS BY SECTOR

CHART 31



SETTLEMENTS

CHART 32



Turning from manufacturing to the economy as a whole, the chart shows the step reduction which has been achieved in average settlement levels in every sector in 1980/81 (Chart 31).

A further contrast between the two years is that in 1979/80 there was a wide gap in settlement levels between on the one hand, the 16% to 17% achieved in private sector manufacturing and the nationalised industries, and on the other, the 25% or more in the public services with their comparability awards. This time settlements in all three have been at very much the same level, 8% to 10% (Chart 32).

ESTIMATED INCREASE IN EARNINGS

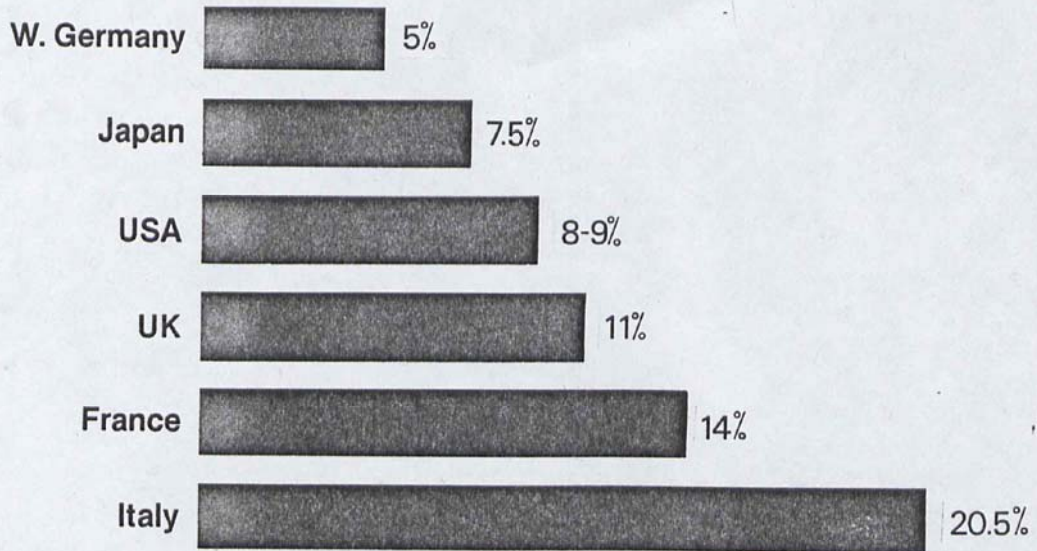


CHART 33

Of course this reduction in settlements has been a considerable achievement - but it does need putting into context.

EARNINGS, COMPETITIVENESS AND WORKING TIME

First, what does it mean for earnings?

The forecast for the 1981/82 out-turn is for an average earnings increase of 11%, perhaps slightly less - compared with 22% in 1979/80. It is a more difficult forecast than usual because the amount of drift - the difference between settlements and actual earnings increases - may have been reduced by the recession and its effect on overtime.

Secondly, what does it mean for competitiveness?

On the assumption of 11% earnings growth for the UK, it is estimated that West Germany, Japan and, marginally, the USA will have increased earnings by less than ourselves, France and Italy by a greater amount. But, taking the situation overall, our reduction in settlement levels has still not been enough to arrest our declining competitiveness - and this taking into account the very considerable de-manning which has occurred (Chart 33).

Finally, what does it mean when the effects of concessions on working time are added on?

N

HOLIDAYS

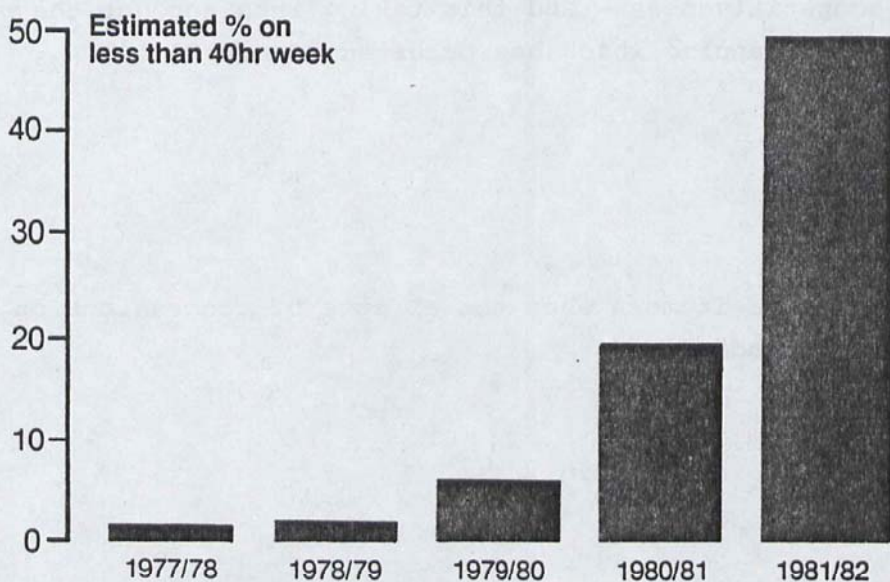
% of manuals with 20 days +

1978	1979	1980	1981
35%	50%	74%	?

CHART 34

REDUCTION IN MANUALS' WORKING WEEK

CHART 35



Over the last two years British employers have been making substantial concessions on holidays and hours. On holidays, at the end of 1978 about 35% of our manual workers were entitled to 20 days holiday or more. By the end of 1980 the figure was 74% and all the indications are that it is still rising (Chart 34).

Chart 35 shows the position on hours. The vertical axis measures the percentage of manual workers covered by collective agreements who work less than a 40-hour standard week. The columns illustrate on a cumulative basis the estimated percentage of manual workers on less than 40 hours at the end of each bargaining year. It can be seen from the fourth column that it is in 1980/81 that companies really started to pay for concessions on the working week. And in 1981/82 commitments already made mean that the percentage will nearly treble.

So, by this time next year, about half of UK manual workers will be on a standard week of 39 hours or less. Although there are few commitments beyond 1982, we have already gone further down this route than any of our major competitors.

The line has to be held on working time. Whatever we have already done, if our costs are to be more competitive, no further concessions can be made.

That is one of the reasons the CBI has recently produced its Working Time - Guidelines for Managers (CBI Publication Sales £2.00).

Taking into account the concessions already made on working time and the overall effect on competitiveness, the halving of settlement levels in the last 12 months - in itself a considerable achievement - represents limited progress only.

So the question must now be asked, can we build on the progress we have made? It is one thing to achieve a fall in settlements when the economy is moving into recession, when the size of the wage packet comes second to its very existence. It is quite another to get a further reduction when parts of the economy start to emerge from recession.

UPWARD PRESSURES

Employers will be facing a variety of pressures which will make low settlements harder to achieve. For example,

- * The slightest sign of an upturn may encourage employees to press for a share in what they see as a recovery; their understanding of the need for low settlements may evaporate very rapidly. (And there will be temptations to talk up signs of recovery long before they are a reality).
- * Unions' desire to stimulate demand - and their argument that higher pay could help this - means that we will get little help from union leaders.
- * Relativities in pay have undoubtedly been distorted by the wide range of settlements we have seen and there will be consequent pressures, sometimes from managers on recruitment grounds.

- * The familiar problem of skilled labour shortages may recur as order books start to fill up again. The result could be damaging competitive bargaining in local labour markets.
- * Cost of living pressures will still be with us of course.
- * Again there will be the sheer bargaining muscle of some employees, in both the public and private sectors, who could set dangerous precedents for bargaining and settlement levels.

And we will have the old 'ability to pay' argument - an attractive argument when it means inability to pay. But is it the right argument? It is much more dangerous when related to companies which have been less affected by the recession and where higher settlements could generate comparability pressures for others.

This picture is not meant to be alarmist, but simply a reminder of some of the pressures which may have become a little unfamiliar in the last twelve months - and which could be very real again in the year ahead.

DOWNWARD PRESSURES

But it is not all black - there will be some very important pressures in the downward direction.

- * A further, if gradual, fall in inflation can be anticipated.
- * Unemployment will still be rising, although the rate of increase will be slower.
- * Most companies will still be facing an extremely tight financial position, perhaps even more difficult than last year.
- * Given the Government's determination to keep public service pay down there should be no comparability pressures from that direction.

PAY 1981/82

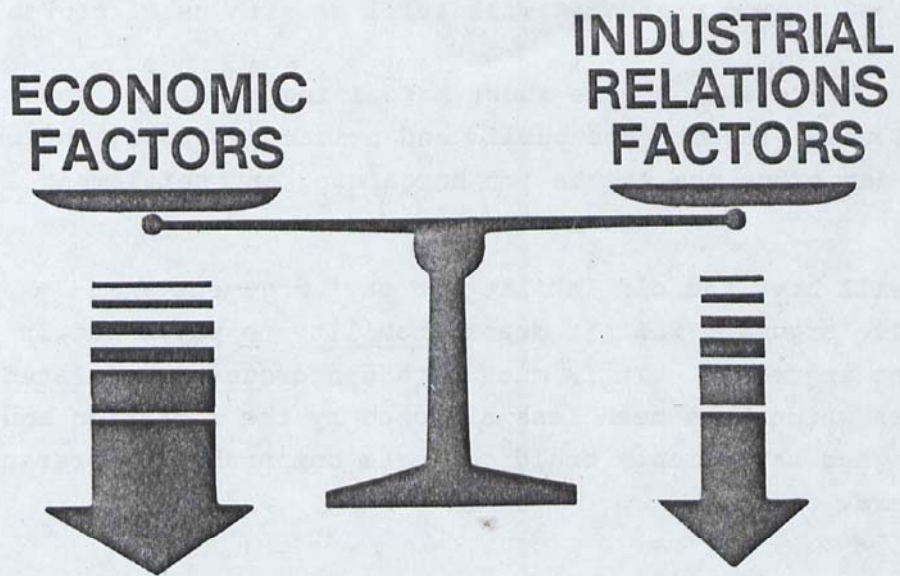


CHART 36

The upward pressures are predominantly industrial relations based; the downward pressures are mainly economic and financial. The problem is that of setting the harsh economic facts of life against the realities of practical industrial relations.

TASKS FOR MANAGEMENT

As ever it is a question of where the balance lies (Chart 36). If we are to tip that balance, so that economic realities are the ones that count, management will have some straightforward and essential tasks.

First, to plan ahead and set objectives. Managers will have to count the costs for tomorrow of the concessions they make today - not just on pay and working time, but on everything that goes into employment costs.

Secondly, managers will have to maintain their training programmes. A short-term saving here could sow the seeds of real problems for the longer-term.

Above all, managers will have to explain the realities of business and how they impact on individual companies. They must build from the emergency communications of recession a genuine and permanent understanding of the key relationships between pay moderation, rebuilding profit and investment, restoring competitiveness and so creating jobs.

If realism survives, it will be because managers are determined to make it survive.

1970 TO 1980

	<u>Us</u>	<u>Them</u>
<u>Pay</u>	346%	190%
<u>Productivity</u>	26%	52%

CHART 37

So what we have to do is communicate the reality that more pay equals less jobs. And this means our objectives must be to have:

- * Far, far lower settlements than in the current round.
- * No further concessions on working time.

In conclusion, let us remember our record on pay and productivity. Since 1970 pay in this country has gone up by 346%, productivity by a mere 26%. Among our major competitors, pay has on average gone up by 190%, and productivity by 52%.

In short, we in the UK have paid almost twice their wage increase for exactly half their extra productivity - figures which speak for themselves.

As has been explained, there has been progress - but it has been limited. In the year ahead the objective must be to consolidate and build on the achievements made.

Econ PA



PM

Tim

Mr ~~new~~ ~~letter~~

I told Tsy that
you were not
here Clive
can't help. MAP

The Chancellor proposes to circulate^{3/11}

the attached paper on ni pay

to the NIEG in good time for
his meeting with them on

Wednesday, 8 July. Before doing

so he wanted to be sure that

it was consistent with the

E discussion yesterday. He

asked that you take a look

at it with this in mind.

We should dispatch it this

afternoon.

R.I.T. 3/7.

CONFIDENTIAL

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir Douglas Wass
Mr Ryrle
Mr Burns
Mr Burgner
Mr Dixon
Mr Kemp
Mr R Allen
Mr Buckley
Mrs Case
Mr Wicks
Mr Burr o/r
Mr Broadbent
Mr Hacche
Mr J W Stevens
Mr Cardona


NATIONALISED INDUSTRY PAY

The revised version of the paper for circulation to the NICG is attached to Mr Stevens' minute of 2 July. This takes account of your comments and minor drafting changes proposed by Departments.

2. The only point outstanding is that referred to in paragraph 2 of Mr Stevens' minute. To meet one of your earlier points we included in paragraph 13 the sentence "The deceleration should be greatest in those industries which had large settlements this year." It is true, as Mr Stevens points out, that this does not necessarily follow from any of the considerations which are likely to influence settlements - whether ^{market} factors, ability to pay, degree of muscle etc. I would therefore suggest that this sentence might be toned down to read:

X "It is particularly important to apply rigorous tests to those industries which have been improving their relative position."

3. Subject to your decision on this point, the paper is now ready for circulation to NICG.


G S DOWNEY

3 July 1981

. MR DOWNEY
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir D Wass
Mr Ryrrie
Mr Burns
Mr Burgner
Mr Dixon
Mr Kemp
Mr R Allen
Mr Buckley
Mrs Case
Mr Wicks
Mr Burr - o/r
Mr Broadbent
Mr Haache
Mr Cardona

NATIONALISED INDUSTRY PAY

I attach a revised version of the paper on the prospects for pay settlements in the nationalised industries. The paper takes account of the comments in your Private Secretary's minute of 29 June and drafting changes proposed by Departments. These comments do not radically alter the shape of the paper and if you are content it can now be circulated to the NICG ready for your meeting on 9 July.

