

PREM 19/703

CONFIDENTIAL FILING

Public Sector Pay Policy

Economic
Policy.

Treasury Monitoring Reports

At 1 July 1979

At 5 September 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7-9-81		30-11-81					
10-9-81		9-11-81					
13-9-81		12-11-81					
23-9-81		17-11-81					
28-9-81		30-11-81					
8-10-81		6-12-81					
16-10-81		24-12-81					
20-10-81		31-12-81					
27-10-81		7-1-82					
		15-1-82					
		18-1-82					
		20-1-82					
		ends					

PREM 19/703

PART 5 ends:-

22.1.82

PART 6 begins:-

25.1.82

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
PSP(0)(81) 23	7.9.81
E(PSP)(81) 20	10.9.81
PSP(0)(81) 28	28.9.81
PSP(0)(81) 10th Meeting, Minute 1	30.9.81
E(PSP)(81) 22	5.10.81
PSP(0)(81) 31	15.10.81
PSP(0)(81) 32	15.10.81
E(PSP)(81) 24	21.10.81
PSP(0)(81) 34	9.11.81
E(PSP)(81) 26	12.11.81
E(81) 114	20.11.81
E(81) 120	24.11.81
PSP(0)(81) 36	30.11.81
E(81) 36th Meeting, Minutes	30.11.81
E(PSP)(81) 28	3.12.81
PSP(0)(82) 2	15.1.82
PSP(0)(82) 3	18.1.82
E(PSP)(82) 2	22.1.82

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 16 August 2012

PREM Records Team

CONFIDENTIAL



JU
AD
20 January 1982

2

Prime Minister

MUS 21/1

Prime Minister

At their 36th meeting E Committee, after discussion of Norman Tebbit's paper and the CPRS memorandum on arbitration arrangements in the public sector, invited me to consider further whether the arrangements for workers in the water industry should be changed in legislation in the 1982/83 Session.

I have wanted for some time now to wind up the National Water Council and with it the requirement in Section 26 of the Water Act 1973 for the Council to set up and run (or try to) salaries and bargaining machinery. It would then be up to the water authorities to make their own arrangements. They would not need statutory power to do that, but they might have a duty imposed on them, and it might be that, in the light of E Committee's decision, we would want to qualify the duty in some way in respect of access to arbitration.

I have instructed my officials to get in touch with Norman Tebbit's. In the light of what they report to me I shall write to you again.

I am copying this letter to the members of E Committee and to Sir Robert Armstrong.

MH

MH

21 JAN 1982

12121234567890

CONFIDENTIAL

cc Mr. Hoskyns

Public Sector Pay Policy
A. S.

Prime Minister

We have had a meeting pencilled in for Friday morning against the possibility of an unfavourable miners' vote. If the vote proves favourable we will postpone until next Thursday

MR. SCHOLAR

Cabinet: Pay

We had a word about tomorrow's Cabinet, and the likelihood that Mr. Lawson and Mr. Howell will want to report to their colleagues on developments in the miners and British Rail pay disputes. This week has been an important one for the pay round, and I suppose there may be some general discussion of recent pay developments. The Prime Minister may find it helpful to have these comments on the current pay scene:

Yes Mr. Agree? MLS 20/1

(i) The pay round as a whole is now settling down in the 4-9% range. There seem to have been very few settlements below that range; the CBI say that the bulk have been between 4-6%; the Department of Employment's private assessment puts the cumulative weighted average for the pay round at just over 7%. Only about 15% of employees have yet settled. The principal conclusion one can draw from all this is that pay settlements in the main are somewhat lower than during the similar period last year. And, perhaps more importantly, there is considerable evidence that unit labour costs have been growing more slowly than in competitor countries.

(ii) In the nationalised industries, acceptance by the water workers and (we may assume) the miners of their offers in the 9-10% range mean that we have passed a danger point, but we cannot yet relax on this front. I think there are three points for Ministers:

(a) It would be helpful if Mr. Lawson finds some way of discouraging the electricity and gas industries from assuming that they should aim for the level achieved by the miners;

(b) when the dust has settled from the miners' dispute, the time will have come to explain publicly that the effect on average earnings will only be 7.3% (the Department of Energy have accepted that this could be done); and

CONFIDENTIAL

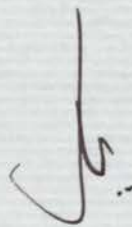
/ (c)

CONFIDENTIAL

- 2 -

(c) at a later stage, there will be decisions to take, which MISC 57 is now preparing, on our endurance target for next November in the event of a miners' pay dispute then.

(iii) The focus of pay negotiations will now move to the public services. It seems very likely that the local authority manual workers will accept their pay offer of 6.9% on average earnings, since the two biggest unions have already accepted it; the decision will be known on Monday. The earliest negotiations will be in the health services and the civil service, with the teachers somewhat later. The prospects for industrial action are less threatening, but there will be more decisions for Ministers to take, because the Government's own employees are involved. Although many public service groups are potential exceptions to the 4% regime, it is important that the line is held publicly at 4% for as long as possible, and the speaking notes circulated by the Chancellor may encourage Ministers to do that. The details of the negotiations are being prepared in the appropriate Ministerial Committees.



John Vereker

20 January 1982

CONFIDENTIAL



cc IV
40
Exchequer

- cc: CST
- FST
- EST
- MST C
- MST L
- Sir D Wass
- Sir A Rawlinson
- Mr Ryrie
- Mr Byatt
- Mr Le Cheminant
- Mr Middleton
- Mr Ridley
- Mr Burgner
- Mr Cassell
- Mr Dixon
- Mr Kemp
- Mr Mountfield
- Mr Pearce
- Mr R I G Allen
- Mr Buckley
- Mrs Gilmore
- Mr Kelly
- Mr Morgan
- Mr Burr
- Mr Quinlan

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

15 January 1982

The Rt. Hon. Francis Pym MC MP
Lord President of the Council

Francis

PAY: PUTTING OVER THE MESSAGE

I mentioned in my minute of 7 January to the Prime Minister that I had asked my officials to prepare an up-to-date general brief for Ministers and Government supporters to use in putting over the Government's message on the need for moderation in pay bargaining. The Prime Minister has endorsed this initiative, and I now attach the material which has been prepared.

I hope that, as with similar material in the past, you would be ready to circulate this generally to our Ministerial colleagues, and also to make it available through appropriate channels to our supporters both inside and outside Parliament. The more widely these points are being made, the more chance there is that they will influence attitudes.

I am copying this letter and the attachment to the Prime Minister, Norman Tebbit, Cecil Parkinson, and Michael Jopling, and also to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

Pay and growth

- Any Government must put some control on the amount of money in the economy if inflation is to be restrained. The more money there is around, the less it comes to be worth, as with anything else.
- The growth in the amount of money has implications for the growth of national income - in money terms. But growth in output depends on how much of that growth in money national income is eaten up by rising costs and prices.
- Between 1970 and 1980 output (real GDP) increased by 16 per cent. But measured in purely money terms it increased by ^{over}20 times as much - 335 per cent. Most of the increase in money national income was simply inflation.
- The Government's monetary framework is bringing down the growth of money GDP (to around 10 per cent a year over the last two years), and inflation has fallen rapidly. But what happens to output within that framework depends on decisions by both sides of industry, not least on realistic decisions about pay.
- The bigger the pay increase for each individual, the fewer the people that the economy can afford to employ. And the more money spent on pay, at the expense of already depressed profits, the less will be invested in new technology, new plant, and equipment so as to remain competitive and maintain jobs for the future.

Low pay increases are essential

- There has been a sharp deceleration in pay increases. Settlements averaged about 9 per cent in the year to last July, compared with about 18 per cent in the year before that.
- We are beginning to see the benefits. Unit labour costs increased by only 4 per cent over the year to September. Production increased in the third quarter of 1981 by nearly $1\frac{1}{2}$ per cent in manufacturing, 1 per cent in industry generally, and over $\frac{1}{2}$ per cent in the economy as a whole. Short-time working is down, overtime and vacancies are rising.
- Further moderation on pay is essential if these encouraging trends are to continue. Wages and salaries comprise 60 per cent of total industrial costs.
- Much has been made of the balance between current and capital spending. The economy's major form of current spending is pay. If not restrained it will inevitably pre-empt resources for capital spending, whether in the public sector or in individual companies.