2. The CPRS have raised a point on your proposed addition to paragraph 13 which you felt should reflect the need for lower than average settlements in the case of last year's bad performers. This seems to imply that deceleration should be least in industries which had relatively small settlements in the current round (e.g. BL, BSC). But the principle of trying to even out the rate of increase over the two years seems very questionable, given the Government's general approach so far. Whether the spread of settlements in the present pay round reflects monopoly power, or market factors, the same reasons are likely to apply in the same industries in the coming round. If the suggestion that bad performance in the current round were expected to achieve lower than average settlements in the forthcoming round were to become public, or even to be taken literally by the NI Boards, it would mean screwing down the monopoly industries hardest, which has not so far been the Government's policy. The revised paper incorporates your suggested amendment to paragraph 13, but you may like to reflect on this again in the light of the CPRS comments.

JW Stevens

J W STEVENS
2 July 1981

PAY DEVELOPMENTS AND PROSPECTS

This note discusses pay developments since August 1980 and prospects for the coming 12 months, with particular reference to the nationalised industries, and seeks the views of the Chairmen's Group on what might be done to improve the chances of securing a further deceleration of pay increases.

Developments since August 1980

2. After a scatter of early settlements centring on 14 or 15% the average level of settlements from about October 1980 converged around 9%. The average levels of settlement in the main sectors of the economy since August 1980 are currently estimated as follows:

- Private manufacturing:	9 $\frac{1}{2}$ %
- Private non-manufacturing:	9%
- Public services:	8 $\frac{1}{2}$ %
- Public trading sector:	9 $\frac{1}{2}$ %

3. These averages conceal quite wide dispersions. The distribution of earnings increases implied by settlements since 1 August 1980 in manufacturing industry establishments covered by the CBI Databank Survey is approximately as follows.

<u>Estimated increase on gross average earnings</u>	<u>Proportion of settlements</u>
0-5 per cent	10 per cent
6-10 per cent	60 per cent
11-15 per cent	25 per cent
16-20 per cent	5 per cent

(Source: CBI Pay Report, May 1981)

4. In the public services, the protective services (armed forces, police and fire) have received increases in double figures; but otherwise the general level of settlements has been at around 6-7 $\frac{1}{2}$ % (local authority manuals, NHS ancillaries, school and university teachers). The industrial and non-industrial Civil Service have each been offered 7%.

5. As Table 1 shows, there is a similar dispersion within the nationalised industries. In broad terms, there have been two groups: coal and most public utilities (electricity, gas and water), who have concluded settlements above 10%, and the rest, whose settlements range down to 5% (or less, taking account of the 6-month deferment of the BSC settlement).

TABLE 1: MAIN NATIONALISED INDUSTRY PAY SETTLEMENTS
SINCE AUGUST 1980

<u>Industry</u>	
National Coal Board	9.7% on wage bill for 10 months equivalent to <u>11.6%</u> in full year (widely publicised as 13%).
British Gas Corporation	Up to 10.7%, plus other benefits, equivalent to a weighted average of <u>11.2%</u> on industry wage bill.
Water Authorities	10.2% on basic rates, equivalent to <u>12.3%</u> increase in earnings.
Electricity Supply Industry	10.8%, equivalent to about <u>11.5%</u> on wage bill, plus other benefits.
Post Office: telecommunications	9% on pay bill..
British Airports Authority	<u>9%</u> .
British Transport Docks Board	<u>7.5%</u> to <u>9.5%</u> .
Post Office: posts	8% from April 1981 plus further 1.5% from November, equivalent to <u>8.5%</u> in a full year.
British Shipbuilders	<u>7.5%</u> on basic rates; average <u>8.6%</u> on earnings
National Bus Company	<u>7.5%</u> .
Scottish Transport Group	<u>7.5%</u> .

cont.

TABLE 1: MAIN NATIONALISED INDUSTRY PAY SETTLEMENTS
SINCE AUGUST 1980

<u>Industry</u>	
British Airways	8% from 1 April 1981, equivalent to <u>6%</u> in full year (from 1 January)..
National Freight Company	<u>5%</u> .
British Steel Corporation	7% from 1 July, equivalent to <u>3.5%</u> in full year (from 1 January).

6. Over a longer period it would appear that workers in the first group of industries have improved their position relative both to other nationalised industries and to the rest of the economy, as shown in Table 2 below.

TABLE 2: RELATIVITIES BETWEEN EARNINGS OF MALE MANUAL WORKERS
IN CERTAIN NATIONALISED INDUSTRIES AND ALL INDUSTRIES 1972-80

	<u>1972</u>		<u>1976</u>		<u>1980</u>
All industries and services	100		100		100
Coal mining					
- underground workers	105	{	123	}	139
- surface workers		{	108	}	113
Gas	109		111		117
Electricity	106		110		118
Water Supply	96		98		103

(Source: New Earnings Surveys 1972-1980)

Notes

- (a) Figures are for full-time manual men, aged 21 or over, excluding those whose pay was affected by absence, and relate to average gross weekly earnings.
- (b) Figures for all years relate to April

The needs of the economy

7. The Government is determined to conquer inflation. The growth of money GDP will therefore continue to be constrained by the monetary targets. This will act as a sort of national cash limit covering both real growth and price changes. Unless increases in earnings can be reduced from their current level, or fully justified by improved productivity cost and price increases will absorb all the scope for real growth. Lower increases in earnings, after a short time lag, would permit real growth and lower unemployment than would otherwise be the case.
8. A similar conclusion comes from examining competitiveness. Manufacturing industry has suffered a loss of competitiveness internationally of the order of 50% during the last 3 years. It is essential to contain increases in labour costs if our competitive position is to be restored within a reasonable time.
9. There is a lot of ground to be made up. The scale of the imbalance built up over the years can be gauged from the size of the unemployment problem. Over the past two decades money incomes have grown much faster than in other industrial countries, and at an accelerating rate, while the growth of output has slowed down. During the past decade real output grew by only 16 per cent, but money incomes increased by 335 per cent. And because wage costs have risen so steeply, the decline in competitiveness has been serious.
10. The nationalised industries are a part of the national economy, and it is clearly in their interests that developments on pay should facilitate recovery rather than hinder it. The industries have a particular contribution to make because their pay settlements are often prominent in influencing expectations elsewhere.
11. The theme of interdependence between the public and private sectors, recently discussed in NEDO, is relevant here. The paper prepared by the Nationalised Industries' Chairmen's Group (NEDO(81)31) pointed out that sales to private sector businesses accounted for about a third of the trading receipts of the nationalised industries, and that the well-being of their private sector customers was therefore crucial to their own prosperity. It mentioned the clear sense of obligation in the industries to help their customers by doing whatever they could to increase their efficiency and restrain their price increase.

12. Without such an approach by the industries a double burden would be imposed on the private sector. High settlements in the industries would not only tend to increase the level of settlements in the private sector, but would to some extent have to be financed by the private sector through higher nationalised industry price increases - following a year in which nationalised industry price increases have, in general, been well above the average. Given the financial constraint on money GDP, such an outcome would clearly mean less private sector demand (in real terms) and lower sales for the industries.

13. In short, the arguments for a further substantial deceleration in pay settlements in the rest of the economy apply equally to the nationalised industries. ~~The deceleration should be greatest in those industries which had large settlements this year.~~ Equally important is, of course, the need to secure improvements in efficiency and productivity.

Take in
X
from
Downing of
3/4

Prospects

14. Experience since August 1980 shows what can be achieved. The level of settlements has so far averaged only about half that of the preceding 12 months, though a number of settlements have been larger than this (see for example Table 1).

15. Some of the factors which influenced that result will continue to operate. In particular:

- The profit and cash position of many companies will continue to be tight.
- Unemployment will continue at a high level and probably continue to rise.
- Several important early settlements in private industry will be in sectors under continuing financial pressure, and this may help to set a low "going rate".
- Price inflation will be lower than at the beginning of the last round.

16. There will also be factors working in the opposite direction

- The above average settlements in the monopoly nationalised industries in the previous round will have created pressures to catch up.

- The reduction in takehome pay that is now occurring may stiffen pay claims.
- Company profitability may be recovering.
- Unemployment will be rising more slowly, and price inflation declining more slowly, than in the recent past.

17. Much effort will therefore be needed in order to secure the necessary reduction in the level of pay increases. For the private sector the CBI has already taken steps to tackle the problem; and in the public services the Government will again refuse to finance excessive pay settlements. It is obvious that excessive pay settlements in major nationalised industries would both make it more difficult to secure restraint elsewhere and, whether by increasing the PSBR, generating excessive price rises, or bidding up rates of pay, increase the financial difficulties of the private sector.

18. Clearly the interests of Government and of the industries coincide. And because of the serious implications for the whole economy either of big pay increases in the industries or of industrial action in pursuit of such increases, the Government cannot be indifferent to the outcome on nationalised industry pay. Particular points for discussion might include the following:

- (a) The need for the Government to have an early appreciation of likely developments and to be kept in touch with developments as they occur. Can arrangements to this end be improved?
- (b) The trade off between pay increases and investment and employment. How can understanding of these relationships be improved within the industries?
- (c) How far can pay increases be linked to improved productivity?
- (d) Is there scope for more flexibility within the industries? (For example need there be uniform increases within individual industries?)
- (e) Are there ways in which Government or the industries could help to influence attitudes and expectations?

Suggestions by the Chairmen's Group will be welcome.

Could this pl be
attached to a
file



10 DOWNING STREET

John.

Tim has asked if
you will be commenting on the
attached. (Public Inquiry Letter
Monitoring Report)

Govt.

22/6.

No. I have nothing to add
to my minute to the P.M.
of 19/6.

↓
22/6

G.H. Verma



Elen PSL 2
Anni Marti

To plan

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

PRIME MINISTER

AM

R
2676

MONITORING REPORT: PUBLIC TRADING SECTOR

....

I attach the latest monitoring report. I do not think that there are any special issues to which I need draw attention on this occasion.

2. I am sending copies of this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr Ibbs and to Sir Robert Armstrong.

(G.H)

29 June 1981

PUBLIC TRADING SECTOR

GAS SUPPLY

1. Gas Staffs and Senior Officers (58,500)

Settlement date: 1 June

Unions: NALGO, GMWU, MATSA

BGC initially offered increases of 7%-9% and on 12 May raised the offer to 7.5% for those under 18 and 9.25% for adults. When the parties met on 28 May BGC again raised the offer and secured a settlement.

The terms are:

10.5% increase on basic pay for all aged 18 and over

8.5% increase for those under 18

1 day's extra holiday for all staff

BGC estimate the deal will add 10.3% to the wage bill for the settlement year.

2. Higher Management (3,500)

Settlement date: 1 July

Union: NALGO

On 14 May an offer of 9 $\frac{1}{2}$ % was rejected. At the next meeting on 4 June the offer was raised and a settlement agreed. The agreement gives 10.25% increases on all scales to operate from 1 June, which is to become the new annual pay review date.

BGC estimate the paybill cost for the year 1 June 1981 to 31 May 1982 at 9.8%.

ELECTRICITY SUPPLY

3. Power Engineers and Technicians (29,000)

Settlement date: 1 February

Union: EPEA

When the NJB met on 19 May, the Council's improved offer stood at 10.8% for lower grades of the Engineers' scale tapering to 6.8% at the top. There was some possibility of limited industrial action. Eventually the offer was further improved and a settlement agreed on the following terms:

An average increase of 10.3% on schedule salaries, tapering at the top to 9% from 10.8% at the lower end of the scales.

Shift pay and similar allowances are increased in line.

A 1-hour reduction to 37 hours in the working week from 1 October 1981. The cost will be partially absorbed by changes in working arrangements. The Council estimates the cost of the reduction will not exceed 1% on the paybill.

Increased holidays for senior staff, benefitting this year those with over 20 years service. The cost has not been quantified but is not expected to be significant.

The overall cost of the settlement is put by the Council at just under 11 $\frac{1}{2}$ %.

4. Managerial grades (1700)

Settlement date: 1 April

Unions: EMA, AMEE, NALGO

The group settled on 5 June for 10% across the board, one additional week of annual leave and a one hour reduction in the working week. The total cost on the group's wage bill is estimated at about 10%.

5. Clericals and administrative (47,000)

Settlement date: 1 May

Union: NALGO

The Union is expected to accept but has not yet finally confirmed a settlement on the basis of an offer made at the NJC on 15 May. This provides:

- (a) for administrative grades, the same terms as the engineers, ie 10.8% on salaries tapering at the top to 9%
- (b) for clerical grades, 10.8% on salaries for the top grades tapering to 9% at the bottom of the scales

All grades obtain a one-hour reduction in the working week from 1 October 1981. Most of the cost is expected to be absorbed without increase in the salary bill.

The Council assesses the total cost over a full year at under 11%.

BRITISH NUCLEAR FUELS LTD

6. Non-Industrial Staff (6,275)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

BNFL staff were historically associated with civil service rates and were formally linked to civil service scales until 1979. The main unions are civil service unions currently in dispute with the Government over civil service pay. There was a 1 day strike on 29 April, for which the unions claimed 95% support, followed by selected industrial action at Calder Hall and Chapel Cross power stations.

The company at first kept below the civil service offer and offered 5%, then 6%, but in later negotiations went to 8.5%. A settlement has now been agreed which provides 8.5% on all scales except the top two where the figures are 7.5% and 6.5%. For the benefit of lower paid staff, the agreement provides that the minimum increase is to be £440 pa. The Company estimates the paybill cost at 9.53%. The settlement also gives some increase in leave entitlement.

7. Industrials (8760)

Settlement date: 1 July

Unions: GMWU, AUEW, TGWU, EETPU

BNFL have no formal links with any other group. In practice because of shared sites with UKAEA and common trade union representation there are informal links with UKAEA industrials. The Department of Energy reports that the trade unions have submitted a substantial claim for increases in basic pay and a reduction in working hours. They have rejected an initial 7½ percent offer. Further negotiations are expected to take place soon.

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

8. Staff (8760)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

UKAEA salaries are directly linked to those of civil servants and the settlement of the Authority's scales therefore awaits the conclusions of the central civil service settlement. The main unions are civil service unions currently in dispute with the Government. There has been some participation by the Authority's staff in the civil service industrial action, but despite press reports that more extensive action was planned it is

currently confined to 15-20 members of the prototype fast reactor (PFR) team at Dounreay.

9. WATER SERVICES (Staff 31,500)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

The union side rejected 10.2% and 1 day's holiday on 22 May. On 1 June the employers raised their offer and the union representatives agreed to recommend acceptance, and formal ratification is expected on 25 June. The terms are:

10.9% on all salaries (Cost: 10.7% on wage bill)

Increased standby pay and other allowances (Cost: 0.2% on wage bill)

Extra holidays: 1 day below age 20 and additional days for long service staff (Cost: minimal)

The NWC estimate the overall cost at 10.8% on the wage bill.

10. BRITISH STEEL CORPORATION (All groups - 140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTSS, ASTMS, APEX, SIMA

4 The Corporation has obtained the agreement of all unions except ISTC to its "survival plan" and to pay increases of 7% from 1 July, with no increase from 1 January.

ISTC has rejected the offer and refused national agreement on the survival plan, although they are willing to engage in local negotiations on redundancies in particular plants.

There had been no formal negotiations between BSC and ISTC since 10 February but talks were held on 18 May, when ISTC pressed for arbitration. BSC did not

think arbitration appropriate in view of the other unions' support for the terms on offer and no agreement was reached.

The issues will come before ISTC's Conference, starting on 16 June, when it is expected the Executive will ask Conference to decide how far to take rejection of the offer. If ISTC's position does not change, BSC will implement the 7% increases from 1 July, notwithstanding the absence of a fully agreed settlement.

11. BRITISH AIRWAYS (All groups 50,000)

Settlement date: 1 January
1 April for pilots

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA

Settlements have now been agreed for the larger part of the work force. Negotiations have been taking place in the National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. The distribution of the available sum has not been the same for all groups, but each Panel has kept within the planned overall cost.

Three groups have not yet finally fallen into line. These are the pilots, whose negotiations are progressing slowly but are still at an early stage, and the ramp workers and cabin crews who are negotiating on detail. The cabin crews have decided against industrial action in their negotiations on the manning for the revised passenger services.

12. CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

CAA staff were originally civil servants and remained civil servants until 1975 when they become direct employees of the CAA. Since then their link with civil service pay has been maintained by agreement and increases have been in line with

those agreed for civil servants with only minor variations. Four of the unions are civil service unions currently in dispute with the Government on the central civil service pay claim.

A number of air traffic control staff have been supporting the civil service action with a campaign of selective strikes which has caused considerable disruption to services on the selected occasions.

On 9 June the Authority offered its staff, including air traffic control staff, immediate payment of the current civil service offer of 7% backdated to 1 April on condition that they take no further part in industrial action. If any eventual settlement were to exceed 7% this would be extended to the CAA staff.

13 Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% for the 12 months period from 1 September 80. In the present round offers of increases, from 1 April 1981, of 6%, 6.5% and finally 7.5%, have all been rejected. NALGO has threatened industrial action by its members unless a higher offer is received.

The PTEs have decided to restructure their offer within the 7.5% overall limit and will set out their proposals at a Joint National Council meeting on 23 June.

14 British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

The 3 rail unions submitted a claim for "substantial pay increases" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which union negotiators rejected. Further meetings were held on 16 and 21 April at which BR were unable to improve their offer.

The unions then decided on the unilateral reference of their claim to the Railway Staff National Tribunal and both sides presented their cases on Monday 8 June. The Board made very clear to the Tribunal that its financial situation does not permit a higher offer. The decision is expected to be available in early July. BR would not be bound by the Tribunal's award, but it would inevitably become a factor in further negotiation.

15 London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

Claims for an increase of 12.5% on pay were submitted on 31 March. In subsequent negotiations the unions have rejected LT offers first of 6%, then 8.5% plus a day of annual holiday and discussions on reducing hours; and, finally union negotiators declined to consider an 8% increase in basic rates plus productivity payments which could have meant increases well into double figures for all grades.

The unions want increases in line with RPI movements without strings, and had hoped that the new GLC administration ^{would} make the money available quickly. As yet, however, the GLC have not instructed LT to raise its offer accordingly; and at a meeting on 17 June, the unions agreed to refer the latest offer (8% + productivity) for executive committee consideration. Strike action still cannot be ruled out, although it is now thought that the unions may stay their hand until the outcome of the RSNT hearing of the BR claim is known.

The Secretary of State for Transport is meeting the leader of the GLC on 18 June.

16 London Transport Executive (Rail Workshops Wages Grades - 3000)

Settlement date: 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMWHDE, NUR, TGWU, UCATT

In response to a claim for 12.5% pay increases LT has offered a package comprising 8.5% on pay, one extra day of annual holiday and agreement to discuss a reduction in weekly hours.

The unions have not yet responded to the offer.

17 London Transport Executive (Road Workshops Wages Grades - 3540)

Settlement date: • 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NUSM/CHDE, TGWU, UCATT

LT have offered Road Workshops grades the same package as their Rail Workshops Wages Grades (8% on basic pay, a minor bonus improvement, on extra day of annual holiday and a promise to consider the possibility of a 38-hour week) and this offer has now been accepted.

18 British Telecom

Settlement date: 1 July 1981

Unions: (representing BT Engineering Workers)

POEU: (Engineers, Technicians, etc.

SPOE: (Executive Engineers and Assistants, Inspectors etc) 146,000

In advance of formal union claims British Telecom reached a provisional agreement with POEU and SPOE negotiators which union delegates voted to accept at their annual conferences, both held in the first week in June.

The deal comprises a 9% increase in basic pay; the consolidation of a 1% productivity payment agreed in the last pay round (not new money); and a guaranteed 2% productivity payment replacing productivity payments agreed in the 1980 pay round.

British Telecom state that the deal will add 9% to their pay bill. The Department of Industry consider this to be realistic on the basis that some savings will result from the productivity deal.

No estimate is available of the affect of the proposals on average earnings.

19 British Transport Locks Board (Manual grades - 3300)

Settlement date: 22 April 1981

Unions: NUR, CSEU, EETPU, TGWU, UCATT

A claim for increases in line with the annual movement in the RPI was discussed at a meeting on 13 May, when the Board's initial offer of 7% was rejected. A revised offer of 7.5% was considered by the unions and remained on the table at the resumption of these national negotiations on 9 June. In the course of that meeting 7.5% was rejected and the Board made an improved offer of 8%.

Unions representatives undertook to consult their Executives on the latest offer.

KEY TO ABBREVIATIONS

ABS	Assoc. of Broadcasting Staff
ACTSS	Assoc. of Clerical, Technical and Scientific Staff.
AGSRO	Assoc. of Government Supervisors and Radio Officers
AMEE	Assoc. of Managerial Electrical Executives
APEX	Assoc of Professional, Executive, Clerical and Computer Staff
ASBSBSW	Amal. Socty. of Boilermakers, Shipwrights, Blacksmiths and Structural Workers
ASLEF	Assoc. Socty. of Locomotive Engineers and Firemen.
ASTMS	Assoc. of Supervisory, Technical and Managerial Staff
BAIPA	British Airline Pilots' Assoc.
CPSA	Civil and Public Services Assoc.
CSU	Civil Service Union
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
EMA	Engineers and Managers Assoc.
EPEA	Electrical Power Engineers Assoc.
FTATU	Furniture, Timber and Allied Trades Union
GLCSA	Greater London Council Staff Assoc.
GMWU	General and Municipal Workers' Union
IPCS	Institute of Professional Civil Servants
ISTC	Iron and Steel Trades Confederation
MATSA	Managerial, Admin., Technical and Supervisory Assoc.
NAIGO	Nat. Assoc. of Local Government Officers
NCCC	Nat. Craftsmen's Co-ordinating Committee
NSMM	Nat. Socty. of Metal Mechanics
NUB	Nat. Union of Blastfurnacemen
NUPE	Nat. Union of Public Employes
NUR	Nat. Union of Railwaymen
NUSMWHDE	Nat. Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
POEU	Post Office Engineering Union
SCPS	Socty. of Civil and Public Servants
SIMA	Steel Industry Management Assoc
SPOE	Socty. of Post Office Executives
TGWU	Transport and General Workers' Union
TSSA	Transport Salaried Staff's Assoc.
TWSA	Thames Water Staff Assoc.
UCATT	Union of Construction, Allied Trades and Technicians

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PRIME MINISTER

Current Pay Issues

Because the pay scene has been dominated in the last two weeks or so by the civil servants and ambulancemen, you may find it helpful to have this note of the other public sector pay issues which are active.

Local Authority White Collar Workers

There is some good news here. NALGO, representing 630,000 local authority white collar workers, are recommending acceptance of the employers' offer of 7.5 per cent. The danger lay in the fact that this group still have unilateral access to arbitration, which if used would certainly make it harder for the Civil Service unions to settle. We expect the membership will accept the unions' recommendation.

Police and Firemen

The police and firemen have settlement dates early in the next pay round - 1 September and 7 November respectively - and the continuation of their links between pay rises and the average earnings index is therefore an important issue. The Home Secretary has been asked to bring a paper on the police index linking to E(PSP) as soon as possible: the case for special arrangements for dealing with police pay is clear, but it is likely that an indexed settlement would be around 14 per cent, for a group which already has no difficulty in recruitment, which would be a very bad start to the new pay round. In the case of the firemen, index linking was removed earlier this year, but following the local council elections the employers may well be prepared to restore it. This will also be brought to E(PSP) shortly.

/ Nurses

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Nurses

The nurses are now considerably overdue for their settlement of 1 April; Mr. Jenkin will be putting a paper to E(PSP) on the longer-term arrangements for settling nurses' pay, and our objective must be to persuade them to accept 6 per cent this year without prejudicing subsequent settlements.

Nationalised Industries

Most of the nationalised industry settlements are now behind us: the difficult ones remaining are British Rail, for whom an arbitration decision will be announced early next month, and London Transport, who are in the process of extracting increased offers out of the new GLC.

J.

19 June 1981

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PRIME MINISTER

Transport: London Transport
Pay: May 79
Also - we have no choice unless we change
but to accept unless we change
Mr Wolfson
Mr Veneker
Mr Duguid

Prime Minister

Mr Fowler feels unable to intervene in the renewed negotiations with LT, despite the likely impact elsewhere. Content to accept this?

MP 24/11

MONITORING REPORT: PUBLIC TRADING SECTOR

The Chief Secretary's minute to you of today's date with the latest monitoring report draws particular attention to the problems which could arise following the change of political control at the GLC.

I reported on the situation orally at E Committee earlier this week. The London Transport (LT) busmen have settled at 8 per cent, and I know that the TGWU are not anxious to upset this. But they will be forced to ask for the settlement to be reopened if the tube workers get substantially more.

Up till now the rail unions have been content to postpone further talks about tube pay until they had settled with British Rail (BR); the BR claim will be taken to arbitration on 8 June. But LT have been instructed by the new Leader of the GLC to settle the tube workers' pay claim quickly, even if this means increases in double figures. The rail unions have been told of this and, today, the NUR have told Sir Peter Masefield, the Chairman of LT, that they want an immediate resumption of talks, that their minimum demand is 13 per cent, and they know this is acceptable to the GLC.

Sir Peter Masefield's own position at LT is not strong. He had in any case only accepted the Chairmanship for a single year virtually on a caretaker basis. He could easily be replaced quickly by the new GLC. I do not know how long he will feel able

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to resist these demands which could, of course, create great difficulties for BR as well as leading to a much higher revised settlement for the bus workers.

As you know, I have no statutory powers of control over LT. As matters develop we may well need to consider changing the law. But I do not see that, in advance of that, there is any action which I can usefully take, since there is no sign at all that the new GLC have any intention of acting reasonably.

Copies of this minute go to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy and Trade, the Chief Secretary, Mr Ibbs and Sir Robert Armstrong.

NORMAN FOWLER

21 May 1981

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PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

... In the Chancellor's absence I am circulating the latest report with this minute.

2. The power engineers have now settled for just under 11 $\frac{1}{2}$ per cent, reinforcing the point in the Chancellor's minute of 7 May about the high level of settlements in the monopoly public utilities.

3. Underlying the updated information on the London Transport Executive rail employees is the risk that the new Labour leadership on the GLC will concede a double figure settlement which is little below the 12 $\frac{1}{2}$ per cent claim. That would probably reopen the settlement for busmen, and would have serious implications for the British Rail negotiations, where the unions have invoked unilateral arbitration. The position was reported orally by Norman Fowler at E Committee earlier this week. It would be very helpful if he were now able to let us have a written report of his assessment of the situation, and of any action which he proposes to take.