- International competitiveness remains seriously eroded. Despite a 10 per cent improvement since the beginning of 1981, it is still about 35 - 40 per cent worse than in 1975. Import penetration has increased from 22 per cent of home sales in 1975 to 26 per cent in mid-1980. For passenger cars it is over 50 per cent, compared with a mere 7½ per cent in 1970.
- Relaxation of the monetary framework provides no escape from the need to restrain pay: a revival of inflation would be just as harmful to recovery as excessive pay increases, as so much of British experience demonstrates.

What level of pay increases?

- There can be no norm: the point is that pay increases must take much greater account of market realities, which will vary from firm to firm. The only safe generalisation is: the lower the increase, the better for sales and job prospects.
- The Government has signalled its determination to achieve low settlements where it has or shares financial responsibility for pay. A factor of 4 per cent has been used in setting the provision from which the public service wage bill has to be met. The Government is holding to that provision (though within it some settlements may be less than 4 per cent and some may be more).
- It is not the case that a high 'going-rate' has already become established. There has been a range of settlements including several around 5 per cent (British Leyland 4½ - 5 per cent, National Engineering Agreement 5.1 per cent, clothing industry 5 per cent). Very few settlements in double figures, and every prospect of a marked reduction from the 9 per cent average level of settlements in the last pay round.
- Not true that industry has big profits available to finance pay increases. Profitability in UK manufacturing industry was one-third level in US, Germany and Canada during second half of 1970s. And real pre-tax rate of return in manufacturing fell from 13 per cent in 1960 to 2 per cent in 1980.

Living standards

- Rate of increase in prices (12 per cent over year to November 1981, forecast increase of 10 per cent over year to fourth quarter of 1982) does not provide any guideline for pay increases. The living standards of the community depend on the production by British workers of goods

and services which people in Britain and abroad will buy. Without this, no amount of extra money will sustain those living standards.

- The period 1977-80 saw a 17½ per cent growth in real take-home pay, at a time when output grew less than 3 per cent, and real disposable incomes of non-North Sea industrial and commercial companies fell by one-third. Inevitable that there should be a drop in living standards from this unsustainable level (which makes it easy to understand why unemployment has risen).
- Government wants improved living standards, but recognizes that these can only be generated by a sound economy. The real attack on living standards consists in pushing for big pay increases regardless of the adverse consequences for output and employment.
- High pay settlements are unlikely to give a lasting improvement even in the living standards of those who get them. They simply lead others to demand the same, and in the end no-one has gained.
- High pay settlements are however certain to mean a sharp drop in living standards for everyone whom they push into unemployment.

Unemployment and pay restraint

- The Government's emphasis on low pay settlements reflects its concern to create a prosperous economy with rising output and job opportunities.
- Those who demand high settlements show, whatever they may say, that they are not really interested in reducing unemployment. It is what they do which counts.
- Employers who concede big pay increases which they know will mean closures or redundancies are also creators of unemployment.



10 DOWNING STREET

From the Private Secretary

7 January 1982

Dear John,

The Prime Minister held a meeting this morning on public service pay. The Chancellor of the Exchequer, the Secretaries of State for Education, Environment and Employment, the Chancellor of the Duchy of Lancaster, the Minister of State for the Armed Services (Mr. Blaker) and the Minister of State at the Department of Health and Social Security (Dr. Vaughan) were present. On Civil Service pay, the conclusions of the meeting are recorded separately.

On teachers pay, the Secretary of State for Education and Science said that the danger here was that the negotiators would be too much influenced by the 6.9% offer for local authority manual workers. The unions would certainly be watching the progress of the Civil Service pay claim closely, and if the latter went to arbitration, it seemed very likely that the teachers would similarly seek arbitration. His advice was that although the union's unilateral right to arbitration had now gone, the management side could agree to arbitration without Government consent. It would be impossible for the Government to exercise a veto on the outcome of arbitration. So far as higher education was concerned, the Vice-Chancellors had indicated that they would like to achieve a settlement below 4%, on the basis that they could use the difference between the settlement level and 4% to finance their redundancy and slimming costs. The Chancellor of the Exchequer was asked to consider urgently whether this might be an acceptable way of proceeding.

On local authority pay, the Secretary of State for the Environment expressed the hope that the approach proposed for the Civil Service might be extended to the AP and TC group of white collar workers whose claim was expected towards the end of this month.

On nurses pay, a paper was being prepared for E(PSP) and there would also be a further discussion in the Nurses and Midwives Whitley Council early next month, as envisaged in the Prime Minister's meeting with the Staff Side on 18 December. Given the substantial recent increases in the nurses and midwives pay bill, it was agreed that urgent consideration should be given to ensuring that there was no further increase in their numbers.

/The Chancellor

SECRET

The Chancellor of the Exchequer was asked to consider the practicability of earmarking part of the contingency reserve for capital spending late in the financial year, so as to allow the argument to be advanced in pay discussions that a moderate settlement would provide room in the current financial year for procurement of, for example, additional medical equipment, school books, or steel pipe for improved sewerage and water services. Such an approach might also be extended to the local authority field.

Mr. Blaker outlined the problem of fleet auxiliary officers. It was agreed that the Chancellor would make early proposals about the treatment of these people, together with other single outside analogue grades.

I am copying this letter to Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Barnaby Shaw (Department of Employment), Jim Buckley (Office of the Chancellor of the Duchy of Lancaster), John Halliday (Home Office), Peter Craine (Ministry of Defence), Craig Muir (Department of Health and Social Security) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

←

John Kerr, Esq.,
HM Treasury.

SECRET

RESTRICTED



*Original filed a
Account of
Civil Service Pay A-8
Vereker
Econ Pol*

10 DOWNING STREET

From the Private Secretary

11 January 1982

Pay: General Publicity

The Prime Minister read with interest the Chancellor's minute of 7 January about the Government's general publicity effort over pay.

The main ideas in the Chancellor's minute were discussed during last week's pay meetings. I have no doubt that you will be giving them a wider circulation as a guide to Ministers and Government supporters in their efforts to put over the Government's message.

I am sending copies of this letter to David Heyhoe (Lord President's Office), Barnaby Shaw (Employment), Keith Long (Paymaster General's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

RESTRICTED

VLC



Original filed on
Civil Service Pt 8
Pay: Pennair

JV

Prime Minister

To note

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

11/18/11

PRIME MINISTER

PAY: GENERAL PUBLICITY

We had the meeting,

of course, this morning.

Your office's letter to mine of 22 December recorded your intention, following my minute of 18 December, "to hold an early meeting of Ministers on our general publicity effort over pay. It may be helpful if I offer in advance one or two brief suggestions.

2. I intend to seek an early opportunity, if possible within the next week or so, to make a major speech myself on the theme of pay moderation. But I believe there might be especially high value in having something substantial said (with the maximum media attention we can get) by one or more senior Ministers from among those whose Departmental responsibilities are not primarily economic and not directly connected with particular settlements in the offing. This could less easily be discounted as "the usual Treasury line", and should have enhanced impact accordingly. The sooner it were done the better. It would reflect ideas we have discussed.

....

3. There are many ways of setting out the basic theme, and individual styles will vary. But I attach a draft passage illustrating the sort of message that might be put across.

4. This apart, I am asking my officials to prepare, in consultation with others concerned, an up-to-date general brief for speakers. Such a brief might be given a wide circulation, for example by your office or Francis Pym's, as a guide to Ministers and Government supporters in seizing opportunities to put over the message both locally and more widely. Again, this reflects ideas we have discussed.

/I am



5. I am sending copies of this minute and the attachment to Francis Pym, Norman Tebbit, Cecil Parkinson, and Michael Jopling, and also to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "G.H.".

(G.H.)

7 January 1982

SPEECH MATERIAL ON PAY

Over the last month or two pay talks and settlements have been getting a good many headlines, and they will certainly go on doing so. It is right that they should catch public attention, for they affect us all, not just those directly represented at a particular negotiating table. It is important that every one of us should understand this.