4. This may, of course, be only the first of a succession of issues which we will face as a result of the changed political balance in the local authorities. I would ask colleagues to be alert to any such developments and to let us have early reports on them.

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at the time

Prime Minister

✓ Transport: London Transport Pay: May 79.

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5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr Ibbs and to Sir Robert Armstrong.

L.B.

LEON BRITTAN

21.5.81.

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(i) Gas Staffs and Senior Officers (58,500)

Settlement date: 1 June

Unions: NALGO, GMWU, MATSA

The industry's recent settlement for manual workers gave increases of 9.7% to 10.7% on basic rates, other pay improvements, extra holidays and a $1\frac{1}{4}$ hour reduction in the working week, and was estimated to cost 12.6% in a full year.

The staff unions are seeking general increases, grade restructuring, increased leave and a reduced working week of 35 hours. The claim is unquantified but the unions are stressing their assessment of the RPI movement since their last settlement - 14.8%, the manuals' increase which they put at 12.7% and the industry's high profitability.

On 30 April BGC offered increases ranging from 7% to 9% and on 12 May raised the offer to $7\frac{1}{2}$ % for juniors under age 18 and $9\frac{1}{4}$ % for adults. The unions declared themselves "extremely unimpressed" by the offer, which makes no proposals on the non-money items of the claim. The negotiations were adjourned and no date has been given for their resumption.

(ii) Higher Management (3,500)

Settlement date: 1 July

Union: NALGO

The group lodged a claim unexpectedly early, in April, indicating that they are seeking increases in line with inflation. No specific figure is claimed but the union gave its estimate (made prior to the Budget) that the rise in the RPI since their last settlement would be 15.4%. At the JNC meeting held on 14 May BGC's offer of $9\frac{1}{4}$ % was rejected. The next meeting is on 28 May.

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ELECTRICITY SUPPLY

(i) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

When the parties met on 22 April the Council made a slightly improved offer of 10.8% for lower grades of the Engineers' scale, tapering to 6.8% at the top. Other adjustments to pay and a reduction in working hours are also under discussion. The EPEA rejected the offer on the grounds that it failed to preserve their established relationship with the industrial grades.

The NJB met again on 19 May and a settlement was reached. Average increases of around 10 $\frac{1}{4}$ % were agreed together with a reduction of the working week by one hour and some improvements in holiday arrangements for certain senior staff. The total cost of the settlement over a full year is expected to be just under 11 $\frac{1}{2}$ %.

(ii) Clericals (50,000)

Settlement date: 1 May

Union: NALGO

The NJC meets on 26 May. The Electricity Council intends to negotiate a settlement which does not exceed that of the manuals. There may be difficulties since NALGO is claiming the manuals gained a 2% advantage as a result of their 1980 settlement and later restructuring agreement, and the clericals wish their former relativities to be restored.

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BRITISH NUCLEAR FUELS LTD

Non-Industrial Staff (6,275)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

BNFL staff were historically associated with civil service rates and the main unions are civil service unions currently in dispute with the Government over civil service pay. No specific amount has been claimed, only "substantial" increases.

An initial offer of 5% was raised to 6% on 24 April. This was rejected.

There was a 1-day strike on 29 April, for which the unions claimed 80-90% support. This was followed by a work to rule and a ban on overtime. The unions are reported to have promised full safety cover. The effects of industrial action will be to disrupt production of nuclear fuels and to restrict or stop output from Calder Hall and Chapel Cross power stations (not expected to affect supplies to consumers).

No date has been arranged for the resumption of negotiations. Settlement of BNFL pay would normally await the conclusion of the Civil Service settlement.

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UNITED KINGDOM ATOMIC ENERGY AUTHORITY

Staff (8,700)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

UKAEA salaries are directly linked to those of civil servants and the settlement of UKAEA scales therefore awaits the conclusion of the civil service settlement. The main unions are civil service unions currently in dispute with the Government over civil service pay. There has been some participation by UKAEA staff in the civil service action. About 40% supported the 1-day strike, and a smaller number the half-day. A section of workers at Winfrith is currently involved in industrial action, but so far this has not spread to other sites.

WATER SERVICES

Staff (31,500)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

On 30 April the unions submitted a claim for 17%, shorter hours and longer holidays. No offer was made at that meeting.

The NJC meets next on 22 May.

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BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS,
ASTMS, APEX, SIMA

The Corporation has obtained the agreement of all unions except ISTC to its "survival plan", and to pay increases of 7% from 1 July, 1981, with no increase from 1 January.

ISTC has rejected the pay offer and refused national agreement on the survival plan, although they are willing to engage in local negotiations on redundancies in particular plants. No arrangements have been made for a resumption of negotiations with ISTC and if the union's position does not change it is BSC's intention to implement the 7% increases from 1 July notwithstanding the absence of a fully agreed settlement.

BRITISH AIRWAYS (50,000)

Settlement date: 1 January (1 April for pilots and flight engineers)

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU,
FTATU, UCATT, BALPA

Settlements have now been agreed for well over half of the work force. Negotiations have been taking place in the separate National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. Both sides have accepted variations in the elements of the package applying to groups covered by particular Panels, while keeping within the planned overall cost.

Of the groups which have not yet come into line, the cabin crews and engineering and maintenance workers have accepted the overall cash limits and are engaged in detailed negotiations on the make-up of their settlements.

Consequent on BA's introduction of new classes of cabin and changed arrangements for meals and services to passengers, the cabin crews are engaged in negotiations on manning and are considering strike action. This dispute is entirely separate

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from and has no connection with the negotiations on the annual pay claim . Ramp workers have not yet accepted the overall cash limits but management expects them to do so eventually. Negotiations with the pilots are at a less advanced stage. It may be another 3 or 4 weeks before they come near to a settlement.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their link with civil service pay has been maintained by agreement and increases have been in line with those agreed for civil servants with only minor variations. Four of the unions are civil service unions currently in dispute with the Government on the civil service pay claim.

A number of air traffic control staff have been supporting the civil service action with a campaign of selective strikes which has caused considerable disruption to services on the selected occasions.

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Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations opened on 5 March with a 6% offer which was rejected. A subsequent offer of 6.5% was also rejected and on 1 May the unions undertook to put an improved offer of 7.5% to their members, but without a recommendation. A union delegate meeting took place on 19 May at which the offer was rejected. Industrial action has been threatened but employers will stand firm.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

South Yorkshire PTE (Platform Staff - 3,000)

Settlement date: 1 April 1981 (formerly 9 October 1980)

Union: TGWU

Earlier this round a 6 months pay settlement was agreed between the PTE and its platform staff for an 8% increase in rates to run from 9 October 80 (the ASD at that time), with a review on 1 April 1981 (the new ASD). From 1 April 81 the PTE offered an increase on rates of 7.5 which the union rejected.

After further negotiations platform staff have voted to accept an offer which increases basic rates by 11%. Management estimate the paybill cost at less than 9%. No forecast can be made of the likely effect on average earnings.

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British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

The 3 rail unions submitted a claim for "substantial pay increase" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which, after consideration, union negotiators rejected. Further meetings were held on 16 and 28 April at which BR were unable to improve their offer.

The unions have since decided to refer their claims to the Railway Staff National Tribunal. An award on a unilateral reference to the Tribunal would not be binding; but would be difficult to ignore.

The RSNT hearing will take place on 8 June, and the result is likely to be known in early July. BR will be making strong representations that it is in no position to fund an increase above 7%.

London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

³The/rail unions submitted a claim for a 12.5% increase on 31 March. On 7 April the unions rejected a 6% offer. At a meeting on 7 May LT argued that their offer to rail staff could not exceed the 8% increase already under consideration by the LT bus staffs. The NUR (leading the TU side) found the offer unacceptable, but nevertheless agreed to put it before the Unions' Executives. Their formal rejection was given to LTE on 15 May.

While the union strategy seems to have been to await the outcome of the BR arbitration, the change in the political complexion of the GLC could lead to negotiations being resumed shortly. Should this happen, and the tube men achieve an increase above 8% there would be great pressure from the TGWU to reopen the bus settlement, and the repercussions for BR are obvious.

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London Transport Executive (Rail Workshops Wages Grades - 3000)

Settlement date: 22 April 1981

Unions: ASBSBSW (Boilermakers, Shipwrights, Blacksmiths and Structural Workers) AUEW, EETPU, FTATU (Furniture, Timber and Allied Trades), NSMM (Metal Mechanics), NUSMWHDE (Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers), NUR, TGWU, UCATT (Construction and Allied Trades Technicians).

The unions presented a claim for 12.5% pay increases on 5 May. BR has made no response. As in the case of the LT Underground claim (reported above) negotiations seem likely to wait for the RSNT award for BR clerical and conciliation grades (but see previous paragraph on conciliation grades).

London Transport Executive (Bus Drivers and Conductors - 19800)

Settlement date: 28 March 1981

Union: TGWU

On 3 April TGWU claimed pay increases in line with RPI movements, a 35-hour week (from 39 to be introduced in Nov 81) and extra annual holidays. They rejected an offer of 7.5% increase in basic rates. On 22 April LT improved the offer to 8% on basic pay, an increase in receipts bonuses (worth about 0.5%), one extra day of annual holiday, and the question of the reduction of weekly hours to 38 to be referred for Committee consideration.

TGWU delegates recommended that the offer should be balloted by members at all garages, and it has been accepted.

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London Transport Executive (Road Workshops Wages Grades - 3540)

Settlement date: 22 April 1981

Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMWHDE, TGWU, UCATT

LT have offered their Road Workshops grades the same package as Bus Drivers and Conductors (8% on basic pay, a minor bonus improvement, one extra day of annual holiday and a promise to consider the possibility of a 38-hour week).

The unions are to consult their membership. The results are expected shortly but the early signs point to acceptance.

Post Office (Postal workers - 156,000)

Settlement date: 1 April 1981

Union: Union of Communications Workers (UCW)

In response to a claim for 20% increases across the board, PO offers of 6% plus a further 2% from 1 October, and 8% plus a further 1% from 1 October, were all rejected. After a negotiating meeting on 15 April the Post Office improved their offer to 8% on basic rates and allowances from 1 April, and a further 1.5% from 1 November 1981 (costed at 8.5% in the 1981/82 financial year).

UCW negotiators recommended the offer and postal workers have voted to accept it. Average earnings are expected to increase by about 8.5%.

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BRITISH TELECOM

Settlement date: 1 July 1981

Unions: (representing BT Engineering Workers)

POEU: (Engineers, Technicians, MT, DO and Photoprint,
Supplies, Factory Grades etc - 130,000)

SPOE: (Executive Engineers and Assistants, Inspectors, Technical
Sales and Traffic Supervisors etc - 16,500)

In advance of formal union claims British Telecom have reached a provisional agreement with POEU and SPOE negotiators which their Executives will recommend strongly to their annual conferences (1 to 5 June).

The proposed deal comprises a 9% increase in basic pay; the consolidation of a 1% productivity payment agreed in the last pay round (not new money); and a guaranteed 2% productivity payment replacing productivity payments agreed in the 1980 pay round.

British Telecom state that the deal will add 9% to their pay bill. The Department of Industry consider this to be realistic on the basis that some savings will result from the productivity deal.

No estimate is available of the affect of the proposals on average earnings.

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Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

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Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

18/5

18 May 1981

A. Lovelock

A COMMON PAY DATE IN THE PUBLIC SERVICES
THE PAY SETTLEMENT DATE FOR THE INDUSTRIAL CIVIL SERVICE

As I shall unfortunately not be able to be present at tomorrow's meeting of E (PSP) I thought it right to let you know my views on the two issues raised.

I am doubtful whether the perceived advantages of aligning industrial civil servants with the non-industrials outweigh the possible risks of encouraging the two sets of unions to make common cause. When we considered this issue last Autumn we decided in the absence of any clear balance of advantage to management, not to pursue alignment this year. I consider that this remains the best course - particularly as there is now some uncertainty over future settlement dates for the non-industrials.

As to the wider issue of a possible move to a common settlement date for the public services generally, I agree with the conclusions reached by the Official Committee in E (PSP) (81) 14.

Copies of this letter go to our colleagues on E (PSP) and to Sir Robert Armstrong.

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R. Amish

Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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I attach the latest report.

2. Since the last report was circulated, electricity manuals have settled at about the same level as gas manuals, whose unions have now formally endorsed their settlement. The report highlights the sharp difference which has now emerged between settlements in the public services sector, where large groups, including local authority manuals and teachers, have settled at 7½ per cent, and the monopoly public utilities where 12-13 per cent has been established by some of the major industries as the going rate. These high pay settlements and the price increases subsequently needed to finance them are damaging. They cause serious resentment in private industry and provide ammunition to critics of our overall strategy. We shall need to consider this problem carefully in the context of the next pay round.

3. For the immediate future the main problem areas look like rail and the electricity power engineers. As you know an assessment of the implications of a rail strike has now been prepared by the Civil Contingencies Unit. It would be helpful if David Howell could let us have his assessment of the implications of industrial action by the power engineers.

4. I should also add that there have been some instances recently in which offers were made without advance warning to sponsoring departments, or else at very short notice. I realise that it may not always be practicable to have the seven days notice we have asked for; but I hope that colleagues will remind their industries that this should be the normal rule.

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5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr. Ibbs and to Sir Robert Armstrong.

(G.H.)

7 May 1981

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PUBLIC TRADING SECTOR

GAS SUPPLY

(i) Manuals (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The unions have formally endorsed a settlement on the terms of the BGC's further improved offer made on 26 March. The settlement provides increases of 9.7% to 10.7% in basic rates, 13% increase in the General Obligations Payment, 1 day's extra holiday for workers with less than 10 years service and a working week reduced from 40 to $38\frac{3}{4}$ hours from 31 May 1981. BGC estimate the overall cost as 11.7% in the year of settlement and 12.6% in the year from 31 May.

(ii) Gas Staffs and Senior Officers (58,500)

Settlement date: 1 June

Unions: NALGO, GMWU, MATSA

A claim was lodged on 18 March. No specific figure is claimed but the unions estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 16.1%. They are also asking for grade restructuring, increased leave and a reduction in working hours to 35 a week. The parties meet next on 30 April.

(iii) Higher Management (3,500)

Settlement date: 1 July

Union: NALGO

The group has lodged a claim unexpectedly early indicating that they are seeking increases in line with inflation. No specific figure is claimed but the union estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 15.4%. An NJC meeting has been fixed for 28 May.

ELECTRICITY SUPPLY

(i) Manuals (92,000)

Settlement date: 17 March

Unions: EETPU, GMWU, AUEW, TGWU

A settlement was agreed at a meeting of the NJIC on 2 April. The terms were 10.75% on basic salaries, 25p to 35p increase in unsocial hours payments, £3 increase (to £29 per week) in standby pay and a reduction in the working week from 38 to 37 hours from 1 October 1981. The full year cost is assessed as 11 $\frac{1}{2}$ % to 12%, but could be lower

depending on the method of implementing the hours reduction adopted in local agreements. A further addition to the paybill arises from a restructuring agreed as part of the 1978 settlement and effective from 1 October 1980 which could add 0.5% to average earnings in a full year.

(ii) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

The Electricity Council aims to negotiate a settlement which does not exceed that completed with the manuals - ie of the order of 11% to 12%, although the media have mentioned a figure of about 13%. In the latest negotiations on 22 April the EC moved to an improved offer of 10.8% at the bottom tapering to 6.8% at the top. The offer is cast in this way to take account of the EPEA's demand for the preservation of relativities with the manuals at the link point which is at the lower end of the EPEA scales.

The offer was rejected. The parties meet again on 19 May and the EPEA said that if there was not a "sensible offer" at that meeting there would be difficulties. The cost of the proposals, including improvements in allowances and other items, leaves the Council without much leeway and they consider limited industrial action cannot be ruled out. The Council believe this would, at least initially, be directed at the industry and not at the customer.

(iii) Clericals (50,000)

Settlement date: 1 May

Union: NALGO

The NJC meets on 15 May. As in the case of the Engineers, the Electricity Council intends to negotiate settlement which does not exceed that of the manuals. There may be difficulties since NALGO is claiming that the manuals gained a 2% advantage as a result of their 1980 settlement and later restructuring agreement, and the clericals wish their former relativity to be restored.

WATER SERVICES

Staff (31,500)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

The Staff side have submitted a claim for a 17 per cent increase in salary, a 35 hour week, and various other improvements in leave and conditions. The claim will be formally tabled when the NJC meets on 30 April. The Management side are not expected to respond to the claim at the 30 April meeting.

BRITISH AIRWAYS (50,000)

Settlement date: 1 January (1 April for pilots and flight engineers)

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA

Settlements have now been agreed for well over half of the work force. Negotiations have been taking place in the separate National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. Both sides have accepted variations in the elements of the package applying to groups covered by particular Panels, while keeping within the planned overall cost. Negotiations for pilots, whose settlement date is 1 April, are less advanced.

The group which have not settled are cabin crews, engineering and maintenance and ramp workers. British Airways are cautiously optimistic that the engineering and maintenance workers are moving towards acceptance of the overall limitations of the offer and that the ramp workers will follow them. Cabin crews have now accepted the overall limitation but are until in talks on the construction of a package.

BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS, APEX, SIMA

The Corporation put forward a "survival plan" entailing upwards of 20,000 redundancies, and proposed pay increases of 7% from 1 July 1981, with no increase from 1 January. All the unions except ISTC eventually accepted the whole deal. ISTC however rejected the pay offer and refused national agreement on the survival plan, although they are prepared to engage in local negotiations on redundancies in particular plants.

BSC and ISTC again failed to reach agreement when they met on 10 February. The talks were adjourned without a date being arranged for their resumption, and there has been no progress since. If the ISTC's position does not change, it is BSC's intention to implement the 7% increases from 1 July notwithstanding the absence of a fully agreed settlement.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

No claim has been submitted and none is expected until a settlement has been reached

the Civil Service. CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their pay settlements have been in line with those of civil servants. The Air Traffic Controllers, whose participation in the civil service strike on 9 March caused substantial disruption to civilian flying, are currently taking selective strike action throughout the UK.

Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations on the JNC for PTE Non-Manual Employees opened on 5 March with an offer worth under 6% on paybill, which the unions rejected. An improved offer of 6.5%, made on 2 April, has also been rejected. Talks resume on 1 May.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

South Yorkshire PTE (Platform Staff - 3,000)

Settlement date: 1 April 1981 (formerly 9 October 1980)

Union: TGWU

Earlier this round a 6 months pay settlement was agreed between the PTE and its platform staff for an 8% increase in rates to run from 9 October 80 (the ASD at that time), with a review on 1 April 81 (the new ASD). From 1 April 81 the PTE offered an increase on rates of 7.5% (estimated to give 6.5% on earnings) which union negotiators rejected after a ballot. Talks resumed on 8 April with an offer which would give a 7% increase on earnings. A ballot was held on 16 April which rejected the slightly increased offer. A further ballot is being held on 30 April on an offer which will increase basic rates by over 11 per cent, but add less than 9 per cent to the paybill due to considerable reductions in overtime. The PTE are reasonably confident of a settlement reaching.

British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

3 rail unions submitted a claim for "substantial pay increases" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which, after consideration, union negotiators rejected. A further meeting was held on 16 April when the unions pressed for a substantial increase in the offer and BR insisted that they were unable to improve on 7%.

The unions' executives are this week discussing further joint action, including a possible reference of the dispute to the Railway Staff National Tribunal. An award of the Tribunal, however, is binding only if there is an agreed reference by both parties.

London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

The 3 rail unions submitted a claim for a 12.5% increase on 31 March. At a meeting on 7 April the unions rejected a 6% offer. The parties are to meet again shortly, when Management intend to spell out the consequences in service cuts and job losses of meeting the unions' claim.

IT Underground settlements follow those of British Rail.

London Transport Executive (Bus Drivers and Conductors - 19800)

Settlement date: 28 March 1981

Union: TGWU

On 3 April TGWU submitted a claim for pay increases in line with RPI movements, a 35 hour week (from 39 due to be introduced in Nov 81) and extra annual holidays. Negotiations opened on 13 April with an offer of 7.5% (in line with settlements elsewhere in the bus industry). The offer was linked to improved productivity, as reduction in weekly hours below 39, and a firm commitment to a 12-month's agreement.

Talks resumed on 22 April with the rejection of 7.5%. These followed an improved offer comprising 8% on basic pay, increased receipts bonuses, 1 additional day of annual holiday and the question of the reduction of weekly hours to 38 to be referred for Committee consideration.

TGWU negotiators agreed to recommend the offer to a special delegate conference to be held on 30 April.

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Post Office (Postal workers - 156,000)

Settlement date: 1 April

Union: Union of Communications Workers (UCW)

In response to a claim for 20% increases across the board, PO offers of 6%, 6% plus a further 2% from 1 October, and 8% plus a further 1% from 1 October, have all been rejected. After a negotiating meeting on 15 April UCW representatives agreed to recommend acceptance of a final offer costed at 8½% in the 1981/82 financial year. The offer increases pay rates and allowances by 8% from 1 April and by a further 1½% from 1 November 81. It will be put to union members at branch ballots, the results of which are not expected before early May.

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W. Venner



SECRETARY OF STATE FOR ENERGY
MILLBANK LONDON SW1P 4QJ

01-211-6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

J.

27/A

27 April 1981

Dear Secretary

ELECTRICITY SUPPLY INDUSTRY: PAY NEGOTIATIONS WITH THE ENGINEERS

I am writing to let you know how the pay negotiations with engineering staff in the electricity supply industry are progressing.

The Electrical Power Engineers' Association (EPEA) met the management at a meeting of the National Joint Board on 22 April. An improved offer was made of 10.8% for lower grades of the Engineers scale, tapering to 6.8% at the top of the scale. This offer represented a small increase over that made previously. In addition, the National Joint Board are discussing a reduction in hours and certain other adjustments. The EPEA rejected the offer on the grounds that it destroyed the relationship with industrial grades and did not adequately reflect the engineers' status.

The next meeting is scheduled for 19 May when the offer is unlikely to be much improved. The Industry believe that a fair offer has been made and that they cannot afford to go beyond the final settlement with the industrial staff. The EPEA may make difficulties after the next meeting, although the Industry believes that any action taken by the EPEA would be designed to inconvenience management rather than cut off the consumer. However, there are indications that the Engineers may eventually take a more realistic line and the management are doing all they can to encourage this. I will report on significant developments as they arise.

I am copying this letter to Cabinet colleagues, to Mr Ibbs and to Sir Robert Armstrong.

D A R HOWELL

David

CONFIDENTIAL

JL(O/R)
R MS

NOTE

The circulation of this memorandum has been restricted. Recipients are accordingly asked to ensure that the secrecy of its contents is strictly observed.

CONFIDENTIAL



Econ
CC Mr Duguid
Pol
XL(0/2)
to see
mjs
14/4

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 14 April 1981

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

Thank you for your letter of 27 March about police pay.

I am glad that you have been considering this already, and I entirely accept that such consideration must take account of the past commitments we have given.

I note what you say about the relationship with the pay of the armed forces. However, at a time when pay settlements are declining, this does not mean that the police, settling in the next pay round, should necessarily expect to receive the same increase as the armed forces in the current round. Further, the relationship cuts both ways. If it turns out that the armed forces' pay settlement this April is significantly lower than the increase which the Index of Average Earnings would imply for the police in September, then this in itself must cast doubt upon the continuation of indexation.

I am sure you would wish colleagues to consider the issues in good time before this year's negotiations start. Although you do have the ultimate decision on police pay, it seems to me that you would be in a much less exposed position, if there were any changes to be made, if they were introduced into the negotiations at the outset, rather than imposed by you after the negotiations have been completed. I am therefore content to leave it to your judgement when to bring the issue forward for consideration, provided that this allows time to give effect to any decisions we may take without running the risk of accusations that we are changing the rules after the game has started.

I am copying this letter to the Prime Minister.

GEOFFREY HOWE

90

Handwritten signature



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01-211-6402

Handwritten mark

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

10 April 1981

Handwritten mark

Dear Sir

PAY SETTLEMENT FOR GAS MANUALS

When I wrote to you on 30 March to let you know the position^{in the} on the pay negotiations for manual workers in the gas and electricity industries, I said that BGC expected the gas unions to finalise their response to the improved offer (which BGC assess to be worth 11.7%) on 6 April. I have now learned that the last of the unions agreed on 8 April and that the Trade Union Side have formally accepted the offer.

I am copying this letter to Cabinet colleagues, to Mr Ibbs and to Sir Robert Armstrong.

Handwritten signature

D A R HOWELL

Handwritten signature

Guidance on pay →
Training EFL

76
Prime Minister Not had
Freeze benefit → Aug 79
Railway pay
N. E. G. B. L.
6% - agreement 74
- productivity

CONFIDENTIAL

Re: Distribution
MR LANKESTER
Content of Railway Policy

RAILWAY PAY

You asked if we could get additional information for the Prime Minister's use this morning when Mr Fowler raises the question on railway pay in E.

2. The only immediate useful document is Mr Fowler's minute of 27 March to the Prime Minister about pay. Transport have now however amplified this to me. The key points are:-

(a) The EFL calculations assume 8% for pay this year.

(b) As Mr Fowler told the Prime Minister last night, BR think they will be £100m, or thereabouts, down on their trading results this year. Without offsetting action this will carry straight through to the EFL. Parker does not believe BR can offset the £100m by their own efforts.

(c) BR have an arbitration agreement with their staff which gives the right of unilateral access to the BR staff Tribunal. The awards of the Tribunal are however only binding if both sides have agreed the reference. The history of the Tribunal's previous awards does not fill the Department of Transport with confidence. If the Railway unions were to exercise their right of unilateral access so that a non-binding award emerged it would nevertheless be very difficult for the Railways to ignore it.

(d) 1% on pay costs BR roughly £15m a year.

(e) Of the three pay options mentioned to the Prime Minister last night by Mr Fowler, those based on staging (7% now + 4% at the turn of the year, or 6% now + 2% in October), are designed to keep within 8% though the first option would raise the base pay for next year's negotiations by 13%. The "freeze" option was designed to reflect directly the EFL position.

P Le CHEMINANT

8 April 1981

CONFIDENTIAL

cc: Mr. Ingham
Mr. Duguid

2

PRIME MINISTER

Monitoring Report for the Public Trading Sector:
Contingency Planning in the event of industrial action

Play A

I think you have already seen the latest Public Trading Sector Monitoring Report, and the Chancellor's covering minute of 3 April. The Chancellor refers to the contingency planning in the event of industrial action that has been put in hand. Since the conclusions of that work are unlikely to reach you until after your forthcoming foreign visit, you may wish to know in broad terms what the current assessment is.

There are four public sector groups where agreed pay settlements are not yet in sight: British Rail, London Transport, the Post Office and British Telecom. The principle risk of industrial action arises from the first two, who may for the first time act in unison. British Rail is looking for a settlement in double figures, whereas the BR Board will try and hold it to the 8% pay assumption in the EFL. If there is no compromise, industrial action could take place in May. The contingency unit's preliminary assessment is that the normal BR pattern of limited industrial action could be coped with on the basis of considerable public inconvenience; but that an all-out strike, particularly if accompanied by a strike by London Transport, would rapidly make life intolerable in London and that a higher offer would have to be made. It is not feasible to construct contingency plans to mitigate the effects of an all-out strike.