2. We all individually would like higher pay for ourselves, especially in hard times; there's nothing unnatural or discreditable in feeling that. And some of us - not the majority, but some substantial minorities - have a lot of leverage for getting our way. Modern Britain is a complex interdependent society, and there are several groups - particularly though not only the big public monopolies - whose jobs are so immediately crucial to our society's working that if they were to exploit their position ruthlessly enough they could impose an appalling price on the rest of us if their demands were resisted. In general, I am glad to say, they don't push their power to the limit; over the last year or so there has been much genuine restraint, though it has been patchy. But we have to recognise that this restraint must be a long haul affair; it is still desperately needed; and it matters to everyone. The powerful groups, if they choose to live by the law of the jungle, can look after their own interest in the short term at the expense of the rest; but in the long term we will then all be the losers, strong and weak alike. Let me explain why.

3. The money available to us all as a nation is limited; we cannot just print more if it runs short - that is the quick path

/to inflationary

to inflationary ruin, to bogus money. Given some limit to money, the more we spend on paying ourselves higher wages the less there is for output and investment, and so for new jobs - we prolong recession instead of fighting it. And the first and biggest sufferers are those who become unemployed; for what excessive wages do most directly and immediately is to look after those who manage to keep their jobs at the cost of adding to the numbers out of work. This isn't a matter of highfaluting or controversial economic theory; it's a fact within everyone's grasp. Consider what happens in our own domestic affairs. When things are tight financially, if the price of something goes up sharply we have to make do with less of it. Precisely the same happens with jobs. If an employer is squeezed on costs (and most of our industry nowadays is, because it can't just push up prices - that simply hands over business to our competitors overseas) then when the price of labour goes up sharply he will seek to make do with less of it, or else go out of business. That's inescapable. And it is of course very clear within individual firms, even big ones like British Leyland. But what we have to recognise is that the same basic truth applies to the economy as a whole, private and public sector alike. If groups in the public sector push up their wage costs, the result is felt either directly in reduced services and a reduction in public sector jobs or indirectly in higher rates, higher taxes and higher charges for energy and telecommunications; this adds to the burdens on the already hard pressed private sector, and so threatens jobs there.

4. Everyone agrees - all major parties, and both sides of industry - that it is immensely important to get both inflation

/and unemployment

and unemployment down; and the two go together. Now it would be ridiculous to claim that these two evils are caused simply by excessive wages; they have no single cause. But excessive pay settlements - i.e. higher pay without higher output - are among the causes; and they are moreover, unlike some of the other factors, a cause we in Britain can collectively do something about, directly and soon. The realities are after all not a matter of abstract theory but of concrete and vivid experience. We all recall the way high wage settlements and high inflation fuelled one another in 1974-75 and 1978-79 - and how much better we did, for the community as a whole, when we pulled ourselves back up by restraint after each of these episodes.

5. If, whether as concerned individual members of the community members - or leaders - of trade unions, employers or Government, we really mean it when we say we are against inflation and against unemployment - if we are not just mouthing routine platitudes - then the most practical and constructive thing we can do to help is to accept modest pay settlements. I recognise - I make no attempt to conceal - that this will mean some drop for a time in living standards, since it must mean settlements below the rate of inflation. As a nation, we have absolutely no alternative but to accept a drop - a trading nation in a world recession, and a trading nation moreover which in many areas does not match international standards of productivity and competitiveness, can have no immediate escape from this reality. We've allowed our unit labour costs to double since 1975: in the US they've gone up by 1/3, in Germany by 1/6 and in Japan not at all. We live in a harsh competitive world and we cannot shut ourselves off from it. It is simply not in our power to choose, as a nation, not to have some temporary decline in living

/all we can choose

standards; all we can choose is how and where to make the sacrifices - do we make them in ways which will help our recovery, and which spread the sacrifices fairly; or are the strong simply to look after themselves at the expense of everyone else?

6. I do not like the fashion which talks of pay determination in the language and concepts of war - struggle and battle, victory and defeat. But if it is to be used, let us all understand who it is that the metaphors really refer to. If some powerful group wins what militants call a victory, then the defeat is not of the Government but of the community as a whole. If a group controlling some key public service goes for the jugular, be clear whose jugular it is; not the jugular of a couple of dozen individuals round the Cabinet table, but the jugular of the British people. The Government as such has no private store of money from which it can pay one group over the odds without affecting others; all it can do is take the money from somewhere and someone else - someone else's wage packet or pension, someone else's job. That is the central reality.

①

Top Copy
on
Civ Service
Pay
PE 9

MR SCHOLAR

cc Mr Hoskyns
Mr Ingham

PRIME MINISTER'S MEETINGS ON PAY

We had a word about the Prime Minister's meetings on pay tomorrow and Thursday, and I agreed to try and clarify what should be the main issues for discussion at them. I have discussed this with Peter Gregson and Peter le Cheminant. The Prime Minister might find this note helpful in preparation for the meetings.

1. Meeting on Civil Service Pay, Wednesday 6 January

This originates with the Chancellor's minute of 22 December, suggesting that this very small group concert a view on the basis of a Treasury paper (now received) on the handling of the Civil Service pay claim. This group forms the core of the MISC group that will handle the negotiations, and which will also include Mr. Nott and Mr. Jenkin.

Points for decision are:

- (i) Machinery for handling the negotiations at Ministerial and Official levels.

We think the Prime Minister should chair the MISC group herself, because she will want to be closely involved in the decisions on the opening and final offers, and on how to deal with arbitration. We agree with Robert Armstrong that the Treasury (in practice, Peter le Cheminant) should chair the official group; we hope the Policy Unit will be represented on it.

- (ii) Strategy for dealing with the claim.

The basic strategic questions are set out in paragraphs 27-29 of the Treasury paper. The Prime Minister may find it useful to break down the issues for immediate consideration like this:

- (a) Should we proceed with the intention of reaching a negotiated settlement which would have to be significantly above 4%; or should we be tough from the start, expecting to end up in the hands of the arbitrator (paragraph 40)?

A quick settlement around the 7% mark the Treasury suggest might be necessary is not an attractive prospect now. It is much higher than we want to see, and it would have adverse effects elsewhere on the pay round. Unless Ministers are doubtful of Parliament's willingness to override an arbitration award (which might be around the same level) the case for going for a quick settlement seems weak.

- (b) When should we make the opening offer, and what should it be (paragraphs 31 and 41)?

The 13 per cent claim provides an opportunity to reassert the 4 per cent pay factor at a time when that could encourage other groups to accept their (much higher) offers. This effect would not be large: the miners are probably impervious to that kind of pressure (and might act perversely anyway); and the water workers will have completed their consultations by the end of this week; but the Local Authority manual workers will still be open to influence up to around 20 January. So there is a case for acting sooner rather than later. The minimum immediate Government response to the claim would be simply to reject it as not forming a possible basis for negotiations. A more dramatic impact might be achieved by making a low counter offer, say 2 per cent, but the risk to industrial relations in the Civil Service, and the inevitability of having to look weak by making a series of increases, would probably outweigh the uncertain benefits elsewhere.

- (c) Can we usefully form a preliminary opinion about two points of detail in the offer - skewing to the higher paid (paragraph 31d) and fringe benefits (paragraph 35)?

Skewing to the higher paid would help with the differential problem, though it is most needed at levels covered by

/the TSRB.

the TSRB. At a minimum, Ministers might agree that any further skewing to the lower paid is unacceptable. Two of the fringe benefits - season ticket loans and group health insurance - certainly merit study: they could make a considerable difference to the negotiating climate at low cost.

2. Meeting on Public Service Pay, Thursday 7 January

This meeting has a number of origins and purposes. It is needed to endorse the conclusions of the smaller group (above); to consider the general line the Government should take on public service pay in view of recent developments - the options are set out in the Chancellor's minute of 18 December; and to look at the pay publicity effort (your letter of 22 December). There is no need to discuss the NHS: the nurses are being considered separately.

Points for decision are:-

- (i) Endorsement of the approach to Civil Service pay.

There will be no paper: the Chancellor will report orally. The Prime Minister may feel it worthwhile reminding her colleagues that the chances of achieving a moderate settlement would be greatly enhanced if Ministers are, and are seen to be, united in their approach.

- (ii) Whether to indicate that the Government will veto more than 4 per cent for the teachers.

Keith Joseph has said this would be inconsistent with the Concordat with the Local Authority employers, and might lead them to repudiate it. This should be explored: there may be some indication the Government can give without going that far; and it may even be worth looking at the consequences (e.g. a move away from national bargaining) of ending the Concordat.

SECRET

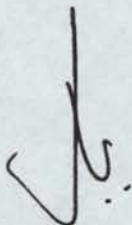
-4-

- (iii) How to influence the employers of Local Authority white collar workers.

The Prime Minister has agreed that Mr. Heseltine should speak to them; he should be asked to report.

- (iv) What should be done to give fresh impetus to the pay publicity effort.

We think that the continuing effort that is made by Ministers is often under-rated, and that the effectiveness of a publicity campaign is often over-rated. But we understand that the Chancellor is considering two initiatives: a fresh set of speaking notes for colleagues on the need for pay restraint, and a major speech either by himself or another senior Minister. Both should be treated on their internal merits, i.e. whether they have anything worthwhile to say.



5 January 1982

SECRET



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

cc 5V
A2

(1)

Prime Minister

Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

In view of x, shall

31 December 1981

*See note on
proposed meeting
for to narrow
ref*

I invite Mr Younger to
Thursday's meeting (even though
it will be about civil service pay
and the Chancellor's minute on public sector pay
will only be a background paper) ?

MCS 5/1

PUBLIC SECTOR PAY

Thank you for letting me have a copy of your minute of 18 December to the Prime Minister about pay negotiations in the public sector.

I agree generally with the points which you make and with your conclusion that, of the three approaches mentioned in paragraph 5 of your minute, option (c) is the most attractive.

I should, however, remind you that after 1 January 1982 I shall not in any event have a power to veto pay offers made to teachers in Scotland. In the past I have exercised in the Scottish Teachers Salaries Committee a power of veto based on a voluntary concordat with the local authorities, exactly similar to the one which operates in England and Wales. However, by virtue of section 14 of the Education (Scotland) Act 1981, there will come into being from 1 January two new negotiating committees superseding the various existing committees which deal with pay and conditions of service of teaching staff. The concordat will lapse and the local authorities have made it quite clear that there is no likelihood of their entering into a new agreement of the same kind. Before this legislation was introduced we considered the possibility of my taking a statutory power of veto in teachers' pay negotiations, but we agreed in E(EA) Committee that I should not do so, but should simply rely on my ability to influence pay settlements through rate support grant cash limits.

X } On the wider question, I shall be glad to take part in a meeting early in January to consider further action in relation to public sector pay generally.

I am copying this letter to the recipients of yours.

*Told Mr Russell
- s/s Scotland can't
come anyway*

Approved by the Secretary of State
and Signed in his absence

PRIME MINISTER

Thurston

B/F
MS

Following your meeting with the Chancellor I have arranged three meetings on pay:

- (i) on civil service pay: Wednesday 6 January at 1700:
Chancellor of the Exchequer
Secretary of State for Employment
Chancellor of the Duchy of Lancaster
Sir Robert Armstrong
- (ii) wider group on civil service pay: Thursday 7 January at 1000:
Chancellor of the Exchequer
Secretary of State for Employment
Secretary of State for Education and Science
Secretary of State for Defence
Secretary of State for the Environment
Chancellor of the Duchy of Lancaster
Dr. Vaughan
Sir Robert Armstrong
(Messrs. Whitelaw and Fowler can't come)

*I understand
J Hoff can't
come unless
to be represented
by P Blaker.*

Play A
Play B || I have also suggested that you should consider at this meeting general public sector pay issues which were the subject of the Chancellor's minute of 18 December (attached). This will give you an opportunity to consider the points raised in Sir Keith Joseph's minute of 23 December. But I imagine you will not wish to go very deeply into a wide range of issues, given that the nationalised industries Ministers are not all present; and given that the railway men and miners' pay meeting is arranged separately - see below.

- (iii) on miners' and railway men's pay: Tuesday 12 January at 1615:
Chancellor of the Exchequer
Home Secretary
Secretary of State for Energy
Secretary of State for Transport
Secretary of State for Employment

/ John Hoskyns

John Hoskyns
John Vereker
Sir Robert Armstrong

Content with these arrangements?

Do you wish Mr. Nott to be invited, too, to the third meeting?

*You may like to glance at the attached papers, not all of
which you had a chance to see before Christmas.*

MLs

31 December 1981



10 DOWNING STREET

cc LPO
 DOE
 DHSS
 CSec, HMT
 COL
 D/Emp
 HO
 DOI

DOT
 Trans Econ Pol
 D/N
 CO
 CPRS

bcc Vereker
 Hoskyns

HU

From the Private Secretary

31 December 1981

Dear John,

Public Sector Pay Monitoring Reports

The Prime Minister was grateful for the Chancellor's minute of 24 December.

She agrees that it would be a useful first move if the Secretary of State for Health and Social Security were to circulate a paper to E(PSP) setting out his views on nurses' pay. She also hopes that the Secretary of State for Industry will find an opportunity to register with the Chairman of the Post Office the Government's view that this year they really must keep within the 4% pay assumption.

I am sending copies of this letter to the Private Secretaries to the other members of E(PSP), the Home Secretary, the Secretaries of State for Industry, Trade, Transport and Energy, and to Sir Robert Armstrong and Mr. Ibbs.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.

CONFIDENTIAL

HU

Prime Minister

1.

As suggested in the Chancellor's attached paper, agree A + B below?

CONFIDENTIAL

MR. PATTISON

Yes my

c.c. Mr. Scholar (or)
Mr. Hoskyns

MM
30/12/81

Public Sector Pay Monitoring Reports

The Chancellor is absolutely right in both his substantive recommendations in his minute of 24 December.

A | If the Prime Minister agrees, therefore, I think you ought to write to his Private Secretary confirming that Mr. Fowler should be asked to circulate a paper to E(PSP) about nurses pay, possibly after preliminary discussion in the official group; and that Mr. Jenkin should be asked to make the point to the Chairman of the Post Office that this year they really must keep within the pay assumption.

B. |

Jr.

24 December, 1981.

CONFIDENTIAL



ca JV
AD

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

PRIME MINISTER

PUBLIC SECTOR PAY MONITORING REPORTS

... .. On this occasion I am circulating with this minute both the public services and public trading sector monitoring reports. The former is normally handled through PSP(O) and E(PSP), but there will not be time for that before the holiday.

2. I minuted you on 18 December about what I see as the major issues on public sector pay at the moment. I have only two points to add here.

3. First, I mentioned in my minute to you of 16 December that I thought we needed proposals on the nature of the longer-term pay arrangements for the nurses before we could take discussions with them much further. I think that it would be a useful first move if Norman Fowler would circulate a paper to E(PSP) setting out his views. Such a paper might also usefully cover the prospects for nurses' pay in the present pay round. This could become a live issue at any time and we must not lose sight of it.

4. Secondly, the Post Office have implemented an arbitration award for postal supervisors which seems to amount to about 17 per cent at an annual rate. (It relates to the last pay round.) The Post Office have now taken steps to terminate the arbitration arrangement which led to this result; but I think that it serves to reinforce the case for a settlement in this pay round which is within the 4 per cent pay assumption underlying the Post Office EFL. This is a point which Patrick Jenkin will no doubt wish to register with the Chairman when he has an opportunity.

CONFIDENTIAL



5. I am copying this minute to members of E(PSP), the Home Secretary, the Secretaries of State for Industry, Trade, Transport and Energy, and to Sir Robert Armstrong and Mr Ibbs.

(G.H.)

24 December 1981

CONFIDENTIAL

PUBLIC SERVICE GROUPS CURRENT OR FORTHCOMING NEGOTIATIONS

1. Alliance of Public Sector Unions

When PSP(O) met on 11 November the Department of the Environment was invited to prepare in consultation with the Treasury, the Department of Employment, the Department of Education and Science, the Department of Health and Social Security and other departments concerned a report for Ministers drawing together such evidence as was available on the co-ordination of public service pay negotiations and discussing the steps, if any, that the Government might take to improve its own negotiating position and that of other public service employers. The only new development since then is that the non-industrial civil service unions have put in a claim well in advance of their normal negotiating date (see para 10).