Although industrial action in the Post Office is also a possibility, since the unions are claiming 20% and have been offered 6%, the contingency unit is inclined to view the prospect with equanimity. In particular, the Post Office counter services are likely to continue, because the sub-post masters are not

/ members

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- 2 -

members of the relevant union. A strike would be more than inconvenient only if combined with action in British Telecom; which there is no reason at present to expect.

W.

7 April 1981

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cc A Ingham
J Weeks
M. H. H. H. H.

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2

Price history

The electricity manual

has settled at

'about 13%'

2

174

6 April 1981

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE
MILBURN LONDON SW1P 3BT

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1P 3HE

See Sidney

ELECTRICITY SUPPLY: MANUAL WORKERS PAY NEGOTIATIONS

In my letter of 30 ^{underneath} March about pay claims by Gas and ESI manual workers, I noted the negotiating position the ESI had decided upon for their meeting yesterday with the unions.

You will have seen that the unions have accepted the offers made at the NJIC meeting, which comprises

- (i) an increase of 10.75% in schedule salaries;
- (ii) an increase in unsocial hours payment by 25p-35p per hour;
- (iii) an increase in stand-by pay, by £3 per week (bringing this to £29);
- (iv) a reduction of one hour in the working week (bringing this to 37 hours per week) from 1 October 1981.

The arrangements for achieving the reduction in hours are to be left to local negotiation. The Council hope that in many instances the reduction can be absorbed by adjustment of working practices and without any increase in overtime or resources. Where this is the case, the overall cost of the settlement is assessed as an increase of 11-11½% in the wage bill. (If the cost of the reduction in hours cannot be absorbed, the overall cost of the settlement is put at 11½-12%).

The industry have chosen to present the settlement publicly as an increase of "about 13%", to ward off the possibility of unofficial action. They are concerned that their estimate of the effect on the wage bill should

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remain confidential.

I am copying this letter to Cabinet colleagues, to Mr Ibbs and to Sir Robert Armstrong.

Handwritten signature or initials, possibly "Daw" or "Daw 7".

D A R HOWELL

CONFIDENTIAL

A



J. Vereker

A. Duquid.

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

2

PRIME MINISTER

PRIME MINISTER

MS

MONITORING REPORT - PUBLIC TRADING SECTOR

3/4

..... I attach the latest report.

2. Settlements have now been reached for water and gas manuals, and at British Shipbuilders. David Howell will no doubt report the outcome of the electricity talks on 2 April.

3. For the future, the immediate problem areas look like rail and the Post Office. These negotiations are still at an early stage. As you know, I have discussed these with colleagues, and we have set in hand contingency planning in the event of industrial action. I understand that officials are now well advanced with this. I have also seen Norman Fowler's minute to you of 27 March on railways' pay, which indicates the potential seriousness of the situation. However I do not think that further action at this stage would be helpful.

N 4. On a smaller group, the South Yorkshire PTE negotiations are producing very high figures if the two settlements are taken together. I recognise that Norman Fowler's ability to influence events is very limited; but he may wish to comment on whether there is a risk of such figures spreading elsewhere in the bus industry.

5. I am sending copies of this letter to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr. Ibbs and to Sir Robert Armstrong.

R. Tolkien, [approved by the
Chancellor &
signed in his
absence]

(G.H.)
3 April 1981

PUBLIC TRADING SECTOR

WATER SERVICE

- (i) Manuals (33,000)
 Settlement date: 7 December 1980
 Unions: GMWU, TGWU, NUPE, NAAAW

A settlement was ratified at a meeting of the NJIC on 19 March. The terms were 10.2% on basic rates, extending into bonus and overtime, consolidation of a £5 efficiency supplement, improved shift pay, and 1 day's extra holiday.

The employers assess the effect on average earnings as 12.3%. They estimate that the extra day's holiday can be provided at no cost.

- (ii) Craftsmen (4,900)
 Settlement date: 7 December 1980

The craftsmen have settled on the same terms as the manuals. In the case of the craftsmen, the effect of the increases on average earnings is expected to be 12.6%.

GAS SUPPLY

- (i) Manuals (41,000)
 Settlement date: 18 January
 Unions: GMWU, TGWU

The claim, which the unions say is worth 23%, seeks increases of 15½% in line with inflation and consolidation of bonuses at a sum equivalent to one-third of basic pay, this sum to be paid to all workers (present bonuses range from nil to 50%). Other improvements sought are reduction of working week to 37 hours, increased holidays and increased holiday pay, paternity leave, phased reductions in hours prior to retirement.

The unions have rejected three offers - the first, made on 7 January, was worth about 8% on the pay bill in the 12 months starting 18 January (equivalent to about 9% in the 12 months starting 2 August 1981 when a proposed reduction in hours was due to become operative; and the second, made on 30 January, was worth about 9% in the year of settlement (or 10.3% in the 12 months starting 2 August 1981).

The third offer on 24 February was worth a little over 10% in the year of settlement (just over 11.3% in the 12 months starting 2 August). On 26 March BGC offered further pay increases and a small increase in holiday allowance, and brought forward the proposed reduction in the working week (by 1¼ hours) from 2 August to 31 May 1981. This package represents an increase in the wage bill of 11.7% for the settlement year (equating to 12.6% in the full year from 31 May 1981). It is believed that GMWU officials (the main union) will recommend acceptance of this offer at a delegates conference on 6 April, after which they will respond to the management.

- (ii) Gas Staffs and Senior Officers (58,500)
Settlement date: 1 June
Unions: NALGO, GMWU, MATSA

A claim was lodged on 18 March. No specific figure is claimed but the unions estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 16.1%. They are also asking for grade restructuring, increased leave and a reduction in working hours to 35 a week. The parties meet next on 30 April.

- (iii) Higher Management (3,500)
Settlement date: 1 July
Union: NALGO

The group has lodged a claim unexpectedly early indicating that they are seeking increases in line with inflation. No specific figure is claimed but the union estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 15.4%. An NJC meeting has been fixed for 28 May.

ELECTRICITY SUPPLY

- (i) Manuals (92,000)
Settlement date: 20 March
Unions: EETPU, GMWU, AUEW, TGWU

The Electricity Council has received a claim for:

- (i) a substantial increase in schedule salaries
- (ii) a reduction in working hours to 35 a week

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- (iii) unsocial hours payments to be based on the hourly rate derived from the schedule salary
- (iv) voluntary early retirement at age 60.

The Council made no specific offer at the NJIC on 5 February, but at the next NJIC on 5 March made an offer which they estimate to be worth 11½% on the wage bill in 1981/82. The elements are:

- (i) increase of 9.5% in schedule salaries
- (ii) increase of rather more than 9.5% in unsocial hours payments
- (iii) increase in standby pay of £3 a week (to £29).
- (iv) reduction of 1 hour in the working week (to 37) from 1 February 1982, subject to agreement on the method of implementation.

The proposals were rejected and talks will be resumed on 2 April.

The unions said there would be no settlement under 13%. The Council however believe there may be scope for settling at an increase of around 10%-11% on schedule salaries, within an overall figure of an extra 11½% to 12½% on the wage bill.

- (ii) Power Engineers and Technicians (28,000)
Settlement date: 1 February
Union: EPEA

The parties have had preliminary discussions, but no progress is expected before the next meeting of the NJB on 14 April.

BRITISH AIRWAYS (50,000)

- Settlement date: 1 January (1 April for pilots and flight engineers)
- Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA

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The Board initially offered 7½% from 1 July 1981, with no increase from 1 January and later raised the offer to 8% from 1 April. In negotiations within the separate National Sectional Panels the Board has been prepared to vary elements to the package within the planned overall cost.

Settlements have now been reached for Panels covering rather more than half the workforce. The groups which have not settled are the cabin crews, engineering and maintenance, and ramp workers. Negotiations for the pilots, who have a 1 April settlement date, are in the early stages. The cabin crews have not adopted a militant attitude, but the engineering and maintenance, ground services and ramp workers staged a 1-day strike on 23 January and threatened further strikes. Ground services have now settled, but the engineering and maintenance workers' shop stewards are meeting on 2 April, probably to decide whether to undertake more extended strikes or to accept the offer. Ramp workers may take a lead from them.

BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS,
APEX, SIMA

There has been no progress since the last monitoring report.

The Corporation has put forward a "survival plan" entailing upwards of 20,000 redundancies, and has proposed pay increases of 7% from 1 July 1981, with no increase from 1 January. All the unions except ISTC eventually accepted the whole deal. ISTC however rejected the pay offer and refused national agreement on the survival plan, although they are prepared to engage in local negotiations on redundancies in particular plants.

BSC and ISTC again failed to reach agreement when they met on 10 February. The talks were adjourned and no date has been fixed for their resumption.

BRITISH SHIPBUILDERS (Staff and Manuals 70,700)

Settlement date: 1 April

Unions: CSEU, SAIMA

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The unions presented a claim on 9 February. The claim was in general terms and sought increases in rates and allowances, a reduced working week, increased holidays and other improvements.

On March 30, agreement was reached for an increase in basic earnings for staff and manual workers equivalent to 7½%. Adjustments in other allowances, including Minimum Earnings level, bring the total package to around 8.2%. This is subject to ratification: the Executive meets on 2 April and a delegate conference on 6 April.

The issue of redundancies was not pursued in the pay negotiations. BS are planning to issue compulsory redundancy notices on 3 April.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

No claim has been submitted and none is expected until a settlement has been reached for the Civil Service. CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their pay settlements have been in line with those of civil servants.

CAA staff, including air traffic controllers, participated in the Civil Service strike on 9 March, causing a substantial disruption of civilian flying in UK airspace.

BRITISH RAIL (Clerical and Conciliation Grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

The Railway Staff Negotiating Council met on 19 March for the formal presentation of the 3 unions' joint claim for significant improvements in pay and conditions of service. The BRB confined their response to a statement of their financial position.

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In separate meetings last week neither management nor the combined rail union executives were able to reach final decisions on the strategy for the pay talks. Both Bodies meet again, independently on 2 April to continue discussions. It is likely that the first meeting between management and unions will take place next week, but as yet there is no firm arrangement.

The Board intend to keep productivity talks separate from the main negotiations.

LONDON TRANSPORT EXECUTIVE (Rail Supervisors, Booking Office and
Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA.

A claim - seeking a package of improvements, including 12½% increases on basic pay - was presented formally by the unions at a meeting with the Executive on 31 March 1981.

LT settlements follow those of British Rail.

LONDON TRANSPORT EXECUTIVE (Bus Drivers and Conductors - 19800)

Settlement date: 28 March 1981

Union: TGWU

A claim - details not known - is to be presented formally by the union at a meeting with the Executive on 3 April 1981. It is likely to be very similar to that of their rail colleagues.

NATIONAL FREIGHT CO (Operating grades - 23,000)

Settlement date: 1 January 1981

Unions: TGWU, URTU, NUR

A majority of TGWU delegates have voted to accept an offer which increases top drivers' rate by 5.2% (to £81 per 40-hour week) and other operating grades' rates by 5%.

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The settlement is in line with the majority of RHA area settlements. The effect on average earnings is not known.

PASSENGER TRANSPORT EXECUTIVE NON-MANUAL STAFF (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations on the JNC for PTE Non-Manual Employees opened on 5 March when the employers offered increases of varying amounts worth under 6% on the paybill. The offer was rejected; the parties will meet again on 2 April.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

SOUTH YORKSHIRE PTE (Platform Staff - 3,000)

Settlement date: 1 April 1981 (formerly 9 October 1980)

Union: TGWU

Earlier this round a 6-months pay settlement was agreed between the PTE and its platform staff for an 8% increase in rates to run from 9 October 80 (the ASD at that time), with a review on 1 April 1981 (the new ASD). The PTE offered a further 7.5% increase, which union negotiators rejected, as unacceptable, claiming that at least another 2% to compensate for the effects of the budget was necessary.

A ballot held on 20 March resulted in an overwhelming result rejected of the offer (over 95% voting against) negotiations resume on 8 April.

POST OFFICE (Postal Workers - 156,000)

Settlement date: 1 April 1981

Union: Union of Communication Workers (UCW)

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In February, UCW submitted a claim for across-the-board increases of 20%. The parties met on 24 March when management made it clear that the claim was far above what could be justified. No offer was made. At a meeting on 27 March the Post Office offered 6% which the union negotiators rejected. A further meeting was held on 31 March to clarify and discuss details but the Post Office made no attempt to improve the offer. A further meeting between the parties is being arranged in the week following the UCW special delegate conference on 3 April. The conference was called to discuss a proposed new productivity scheme but it is expected that the pay issue will also be discussed.

CONFIDENTIAL



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

Tel: 211 6402

cc Adjudic
J. Vockas
A. Winters

Prime Minister
to note.

TL 30/3

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1

MS
30 March 1981
M. Y. M.

Dear Sir

PAY CLAIMS BY GAS AND ESI MANUALS

I am writing to let you know the latest position on the pay negotiations for manual workers in the gas and electricity supply industries.

GAS

The gas manuals have indicated that they are likely to accept an improved pay offer which the British Gas management put to them at a meeting yesterday. The proposed settlement would amount to an increase of 11.7% in labour costs for the settlement year from 18 January (or 12.6% in the 12 months starting 31 May 1981, when a proposed reduction in standard hours from 40 to 38½ hours per week would take effect).