2. Local Authority Manual Workers (GB) (1,077,000)

Settlement date : 4 November

Unions : GMWU, NUPE, TGWU

The union's claim for an increase in basic rates in line with inflation; a shorter working week, and longer holidays, is worth about 15 to 16% in total. At the National Joint Council meeting on 10 December an offer (which the unions have agreed to put to members) was made putting £4.60 per week on basic rates for full-time workers, a reduction of one hour in the working week (to 39 hours) in November next year and making the two additional days of holiday for employees with 5 or more years of service instead of after 10 years. Unions estimate that the package is worth from 6.3 to 7.8% on rates and employers have estimated that it will add 6.9% to the current paybill and about the same on earnings (though this depends on the effect of the concessions on hours and holidays). The offer is now to be put to union members without a recommendation; the outcome is not likely to be known until the next National Joint Council meeting on 25 January. /

Comment

This offer sets a target figure for other public service negotiations. It is also 'end-loaded' in that any nett cost following from the hours reduction would not be felt until financial year 1982/83 and, in full, until 1983/84. The LA employers freely admit that the level of the offer implies a loss of manual jobs and/or higher rates. This is the first major public service group to negotiate in the pay round. The offer is bound to influence negotiations for other local government groups, the NHS ancillaries and indeed the pay round generally.

CONFIDENTIAL

CONFIDENTIAL

3. LA Craftsmen

Settlement date : 4 November

Unions : UCATT, TGWU, GMWU, FDATU, CSEU

A number of groups of local authority craftsmen with settlement dates in November are likely to follow the settlement for the LA manuals. The most important of these are the LA Building Trade Operatives (76,000) and the LA Engineering Craftsmen and Electricians (15,830) in England and Wales. In Scotland, the electricians (1,405) have put in a claim in line with the electricians in the private sector (worth about 20%). A meeting is planned for 18 December and it is understood that the engineering craftsmen (1,587) are to discuss their claims (no details yet available) at a meeting on 23 December.

4. LA Manual Workers - Water (Scotland) (2,135)

Settlement date : 1 December

Unions : GMWU, TGWU, NUPE, NUAAW

At a meeting on 15 December, the employers asked for more time to consider a suitable offer. The National Joint Council next meets on 11 January when an offer is probable. Meanwhile, LA employers will meet the Minister on 18 December to underline the unsatisfactory situation stemming from differences in the negotiating machinery and financial accountability of the Scottish water employers vis a vis their counterparts in England and Wales.

Comment

These workers were transferred from the Regional Water Boards to Local Authorities in May 1975. Employers' attempts to move this group into the negotiating machinery for other LA employees have been unsuccessful.

5. NHS Maintenance Workers (24,000)

Settlement date : 1 January

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

When negotiations with the Health Departments begin, EETPU will lead on behalf of electricians and plumbers whose 1 January 1982 rate will be the basis for negotiations with fitters and semi skilled engineers within the common craft structure. A settlement for NHS building trades operatives can then follow.

Comment

Negotiations for electricians are dominated by a longstanding link, giving parity on the hourly rate, between the basic grade of NHS electricians and the approved electrician in the electrical contracting industry (private sector). A private sector offer of around 7% (in response to a 20% claim) is believed to have been rejected by the union and subsequently withdrawn by the employers. A further meeting is

CONFIDENTIAL

CONFIDENTIAL

expected very shortly (possibly 17 December). It seems unlikely that the NHS electricians will seek to make common cause with other public service groups if they could obtain their own objective. The employers' side will be influenced by the cash available and this may make it difficult to match the rate increase for the private sector. Nevertheless it will be difficult for them to justify increases out of line with private sector rates. At E(PSP)5th meeting the Secretary of State for Social Services agreed to keep the Sub-Committee informed of developments.

6. NHS Nurses and Midwives (492,000)

Settlement date : 1 April

Main Unions : COHSE, NUPE

The traditionally moderate Royal College of Nursing is becoming increasingly militant about pay and nurses in TUC trade unions are covered by the TUC Health Service Committee plans for a common core claim (see para 1). The RCN is reported to be holding a series of public regional meetings in a campaign to gain public sympathy. So far as the 1982 pay negotiations are concerned Cabinet decided on 26 November that no additional money should be made available above the 4% pay, factor although the Secretary of State for Social Services indicated that he may have to re-open this decision. The NHS management side chairmen were informed of this on 2 December by the Secretary of State. It is possible that a claim will be presented in mid-January. Negotiations will be influenced by the desire of the nurses to obtain a new basis for future pay determination. On 10 December the Secretary of State met the staff side of the Nurses and Midwives Whitley Council and assured them that a high priority would be given to future pay arrangements. He hoped that the two sides would meet again soon, and that would be followed by another meeting at the end of January at which both sides of the Whitley Council would be present. At that meeting there would be a substantive discussion of possible approaches to the longer term arrangements but he made it clear that no final decisions could be made before the outcome of the Megaw inquiry was known. The current pay round was not discussed but the staff side pointed out that they would be looking for increases in excess of 4% as tangible evidence of the Government's good faith. The staff side were reported to be reassured that priority would be given to future pay arrangements and they are to meet the Prime Minister on 18 December.

Comment

They are most unlikely to settle at 4% in this round. They are also greatly concerned about future arrangements for determining their pay; and wish to ensure that they do not fall behind again. They probably have in mind special treatment like firemen, the police and the armed forces. Firm undertakings about the future may help over negotiations in this round. But any commitments of this kind will be hard to reconcile

CONFIDENTIAL

CONFIDENTIAL

with the Government's general approach to public service pay and to its approach over civil service pay in particular.

7. NHS Professions Supplementary to Medicine (26,500)

Settlement date : 1 April

Unions: Various professional bodies.

It is understood that the 1982 claim is to be presented at the Professional and Technical 'A' group council meeting on 17 December. It is likely to be for an increase in line with the cost-of-living, shorter hours and improved allowances.

Comment

This group will be paying close attention to developments in the nurses' negotiations. ^{Other} Professional and Technical groups are expected to put in claims in January.

8. NHS Ancillaries (265,000)

Settlement date : 1 April

Unions : NUPE, GMWU, TGWU, COHSE

At a meeting on the Whitley Council on 11 December, the staff side indicated their intention to make a written claim in the course of the next month reflecting changes in earnings and prices year on year and preserving what they see as traditional links with local authority groups. The next meeting is fixed for 22 January.

Comment

The provisional settlement for local authority manuals will clearly be a model for these negotiations, particularly since the trade union negotiators are much the same for the two groups.

9. Teachers - Primary and Secondary & FE (E&W) (558,000)

Settlement date : 1 April

Main Unions : NUT, NAHT, AMMA, NATFHE, NAS/UWT

On the Burnham committee meeting on 8 December, teachers unions presented a 1982 salary claim for an increase in line with inflation. The employers have received this indeterminate claim without comment and will respond in due course possibly at the next meeting (19 January 1982). There is a press report that the further education teachers are to put in a similar claim.

Comment

The early initiative four months before the settlement date (1 April) is thought to be in support of the emerging public service trade union alliance. The signs are

CONFIDENTIAL

CONFIDENTIAL

that the teachers are not anxious to press for an early settlement ahead of the major pay groups.

10. Non-Industrial Civil Service (534,000)

Settlement date : 1 April

Unions : FDA, SCPS, CPSA, CSU

On 8 December the unions submitted a claim for a general salary increase from April 1982 of 13 per cent with an underpinning minimum of £12.50 plus improvements in annual leave. Detailed supporting evidence is expected shortly. The preliminary assessment is that the claim would add about 14 per cent on average to basic rates plus 1 per cent for the leave improvements.

Comment

The unions are seeking an early meeting to discuss their claim and exploratory talks are expected to start in January. The Government has given an undertaking that there will be genuine negotiations without a predetermined cash limit and that in the event of disagreement there will be access to arbitration ^{subject} to a Parliamentary override. The outcome of the civil service negotiations will have implications for other public service groups.

1980/81 Pay Round

11. London Weighting

(a) Teachers - Primary, Secondary and FE (E&W) (558,000; 110,061 affected)

Settlement date : 1 April 1981

Main Unions : NUT, NAHT, AMMA, NATFHE, NAS/UWT

An offer of 7½% for Inner and Outer London remains on the table. If the teachers request arbitration the Secretary of State for Education and Science's representatives will argue and vote against access to arbitration on the Management Side but at the end of the day will not seek to veto. At a meeting of 8 December the claim and offer were repeated and no progress made. The matter remains in abeyance until the next meeting on 19 January.

(b) Local Authority White Collar Grades (596,000; 75,000-80,000 affected)

Settlement date : 1 July 1981

Main Unions : NALGO, GMWU, NUPE, TGWU, COHSE

An offer of 7½% has been rejected in the Executive Committee of the NJC. The unions are considering a bid for arbitration (to which they have unilateral access). The unions are still consulting members on the position.

CONFIDENTIAL

CONFIDENTIAL

Comment

At E(PSP)(5th meeting) it was agreed that no useful measures were open to the Government in respect of a possible reference to arbitration of local authority white collar grades. When the Secretary of State for Employment's paper [E(81)36] on Arbitration Arrangements in the Public Sector was discussed in E Committee on 30 November it was decided that the Secretary of State for the Environment should discuss arbitration arrangements with local authority employers when a suitable opportunity arose. The leak of the Department of Employment's note on arbitration, which went recently to E Committee, is unlikely to make change easier.

(c) Police (118,520; 26,000 affected)

Settlement date : 1 July 1981

Main Union : Police Federation

A claim for an increase based on changes in the DE London Weighting indices worth 14.8% has been made. An offer of 7.5% was rejected at a meeting of the Police Negotiating Board on 28 October. At the latest conciliation meeting which took place on 7 December the 2 sides moved closer to a settlement. This would mean an increase in London Weighting from £588 to £657pa (11.7%) linked with the phasing out of the £50 'excess factor' (first brought in to compensate for manning problems) over two years. There would be an undertaking that the separate London allowance introduced by Edmund-Davies would not be increased in 1982.

Comment

Such an award would have repercussions for public service groups generally. The Home Secretary has power to modify an award but has written to colleagues seeking agreement to implement the award.

(d) Armed Forces (334,000; 15,300 affected)

Settlement date : 1 April

The Armed Forces Pay Review Body has submitted to the Prime Minister its recommendations for a review of London pay for the Armed Forces. Increases in line with the Department of Employment's London Weighting indices (estimated at 12.5%) are recommended.

Comment

Implementation of this award would have implications for current negotiations about London Weighting for other groups. The Secretary of State for Defence has written to colleagues inviting agreement to his recommendation to the Prime Minister that the award be accepted.

CONFIDENTIAL

CONFIDENTIAL

(e) NHS (150,878 affected)

Settlement Date : 1 July

Main Unions : COHSE, NALGO, NUPE, ASTMS, GMWU, TGWU

On 28 November an offer of 6% was made in line with the 1981-2 pay factor. The staff side have rejected it and have written to the Secretary of State asking him to intervene. The management side are aiming for a settlement as early as possible in January, since there would be difficulties in financing a settlement made after the end of the financial year.

12. Regrading Disputes

(a) Registrars of Births, Marriages and Deaths (1,700)

[Settlement date : 1 July 1981 (main settlement concluded)]

Unions : NALGO, SORO

There is still no progress in this dispute on grading. An offer described as a job evaluation or a comparability exercise has been on the table for some time but has been turned down by the unions. Limited industrial action continues. The unions are to call a delayed conference to consider their position. Employers are understood to be considering reducing the salaries of those not carrying out their full duties.

(b) Meat Inspectors (600)

Settlement date : 1 July 1981

Union : NALGO

Meat inspectors employed by the local authorities throughout the country began a work-to-rule in mid-September in support of a claim for regrading. The claim is believed to be founded on additional duties and worsening working conditions experienced. The inspectors have voted against going on all-out strike. The action is having little effect on supplies.

Comment

The local authority employers fear that any concession will have implications for the grading of other local authority employees.

CONFIDENTIAL

PUBLIC SECTOR SETTLEMENT DATES IN THE NEXT FIVE MONTHS

<u>SETTLEMENT DATE</u>	<u>NEGOTIATING GROUP</u>
1 January 82	NHS Maintenance Workers (24,500)
1 January 82	British Airways (50,000)
1 January 82	British Steel Corporation (110,000)
1 January 82	Municipal Bus Platform Staff (15,200)
1 January 82	National Freight Co (17,000)
18 - January 82	Gas Supply : Manuals (41,300)
1 February 82	Electricity Supply : Technical Engineers (29,300)
1 March 82	National Bus Co Platform Staff (34,300)
20 March 82	Electricity Supply : Manuals (94,000)
28 March 82	LT Bus Drivers and Conductors (19,800)
1 April 82	Armed Forces (334,000)
1 April 82	Civil Service - Non-industrials (508,300)
1 April 82	NHS - admin and clerical (123,000)
1 April 82	NHS - ambulancemen (17,000)
1 April 82	NHS - ancillary workers (213,000)
1 April 82	NHS - doctors and dentists (94,150)
1 April 82	NHS - nurses and midwives (492,000)
1 April 82	Professions Supplementary to Medicine (126,500)
1 April 82	Medical Laboratory Scientific Officers (16,390)
1 April 82	Teachers - primary and secondary (480,000)
1 April 82	Teachers - primary and secondary and FE (Scot) (63,200)
1 April 82	University manuals (21,000)
1 April 82	University non-clinical academic staff (39,000)
1 April 82	BBC - all grades (27,507)
1 April 82	British Airways - pilots (3,500)
1 April 82	British Shipbuilders (68,000)
1 April 82	Post Office - UCW postal grades (156,500)
20 April 82	British Rail - Clerical and conciliation grades (150,000)
20 April 82	British Rail - W/shops grades (57,000)

CONFIDENTIAL

20 April 82
22 April 82
22 April 82
1 May 82

London Transport rail conciliation grades (14,500)
London Transport rail w/shops grades (3,550)
London Transport road w/shops grades (3,300)
Electricity Supply - clericals (47,400)

CONFIDENTIAL

CONFIDENTIAL

ANNEX 2

KEY TO ABBREVIATIONS

ACTSS	Association of Clerical Technical and Scientific Staff
AMMA	Assistant Masters' and Mistresses' Association
APEX	Association of Professional, Executive, Clerical and Computer staff
ASTMS	Association of Supervisory, Technical and Management Staff
AUEW	Amalgamated Union of Engineering Workers
BALPA	British Airline Pilots Association
COHSE	Confederation of Health Service Employees
CMA	Communication Managers' Association
CPSA	Civil and Public Servants Association
CSEU	Confederation of Shipbuilding and Engineering Unions
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
FTATU	Furniture, Timber and Allied Trades Union
GMWU	General and Municipal Workers Union
ISTC	Iron and Steel Trades Confederation
LACSAB	Local Authorities' Conditions of Service Advisory Board
MATSA	Managerial, Administrative, Technical and Supervisory Association
NAHT	National Association of Head Teachers
NALGO	National and Local Government Officers' Association
NAS/UWT	National Association of Schoolmasters and the Union of Women Teachers
NATFHE	National Association of Teachers in Further and Higher Education
NCCC	National Craftsmen's Coordinating Committee
NAAAW	National Union of Agricultural and Allied Workers
NUB	National Union of Blastfurnacemen
NUM	National Union of Mineworkers
NUPE	National Union of Public Employees
NUT	National Union of Teachers
NUSMWC	National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
SCPS	Society of Civil and Public Servants
SIMA	Society of Registration Officers
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

CONFIDENTIAL

CONFIDENTIAL

PUBLIC TRADING SECTOR

1 British Telecom: HCO, EO and HEO grades (7,000)
 Settlement date: 1 July 1981
 Union: SCPS

SCPS members voted by a narrow majority to reject an offer worth 10% on earnings which all other BT negotiating groups have accepted. The union contends that management have not observed an agreement to give their members parity with the more favourable pay rates of executive engineers.

Limited industrial action by SCPS members has led to delays in the issue of phone bills in the London area. BT issued an ultimatum that unless industrial action ceased by 11 December, the 10% pay offer would be withdrawn. However the union executive have voted by 3 to 2 against strike action. They are to meet management to discuss a return to work. This indicates they are willing to accept the offer. However, the position of data processors is not yet totally clear.

2 Post Office: Postal Supervisors etc (14,800)
 Settlement date: 1 July 1981
 Union: CMA

The CMA rejected an offer of 11% increase on paybill* which included a 7% forward commitment, payable from 1 July 1981, from the 1980 pay and efficiency agreement. The union made a unilateral reference to the Post Office Arbitration Tribunal, and the case was heard on 19 November. In its award the POAT recommended that the present settlement should be 14.5% on paybill* to apply from 1 July 1981 to 31 March 1982, thereafter the annual settlement date to become 1 April. The award comprises 7% representing a forward commitment from the 1980 pay and efficiency agreement, plus 7.5% for the 9 month settlement 1 July 1981 to 31 March 1982. The PO has accepted the award and the parties are to discuss its application to existing pay scales. The PO Chairman has given the PO unions the six months notice required to terminate the present arbitration agreements, which, although not legally binding, commit both parties (the PO subject to any statutory obligations) to accept the POAT findings.