The elements of the proposed package are an increase in basic rates of between 9.7% and 10.7%; the reduction in standard hours, which I have mentioned; an increase of 13% (worth about 80p per week at the top rate) in the General Obligation Payment (a payment in respect of flexible working procedures); and one day's extra holiday per year for all employees with less than 10 years' service.

The gas manuals' unions have quoted the 11.7% increase as 12.7% in the press and BGC believe that this will be acceptable to their employees who are keen to achieve similar increases to those perceived to have been won by the mine-workers and the water-manuals. BGC expect the gas unions to meet on 6 April to finalise their response to the offer, four days after the next meeting of the electricity manuals' NJIC on 2 April. Contracts between senior management of the BGC and the Electricity Council continue to be close.



-2-

ELECTRICITY

The ESI have settled their negotiating position for their next meeting. They will offer 10% on scales (with 1% in reserve) plus improvements in fringe items - shift allowances and standby and unsocial hours payments and earlier retirement (which could affect the pay bill in the current negotiating year). These could add some 2% to the pay bill depending on the number of employees. In all a settlement on these lines is expected to reach less than 13% on the pay bill for the first year in operation from the settlement date.

I will, of course, expect both industries to meet the cost of their settlements from within their existing EFLs.

I am copying this letter to Cabinet colleagues, to Mr Ibbs and to Sir Robert Armstrong.

D A R HOWELL

Gave to
David

Robert M. ...

Simon P. H.

CONFIDENTIAL



to
cc Mr Verelox
Mr Duguid.

10 DOWNING STREET,

From the Private Secretary

30 March 1981

Dear John

Nationalised Industries Pay

The Prime Minister has read the Chancellor's minute of 26 March, and is grateful to him for taking up with his colleagues what appear to be the most pressing issues regarding nationalised industries pay. She would like to be kept informed of the further work which has been commissioned.

I am sending a copy of this letter and of the Chancellor's minute to David Wright (Cabinet Office).

Yours ever

T P LANKESTER

A.J. Wiggins, Esq.,
HM Treasury.

CONFIDENTIAL

CONFIDENTIAL



N.B. ^{Econ} P. P. L. TL 2/4

~~cc~~ A. Sugiid.
J. Voreker

PRIME MINISTER

NATIONALISED INDUSTRIES PAY

TPM I have seen Geoffrey Howe's minute of 26th March. I am content that when Departmental assessments of the consequences of industrial action by rail, postal and telecommunications workers have been received, the Civil Contingencies Unit should consider the matter and report.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, Employment, Energy, Environment, Trade, Transport, Scotland, the Chancellor of the Duchy and Sir Robert Armstrong.

low

30 March, 1981

CONFIDENTIAL

✓ J. Vereker

CONFIDENTIAL

NB PM yet. Econ 80
TL 30/3



QUEEN ANNE'S GATE LONDON SW1H 9AT

27 March 1981

Dear Jeffrey

163

Thank you for your letter of 11 March about the indexing of police pay, to which I have indeed been giving a good deal of thought.

The positions of the police and the firemen are really quite different. The police, like the armed forces but unlike the firemen, do not have the right to strike; and this puts them in a special position on pay.

The principle of indexing police pay was one of the main recommendations of the Edmund-Davies Committee and brought to an end a long period of frustration in which the machinery for settling pay had broken down, police numbers were falling and the Police Federation had withdrawn co-operation over a wide field. We cannot go back to that dangerous situation. Moreover, we must have regard to political realities. We came into office pledged to implement the Edmund-Davies recommendations in full, and we have done so. There would be massive resistance within the Party if we were to seek now to renege on pledges we made so firmly.

There is another respect in which the police differ from the fire service. The pay of the latter is settled between the local authority employers and the Fire Brigades' Union. On police pay it is I who make regulations after receiving a recommendation from the Police Negotiating Board. Given this reserve power which would enable me to impose a settlement if need be, I believe we should not be in too much of a hurry to decide on our attitude to this year's police pay settlement. The date of the settlement is still five months away and the index should soon begin to reflect some of the lower settlements which have been negotiated in the private and public sectors. We shall soon have to decide what to do about the pay of the armed forces, and as you know it is my strong belief that we cannot give the police less than we give the armed forces. It is clear to me that the Government has nothing to lose and everything to gain from delaying a decision on police pay. It would certainly be damaging to show our hand before the Police Federation conference in May.

I am copying this letter to the Prime Minister.

John Major

The Rt. Hon. Sir Geoffrey Howe, QC., MP.

CONFIDENTIAL

after Vane



PRIME MINISTER

NATIONALISED INDUSTRIES PAY

underneath

Geoffrey Howe sent me a copy of his minute to you of 26 March on nationalised industries pay. I have also seen the note of the meeting Geoffrey held on 19 March which I was unfortunately unable to attend.

I note that one of the main approaches proposed is to make a link between pay settlements and future investment in the industry concerned. Keith Joseph has reported in his letter of 25 March that this line may be followed in the British Telecom negotiations. I shall be interested to see how this develops and also the results of the further work by the Treasury and the Department of Employment. However I have some scepticism about the effectiveness and wisdom of this approach.

If we deny funds to a nationalised industry for capital investment the main sufferers in the short-term at least will be their contractors and suppliers (usually in the private sector) whose employees will lose their jobs. As the effects of delayed investment begin to show through, the nationalised industry's customers will suffer in reduced service or higher costs. Within the nationalised industry itself, however, cuts in capital investment, which are usually labour saving and sometimes very extensively so, are more likely to preserve jobs, as well as prolonging inefficiency. I therefore find it difficult to believe that a threat to curtail capital investment will be an effective deterrent to high wage claims by workers in the nationalised industry concerned, or that it would necessarily be sensible to react to an undesirably high settlement by carrying out the threat.

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I hope that these points will be fully explored in the further work which is envisaged.

I am sending copies of this minute to Geoffrey Howe, Keith Joseph, Jim Prior, David Howell, Michael Heseltine, George Younger, Norman Fowler, Francis Pym, Robin Ibbs and Sir Robert Armstrong.

WJB

Department of Trade
1 Victoria Street
London, SW1H 0ET

JB

27 March 1981

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MR. LANKESTER

cc: Mr. Duguid

NATIONALISED INDUSTRIES PAY

FLAG A — You asked for comments on the Chancellor's minute of 26 March, and related correspondence.

I am sure the Chancellor's initiative in taking up with his colleagues the difficulties inherent in pay determination in the nationalised industries is a useful one; and the Prime Minister may wish you to acknowledge the minute, welcoming the initiative and asking to be kept informed.

FLAG B — The Prime Minister should know, because it does not stand out from these papers, that the monitoring group has identified as the next difficult problem on the horizon the pay negotiations in British Railways and London Transport. The settlement dates are not until 20 April, but the two sides are far apart and there must be a risk of industrial action at a politically very awkward time.

J.

ms

27 March 1981

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Top Copy
Nat Ind, Aug 79
Railway Pay.

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Prime Minister

RAILWAYS PAY

We are now coming towards the due date (20 April) for the main railway pay settlement. The Unions have presented claims for substantial increases on which they have not put a figure, but they appear to be looking for 13%. Before making any reply, the Railways Board are pressing the three Unions to say what they will do about the commitment from last year to negotiate a new productivity agreement. The Unions are not agreed among themselves how to reply, and this is likely to prolong matters.

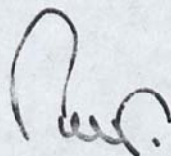
I have emphasised to the Railways Board the powerful reasons for a settlement within the figure, incorporated in their budget and in the EPL, of 8%. With the levels of settlements being achieved in the public services, in many public industries (like the National Freight Company, which has settled just above 5%) and in private manufacturing industry, the railways cannot be in any serious recruitment difficulty. The recession is still eroding their traffic, and so cutting back their ability to pay. I shall keep in close touch with the Board to see that we reach as keen a settlement as can be managed.

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But we must recognise that the Unions' attitude has hardened in recent weeks, as they have seen developments in the coal industry and the water industry - and now gas - and they may now have expectations which cannot be met. With the heavy pressure the Railways Board are putting on manpower reductions and cutting out excess capacity, we must recognise an increasing possibility of industrial action linked to jobs as well as pay; and on the pay front we must remember that the Rail Unions have a right of recourse to the Railways Staff National Tribunal under Lord McCarthy, though any award from him would not be binding where the reference had not been agreed by the Railways Board. The existence of the Tribunal is another factor which may inhibit the room for manoeuvre. I expect that matters may move quite slowly. I am keeping in close touch with the Board to secure that we have as much time as possible to consider matters as they develop.

I hope colleagues agree with this approach; there are obviously dangers. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Employment and to Sir Robert Armstrong.



~~_____~~
NORMAN FOWLER

27 March 1981

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

PRIME MINISTER

NATIONALISED INDUSTRIES PAY

I copied to you my letter to Keith Joseph of 17 March expressing anxiety about forthcoming nationalised industries pay negotiations and suggesting that we take stock.

2. I have since met with the Ministers concerned and you may be interested to know the outcome.

3. We agreed that the situation as regards the large monopoly industries needed careful watching. Keith Joseph and Norman Fowler will do all they can to influence managements towards modest settlements in the industries - rail, posts, telecommunications - where negotiations are still at a preliminary stage. We agreed that we should have prepared an up-dated assessment of the likely consequences of industrial action in these three. This would enable us not only to make plans to mitigate the impact but also to assess the risks and decide how far the Government should go in bolstering management in the face of possible action. Keith Joseph and Norman Fowler are initiating this. Once it is complete, I suggest the Civil Contingencies Unit should consider and report to Ministers.

4. We agreed also to pursue the following:-

(a) How far can future investment decisions be made to depend on effective cost control, including productivity and moderate pay settlements? How can the importance of this connection be got across to management, unions and the wider public? To some



extend EFLs enforce such choices but not wholly effectively. The Treasury and Department of Employment officials are to examine this point.

(b) We need to give further thought to the possibility of getting rid of closed shops in local government and in water authorities. This question will arise in the context of discussions on the Green Paper on Trade Union Immunities, but Jim Prior agreed that he would look urgently into this meanwhile.

(c) A further point made by Michael Heseltine, with which we all agreed, is that although there is scope for improving efficiency in all parts of the public sector, such improvements, even if linked to pay settlements, may be very difficult to achieve unless managements are thinking in these terms sufficiently early. There is probably a good deal that can be done to encourage managements to think in a new critical way about manpower requirements, so as to reduce the impact of pay increases on prices. We all agreed to consider further how this point could be brought to the attention of managers in the nationalised industries.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

26 March 1981



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

25 March 1981

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

Dear Geoffrey.

NATIONALISED INDUSTRY PAY

Thank you for your letter of 17 March. I share your concern at the present trends in nationalised industries' pay settlements as far as the monopoly organisations are concerned. However, as you say, it may be too late to moderate those settlements which are near conclusion.

In the case of the postal services, the settlement date is 1 April. The Union of Communications Workers (UCW) has submitted a claim for 20%. So far, the management has not made any offer. Ministers in this Department have been assured by Mr Dearing on several occasions that Posts are still aiming for a single figure settlement, although it will not be easy to achieve. The Government's continuing firm stand on civil service pay will help him in conducting negotiations. I expect to be informed of any developments.

The telecommunications settlement date is 1 July, but the timetable for the negotiations may be brought forward. No claims have yet been submitted. My colleagues and I have discussed pay questions with Sir George Jefferson on a number of occasions and have emphasised that the BT settlement, including productivity elements, should be in single figures. Sir George has indicated that BT's need for an increased EFL for investment purposes is a weapon in his hands in pressing for a low pay settlement. The negotiations could well be difficult in view of the increases already conceded elsewhere in the public sector. The POEU has considerable industrial muscle. We will need to be clear about how far we can back BT management if industrial action looms and about how far we are prepared to resist pressure from the business community, and the private sector generally, to intervene in a way which would inevitably undermine and discredit the BT management.

Since our meeting on Thursday 19 March, I have asked for an updated assessment of the consequences of industrial action in Posts and Telecommunications.



I am copying this letter to the recipients of yours.

Yours,

Kear

PRIME MINISTER

*Clear
pd*

I think you will want to glance through this latest clutch of papers on public sector pay. There is a helpful summary of nationalised industry pay at Flag A. At Flag B are the minutes of the recent meeting of E(PSP) chaired by the Chancellor, which - amongst other things - considered nurses' pay. On the latter, they concluded that the crucial factor was likely to be the DDRB report, and how we respond to it.

T. P. LANKESTER

mt

20 March, 1981.

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MR. LANKESTER

EWR PR
c.c. Mr. Wolfson
Mr. Ingham
Mr. Duguid

Public Sector Pay Monitoring Reports

You asked for my comments on the latest monitoring report, attached, which was considered by E(PSP) yesterday; and the Prime Minister will also have seen the Chancellor's letter of 17 March to the Secretary of State for Industry, enclosing the latest monitoring report on the public trading sector.

I have no comments on the individual negotiations, which I covered in my note to the Prime Minister dated 11 March, immediately after the monitoring groups had met. The further work to which I drew attention then is now in hand; and the main current difficulty continues to be with the Civil Service. The Prime Minister might, however, wish to note that terms have now been devised by the DHSS which have enabled a settlement to be reached with the NHS electricians within the cash limit.

The main new points in these two monitoring reports are general ones. The official group has recommended to the Ministerial group that some work should be done on the implications of the trend towards a common public services pay settlement date of 1 April. Views are sharply divided on whether this is a good or bad development, and on whether it should be further encouraged. And the Chancellor is proposing that Ministers take stock of the trends in the public trading sector which have led to higher than average settlements, and what the implications are for the next pay round. This is a highly desirable development, since it is reasonably clear that the main influence on this pay round in the public trading sector was the miners' settlement, widely understood to be 13%, and the miners have already indicated their intention to go for 25% this coming autumn.

19 March, 1981.

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

17 March 1981

The Rt. Hon. Sir Keith Joseph, Bt. MP
Secretary of State for Industry

Jim Kerr

NATIONALISED INDUSTRY PAY

..... I attach the latest monitoring report on pay in the public trading sector prepared by officials. In the light of this, I think it would be useful if I were to meet very soon with nationalised industry sponsor Ministers and Jim Prior to take stock of where we have got to on nationalised industry pay, and the future prospects.

The private sector, especially manufacturing, seems to be settling below 10 per cent. The public services are coming out so far at around 7½ per cent. But amongst the monopoly nationalised industries considerably higher figures seem to be emerging. 13 per cent, which is thought to be the increase achieved by the miners, may be becoming a kind of going rate for this group.

The table annexed to this minute summarises the position. It is noteworthy that negotiations seem to have divided into two broad groups - lower figures for those industries faced with price competition, higher figures for those which are not (the energy industries and water). Where negotiations have been concluded or are far advanced, there may be little or nothing we can do. But for the outstanding groups - rail, posts, telecommunications - we could if we wished seek to influence their settlements towards the level achieved in the group faced with price competition.

/I find the

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I find the situation disturbing and suggest that we should meet to take stock, and look forward both to the settlements for the outstanding groups and perhaps to the prospects for the next pay round. The latest monitoring report on the public trading sector, which is just being sent to the Prime Minister, contains further information. But I think it would be valuable if you could supplement it by an assessment of the prospects for posts and telecommunications, and if Norman Fowler could do the same for rail. As these are the three monopoly service industries where negotiations have not yet started, the handling of the negotiations will be crucially important. The objective must be to achieve settlements in line with the first rather than the second group above, which is likely to be difficult. I think it important for us to take stock before serious negotiations get under way, for example to consider whether there are any steps which could be taken to strengthen the position of management. Any additional information from other colleagues on groups for which they are responsible would of course be welcome.

I am asking my office to arrange a meeting later this week at which we might discuss the assessments I have suggested.

I am sending copies of this letter to the Prime Minister, Jim Prior, David Howell, Michael Heseltine, George Younger, John Biffen and Norman Fowler and to Francis Pym, Robin Ibbs and Sir Robert Armstrong.

GEOFFREY HOWE



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PUBLIC TRADING SECTOR PAY MONITORING REPORT

WATER SERVICE

(i) Manuals (33,000)

Settlement date: 7 December 1980

Unions: GMWU, TGWU, NUPE, NAAAW

The unions' membership decisively rejected the offer worth 10% on earnings made on 3 February and called for a national strike. When the union side met on 25 February to consider their next moves, the National Water Council invited them to resume negotiations. The negotiations resulted in an improved offer which the union representatives were prepared to recommend to their members.

The terms of the proposed settlement are:

10.2% on basic rates, flowing through into bonus and overtime

£5 "broad band" efficiency supplement to be consolidated, at a cost of 2.3%

Improved shift pay

1 day's extra leave.

The employers assess the effect on earnings at 12.3%. They estimate that the extra day's holiday can be provided at no cost.

GMWU officers believe that majority will accept unions recommendation, but this could be finely balanced. Rejection of offer would not automatically result in industrial action without a fresh ballot. Significant Votes still to come in London, South East, and Birmingham. So far the Northern, Liverpool, and East Midlands regions have rejected the settlement. Yorkshire accepted.

The results of the reference to union members are expected to be known by 14 March. There is an NJIC on 19 March when the settlement, if accepted, could be ratified.

(ii) Craftsmen (4,900)

Settlement date: 7 December 1980

The formal offer to the craftsmen still stands at 10%, which was not accepted. It is however understood that whatever increase is awarded to the manuals will be available to the craftsmen and the craft union officials have indicated that they will accept the terms of the current offer to the manuals if the manuals accept it. In the case of the craftsmen the offer would yield 12.6% on earnings.

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GAS SUPPLY

Manuals (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The claim, which the unions say is worth 23%, seeks increases of 15½% in line with inflation and consolidation of bonuses at a sum equivalent to one-third of basic pay, this sum to be paid to all workers (present bonuses range from nil to 50%). Other improvements sought are: reduction of working week to 37 hours, increased holidays and increased holiday pay, paternity leave, phased reductions in hours prior to retirement.

On 7 January the unions rejected BGC's opening offer, worth about 8% on the pay bill in the 12 months starting 18 January (equating to about 9% in the 12 months starting 2 August 1981 because at that date the working week would be reduced to 38¼ hours). When the NJIC met again on 30 January the Corporation tabled a revised offer which would add about 9% to the wages bill in the year of settlement, or 10.3% taking in the value in a full year of the reduction in hours.

The latest meeting on 24 February saw an improved offer from BGC worth a little over 10% on the wages bill in the year of settlement (just over 11.3% in the 12 months starting 2 August). The management felt at times that they were quite close to reaching a settlement, but at the end of the day the unions said they could not recommend this offer to their members and are reporting back to the membership. No date has yet been fixed for the next meeting.

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ELECTRICITY SUPPLY

(i) Manuals (92,000)

Settlement date: 20 March

Unions: EETPU, GMWU, AUEW, TGWU

The Electricity Council has received a claim for:

- (i) a substantial increase in schedule salaries
- (ii) a reduction in working hours to 35 a week
- (iii) unsocial hours payments to be based on the hourly rate derived from the schedule salary
- (iv) voluntary early retirement at age 60

The Council is in touch with both the water and gas industries. The Council made no specific offers at the NJIC meeting on 5 February on any of the elements of the claim and said they would need to examine more closely features such as a reduction in hours and flexibility on shift pay. Detailed negotiations were referred to a small joint group, as in the two previous years.

At the NJIC on 5 March the Council made an offer which they estimate to be worth just over 11% overall, made up of:

9.5% on salaries

A somewhat higher percentage increase in unsocial hours and shift payments

11.5% increase in standby pay

Reduction of 1 hour in working week from Feb. 1982

The offer was rejected and talks will be resumed on 2 April.

Press reports state that the unions have said they will not settle for less than 13%. Mr. John Edmonds, Secretary of the TU side, is reported as saying that if there is not a better offer on 2 April "we shall be moving into a very dangerous situation".

(ii) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

The power engineers are likely, as last year, to await the industrial settlement before making their claim. They have had their first meeting for general discussion but are unlikely to make any progress before the next meeting on 17 March.

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BRITISH AIRWAYS (50,000)

Settlement date: 1 January (1 April for pilots)

Unions: TGWU, AUEW, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA

The Board initially offered 7½% from 1 July 1981, with no increase from 1 January, and later raised the offer to 8% from 1 April.

The engineering and maintenance and ground support groups are the sections which have reacted most militantly to the proposals. They held a 1-day strike on 23 January and planned a series of 1-day strikes to begin on 20 February. Following further talks, these further strikes were deferred.

BA, while maintaining its stand on the overall amount of money available, has been prepared in negotiations within the separate National Sectional Panels to vary the elements of the package. Settlements have been agreed for 3 Panels, covering engineering officers (600), technical group (1000), and "SE & T" (Supervisors) (1000). In one Panel, the "clerical and D scale", the unions **have accepted and will be consulting their members.**

Discussions with the engineering and maintenance, ramp and ground services union representatives are continuing. No strikes are imminent, although the threat has not been lifted.

BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS, APEX, SIMA

The Corporation has put forward a "survival plan" entailing upwards of 20,000 redundancies, and has proposed pay increases of 7% from 1 July 1981, with no increase from 1 January.

The craft and general unions and SIMA, the managers' association, have now accepted the whole deal. ISTC, however, rejected the pay proposals and refused national agreement on the survival plan, although they are prepared to have local negotiations on redundancies in particular plants.

BSC and ISTC again failed to reach agreement when they met on 10 February. The talks were adjourned and no date was fixed for their resumption.

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BRITISH AIRPORT AUTHORITY (All grades 5,000)

Settlement date: 1 January

Unions: IPCS, SCPS, CPSA, CSU, TGWU, AUEW, GMWU, EETPU, NUSMWCH & DE, UCATT

A settlement has been agreed giving 9% on basic rates, £1 a week extra for 24-hour-shift workers, and enhancement of the existing 10% productivity payments in line with the new basic rates.

BAA has said the settlement was equivalent to 9% on the pay bill, but there are union claims that the increases were between 10.4% and 12%. Department of Trade are unable to give an authoritative figure for the effect on earnings.

BRITISH SHIPBUILDERS (Staff and Manuals 70,700)

Settlement date: 1 April

Unions: CSEU, SAIMA

BS received a claim in very general terms which mentions no specific figures. The claim includes:

For Manuals

- a substantial increase in rates
- improvements in overtime rates, holiday pay, sick pay and other rates and allowances

For Staff

- a substantial increase in rates
- implementation of an equitable payments structure

General

- a reduced working week
- a phased reduction in hours for those being made redundant
- increased holidays

The claim was formally presented on 9 February, the employers making no response.

When the parties met again on 3 March, BS made an offer of basic rate increases equivalent to 5% on average earnings plus marginal increases in the minimum

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earnings rate and overtime hourly rates equivalent to 0.25% on earnings. The offer was subject to advance signature of yard-by-yard agreements aimed at financing the increases through greater productivity. The offer was rejected. The next meeting is on 23 March. BS aim to settle at not more than 7% on average earnings.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETFU, AUEW, GMWU, TGWU, NUSMW

No claim has yet been submitted. Employees of the CAS were civil servants at the time the Authority was set up in 1972 and remained seconded civil servants until given new contracts in 1975. Since then their pay settlements have been in line with those of civil servants.

There are reports that Civil Aviation Authority staff, including air traffic controllers, are likely to contribute to the programme of industrial action threatened by civil servants, and are expected to support the civil service strike on 9 March. If they do, there will be no air traffic control service in UK air space, affecting not only flights into and out of UK airports but also over-flights.

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National Freight Co

(Operating grades - 23,000)

Settlement date: 1 January 1981

Unions: TGWU, URTU, NUR

An offer which increases top drivers' rate by 5.2% (to £81 per 40-hour week) and other operating grades' rates by 5%, is recommended by union negotiators. But requires a majority of the 10 area TGWU delegate conferences to vote for it to be accepted finally. Of the 9 who have met 5 one in favour and 4 are against; if Birmingham area Vote against on 16 March a return to the negotiating table serves unsuitable.

The offer is in line with the majority of RHA area settlements. The effect on average earnings is not known.

National Bus Co

Clerical, administrative, supervisory, catering and miscellaneous staff (12,000)

Settlement date: 1 March 1981

Unions: NALGO, ACTSS, NUR, TGWU, AUEW

NBC has reached agreement with all its non-manuals (except Executive Directors and General Managers) on increases of 7.5% on scales.

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Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations on the JNC for PTE Non-Manual Employees opened on 5 March. In response to a 14% claim, employers offered a small increase to scales (worth well under 6%). This was rejected, and talks resume on 2 April.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, AELF, NUR

The three unions have submitted claims for significant improvements in pay and conditions of service. Department of Transport understand that both the Board and the unions are awaiting other public sector settlements before starting formal negotiations.

No offer has yet been formulated, but informal meetings between management and unions are taking place.

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BR dismiss as "without foundation" the Daily Telegraph report (24 February) of a 5% offer.

Post Office (Postal workers - 156,000)

Settlement date : 1 April 1981

Union : Union of Communications Workers (UCW)

The Post Office confirm the press report (Financial Times, 20 February) that UCW have submitted a claim for pay increases of 20% accross the board. The Department of Industry say that no further information is available at present.

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NATIONALISED INDUSTRY PAY

	1980-81 Wage Bill (\$m)	Settlement Date	EFL pay assumption (settlement)	Outcome or state of negotiations
National Coal Board	2,200	Nov	None	9.8% on earnings - equivalent to about 13% in full year
Electricity Industry	1,280	March	10%	Offer of 9.5% (11.0% on earnings) rejected
• British Gas	775	Jan	10%	Offer of 10% (11.3% on earnings) rejected
• British Steel	1,150	Jan	None	Offer of 7% on basic rates from 1 July - rejected by ISFC, accepted by other unions
Post Office - Telecoms	2,100	July	10%	No claim yet submitted
Posts	1,650	April	10%	Claim for 20% submitted - no response yet
• British Airways	460	Jan	10%	Offer of 8% on basic rates from 1 April - talks in progress
British Airports	65	Jan	12%	9% on earnings
British Rail	1,660	April	8%	"Substantial" claim submitted - no response yet
British Transport Docks Board	90	various	10%	9% on rates
British Waterways Board	20	July	10%	No claim yet submitted

NATIONALISED INDUSTRY PAY cont.

	1980-81 Wage Bill (\$m)	Settlement Date	EFL pay assumption (settlement)	Outcome or state of negotiations
National Freight	230	Jan	9%	5% on basic rates (subject to ballot)
National Bus	400	Jan	5%	7.5% on basic rates
Scottish Transport Group	100	Jan	10%	7.5% on basic rates
British Shipbuilders	380	April	9%	Offer of 5% on basic rates rejected
Water Authorities	150	Dec	10%	10.2% on basic rates, 12.3% increase in earnings: unions are balloting

PART 3 ends:-

J. Verker to PM of 11/3/87.

PART 4 begins:-

E (PSP) (81) 9 of 16/3/87