* The effect on basic rates or average earnings is not available

- 3 United Kingdom Atomic Energy Authority: Manuals (4,700)
Settlement date: 1 October 1981
Unions: AUEW, TGWU, GMWU, EETPU

The Authority's opening offer of a 4.5% increase on rates was rejected on 15 September. At the next meeting on 25 November, Management improved the offer to 5% on rates and agreed to consider a possible 1 hour reduction in the working week. Union negotiators reserved their reply. The parties agreed to meet again, at a date to be arranged in January.

- 4 Coalmining: Manuals (198,000)
Settlement date: 1 November 1981
Union: NUM

On 6 October the NUM presented the NCB with a claim for -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

On 8 December - after 4 negotiating meetings - the Board's offer stood at 9.1% on basic rates (estimated at 7.3% on average earnings) plus some incentive payment, and a summer holiday bonus for long-service workers, at an overall cost of £99.97 million. NUM negotiators rejected the offer and on 10 December the union executive decided to convene a special delegate conference on 18 December to consider their negotiators rejection recommendation, and to arrange for a pithead ballot on 14 and 15 January to seek members' support for strike action, if necessary. On the same date the Board restructured and slightly improved their offer to £102 million (which, they say, is equivalent overall to 9.3%) on rates.

It is reported that of the £102 million, the Board has now allocated £93.6 million to increasing basic rates and the remainder to the provision of service payments as a Christmas bonus, instead of a holiday bonus next year. The effect of the offer on average earnings is estimated to be 7.44%. This latest NCB initiative was also rejected and the NUM arranged a special delegate conference on 18 December which overwhelmingly endorsed (by 109 votes to 3) the NEC decision.

There will be a
/ pithead ballot probably on 14 and 15 January. The result
of the ballot is likely to be known by 18 and 19 January. If a strike is
voted for, it is not likely to begin before 25 January.

Comment

The miner's settlement can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to achieve the same level. In particular the settlement will be taken as a benchmark for other major groups in the public utilities.

The 9.3% figure as presented by the NCB has been widely quoted rather than the lower (around 7½%) figure on actual earnings. The higher figure has become a target for other powerful groups in the public utilities, and has already been
/ ^{more than} matched by the water workers (8.8% offered on earnings).

5 Water Services: Manuals (30,000)
 Settlement date: 7 December 1981
 Unions: GMWU, TGWU, NUPE, NUAAW

The unions have claimed pay increases not less than the rate of inflation, reduced hours and extra annual holidays. The employers' opening offer of a 6.7% increase on basic rates and one additional day of holiday, was improved first to 8.1%, then on 8 December to 9.1% on basic rates and one day's holiday. The offer also includes a commitment to consider jointly the position of this group in relation to the earnings of manual workers in the economy generally.

Union leaders agreed to recommend acceptance of the last offer to their members. The procedures involve a ballot of NUPE members and a GMWU delegate conference, and the results are expected about mid-January. However it is now reported that NUPE are no longer prepared to recommend acceptance to its members.

The effect of the offer on average earnings is likely to be 8.8%

Comment

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 18 January Electricity February/March). They may also influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

The early offer of an increase in ^{basic rates} /excess of 9% and worth more than is on offer to the miners has set a target which other unions in the public utilities will expect to match. In addition the forward commitment may influence negotiations in future years.

6. Water Service Craftsmen (5700)

Settlement date: 7 December 1981

Unions: Confederation of Ship Building and
Engineering Workers Unions

Negotiations for this group take place in a committee of the manuals NJIC. The unions had submitted a claim which varied from that of the manuals only in detail. At a meeting of the committee on 15 December the employers made an offer of increases in basic rates and holiday entitlements in line with that made to the manuals, except that there was no commitment to a study of relative earnings. The unions agreed to recommend the offer to their members and a formal response is expected on 6 January.

Comment

On the basis of past experience the employers are confident that the recommendation will be enough to ensure acceptance. Early acceptance by the craftsmen may have some influence over the decision by the manual workers.

7 British Steel Corporation: All grades (108,600)
Settlement date: 1 January 1982
Unions: ISTC, GMWU, TGWU, NUB, NCCC, MATSA, SIMA

The BSC survival plan envisages a reduction in the work force to 90,000 by April 1982 and no national pay award: any pay increases during 1982 must be geared to local level productivity deals. In their present situation BSC have also decided not to introduce a 39-hour week from 1 January 1982, as was conditionally agreed after the Lever Committee of Enquiry ended the 1980 strike. In addition, without prior union consultation, BSC recently issued nearly 500 redundancy notices to workers at the Port Talbot plant.

ISTC (with some 60,000 members) have threatened concerted industrial action by steel, coal and rail workers ("the triple alliance") if any major steelworks are closed. An overtime ban and a series of one day strikes may be called if the Port Talbot redundancy notices are not withdrawn. Members have been instructed to take no part in local productivity talks.

BSC and ISTC have had a number of discussions on the overall situation between 19 November and 8 December without reaching an accommodation. After an executive meeting on 9 December, ISTC said that BSC would face industrial action unless concessions were made, specifically on the Port Talbot notices, the 39-hour week, and the payment of a least 50% of any local pay awards for de-manning into basic rates.

No date has been fixed yet for a resumption of talks. Unlike ISTC, the craft and service unions NUB and the management association (SIMA) (altogether some 48,000) have agreed for 1982 to negotiate local productivity deals. In return BSC agreed to consolidate some productivity payment into basic rates, to improve certain pension conditions from April 1982, and to introduce the 39-hour week from 1 January 1983.

8 British Airways: (a) All grades (excluding pilots) -50,000 (b) Pilots 3,500
Settlement dates: (a) 1 January 1982 (b) 1 April 1982
Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS, GMWU, FTATU, UCATT

On 10 September British Airways announced a "rescue plan" aimed at stemming losses of some £100 millions in the current year and £250 millions in the two years period to April 1982.

So far as staff and pay are concerned the plan involves a reduction of 9,000 jobs by June 1982, by early retirement, voluntary severance and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices cuts in routes and stations, and the sale of aircraft and property.

An unexpectedly high response to the severance scheme has been reported and so far there is no indication of union resistance to the proposals.

9 Gas Supply: Manuals (41,300)
Settlement date: 17 January 1982
Unions: GMWU, TGWU

The unions have submitted a claim to Management covering -

- (1) An increase in rates to maintain the value of the pay packet - taking account of both inflation and taxation levels.
- (2) A reduction in working hours.
- (3) Consolidation into basic pay of bonus earnings and "general obligations payment".
- (4) Payment of average earnings during holidays.
- (5) Improvements in shift and stagger pay.
- (6) A change in the basis of awarding local holidays.

Management have said that this "ambitious and complex" claim will be studied in detail. The next NJIC meeting will be held on 13 January 1982.

Comment

These negotiations are strongly influenced by the miners' settlement and have repercussions for the Electricity Supply Manuals (March 1982). The Gas, Electricity and Water industries closely watch each other's negotiations.

10 Municipal Buses: Platform and non-craft maintenance staff (15,200)
Settlement date: 1st full pay week in January 1982
Unions: TGWU, GMWU

The unions have submitted in writing to the Employers' Side of the NJIC for the Passenger Transport Industry a detailed case in support of a national claim for:

- (1) A substantial increase in basic rates.
- (2) Extension of current holiday entitlement to 5 weeks.
- (3) Bank holidays to be treated as annual holidays for pay purposes.
- (4) Consolidation into basic rates of current supplement for S/S and U/S Maintenance workers coupled with a restoration of the differential with Municipal Passenger Transport Undertaking Craftsmen.
- (5) A reduction without loss of earnings in the scheduled working week.

On 4 December the employers offered a 4% increase on rates which was rejected. Following that meeting, the TGWU issued a press release threatening industrial action on a national scale if the employers offer is not increased substantially. The next meeting will be held on 8 January at which the employers are likely to table an improved offer.

Comment

The Municipal Bus settlement is closely followed by the National Bus Co (March 1982), most of the Passenger Transport Executives (January to April), and in May by London Transport. The outcome of the municipal negotiations can be expected to influence all these settlements.

24 DEC 1987

12 1 2 3 4
5 6 7 8 9 10 11

CONFIDENTIAL

ds.



10 DOWNING STREET

From the Private Secretary

24 December 1981

Dear John,

Non-Industrial Civil Service Pay Claim: Public Sector Pay

The Prime Minister has decided to hold a meeting on Thursday 7 January at 10 a.m. at 10 Downing Street to consider the handling of the non-industrial Civil Service pay claim 1982; and also general public sector pay issues, which were the subject of the Chancellor's minute of 18 December to the Prime Minister.

I would be grateful if you would let Caroline Stephens know whether this date is convenient for the Chancellor; and I would be grateful if also those to whom I am copying this letter would similarly let her know whether the time is convenient for their Ministers.

I am copying this letter to Jim Buckley (Chancellor of the Duchy of Lancaster's Office), John Halliday (Home Office), Imogen Wilde (DES), David Omand (Ministry of Defence), David Edmonds (DOE), David Clark (DHSS) and Richard Dykes (Department of Employment); and to David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

ds.



PS

10 DOWNING STREET

From the Private Secretary

24 December 1981

Dear Imogen

Public Sector Pay

The Prime Minister was grateful for your Secretary of State's minute of 23 December.

As you will have seen from my letter to John Kerr of today's date, the Prime Minister wishes a discussion to take place of these issues; no doubt your Secretary of State's points will be raised at that meeting.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, Keith Long (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), Gerry Spence (CPRS) and David Wright (Cabinet Office)..

Yours ever
Willie Rickett
pp M. Scholar

Ms. Imogen Wilde,
Department of Education and Science.

[Handwritten mark]

cc. J. Vereker

Prime Minister

A. Duguid



This is all for

discussion at the meeting in Jan
you have agreed to.

MS 23/12

PRIME MINISTER

PUBLIC SECTOR PAY

1. I was interested to see the Chancellor of the Exchequer's minute of 18 December. I wholly agree that we need to make a continuing effort in support of pay restraint and with the suggestions made in paragraph 6 of the Chancellor's minute.

2. So far as the teachers and the Burnham Committees are concerned, however, it is part of our Concordat with the local authority associations that the Secretary of State will not determine any limit of total cost at the outset of negotiations and use the veto in accordance with such a limit. It is also provided that the procedures of the Management Panel will not be disclosed in public or to the Teachers Panel - and the veto, if used, forms part of the proceedings of the Management Panel.

3. It follows that I cannot agree to (b)ii. in paragraph 5 of the Chancellor's minute. This would be inconsistent with the Concordat. If the Government were to breach the terms of the Concordat the local authority associations might be encouraged to repudiate the Concordat as a whole.

4. With regard to the suggestion made in (c) of paragraph 5 I agree that we should act as in (b)i. I am however expecting to meet the leaders of the Management Panel during January, before the next meeting of the Burnham Committee, at their request. This will I believe be important in influencing the attitude of the Management Panel in the forthcoming negotiations. It would not be helpful in advance of that meeting for the Government to have made much of the special degree of Government influence on negotiations with the teachers.

5. Copies of this minute go to all members of the Cabinet, the Paymaster General, the Chief Whip, Robin Ibbs and Sir Robert Armstrong.

i.e. using
veto on offers
inconsistent with
4% pay factor

i.e. stress
on the fact that
govt will
approach
negotiations
in the light of
the 4%
pay factor

23 December 1981

23 DEC '41



Vertical red text, possibly a post office name or address, oriented vertically.

FIVE

ED
Econ P.D.



B/c: Mr Verelker
Mr Ingham
Mr Duguid

10 DOWNING STREET

From the Private Secretary

22 December, 1981

B/P

Public Sector Pay

The Prime Minister was grateful for the Chancellor's minute of 18 December about Public Sector Pay.

She agrees with the Chancellor's suggestion as to the handling of teachers' pay and local authority white collar workers' pay; and that there should be a meeting of Ministers early in January to consider the Government's general publicity effort; but until then, she believes that Ministers should continue to indicate that they will be approaching public service pay against the background of cash limits set on the basis of a 4 per cent pay factor.

The Prime Minister has also indicated that she wishes to consider separately the relationship between the handling of the Civil Service pay claim and the other pay issues raised in the Chancellor's minute. She understands that the Chancellor will be minuting her separately about this.

I am copying this letter to the Private Secretaries to the Members of Cabinet, the Chief Whip, David Wright (Cabinet Office) and to Robin Ibbs (CPRS).

M. C. SCHOLAR

John Kerr, Esq
HM Treasury

JR



bc JV AD

10 DOWNING STREET

From the Private Secretary

21 December 1981

Monitoring Report:
Public Trading Sector
Municipal Bus Pay

The Prime Minister was grateful for your Secretary of State's minute of 14 December the contents of which she has carefully noted.

I am sending copies of this letter to John Halliday (Home Office), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Edmonds (Department of the Environment), Ian Ellison (Department of Industry), John Rhodes (Department of Trade), Julian West (Department of Energy), Richard Dykes (Department of Employment), Gerry Spence (CPRS) and David Wright (Cabinet Office).

M. G. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

JR

CONFIDENTIAL

MR. SCHOLAR

cc. Mr. Hoskyns

Mr. Ingham

Public Sector Pay

In his note of 18 December, the Chancellor addresses the question of how we increase the chances of acceptance of the latest pay offers to the miners, the local authority manuals and the water workers. There are two sets of issues requiring decisions.

(i) What do we do vis-a-vis the other public service groups?

I am sure the Chancellor is right to say that a key factor will be the extent to which the three groups now considering offers think they are doing well compared with the Government's line on public service pay generally. That does point to the need to re-assert the credibility of the 4 per cent pay factor in the period leading up to mid-January. It arises at present in three contexts:

(a) The nurses. The outcome of the Prime Minister's meeting on Friday was satisfactory from this point of view: there was wide publicity given to the fact that the Government was not going to exempt the nurses from the 4 per cent cash limit.

(b) The civil servants. The Chancellor will be minuting separately about our tactics: there is an important issue of how we respond to the 12-13 per cent pay claim. Whether Ministers decide to go for a quick settlement, or to draw out the negotiations, something needs to be done before mid-January to make it clear that the claim is miles out of court. Although we have said we would not set predetermined cash limits, I think we can still say that we shall be

CONFIDENTIAL / negotiating

CONFIDENTIAL

- 2 -

negotiating against the background of cash limits set on the basis of a 4 per cent pay factor.

- (c) Other local authority groups. Here there is a clear need to stop the pay offer to the manuals infecting the teachers and the white collar workers. The Chancellor suggests we make it clear that the Government would use its veto if necessary on teachers' pay, and that the local authority employers (who are in the case of the white collar workers chaired by a Conservative) should be invited to a meeting with Ministers. I am sure both those suggestions are right.

- (ii) What do we do vis-a-vis the public?

Here, events have moved on a little since the Chancellor minuted. The Chancellor agreed in his weekend box the text of a note to be circulated by the Lord President to all Ministers, to be drawn on in their end of year speeches and broadcasts, which emphasises the extent to which progress has been made in improving our underlying competitive position, and the need to keep down pay costs if that progress is to be maintained and unemployment to be brought down. The Prime Minister might like to see the attached copy of that note. And officials are now working on a note which might be sent from Mr. Tebbit to his colleagues most closely concerned about a publicity strategy in the build-up to the miners' ballot: I will be minuting separately about that. That leaves us with the question of how far the Government ought to say publicly that it will be approaching other public service pay settlements in the light of the 4 per cent pay factor. I rather doubt whether to do so attributably would have the drawbacks suggested by the Chancellor in paragraph 8.

/ Having announced

CONFIDENTIAL

CONFIDENTIAL

- 3 -

Having announced the pay factor publicly, it would be odd if we were not prepared to defend it publicly. My own feeling is that, at least until the meeting the Chancellor suggests in January, Ministers ought to be prepared to go on the record to say that the 4 per cent pay factor still stands.

If the Prime Minister agrees, therefore, I suggest that you could reply to the Chancellor's minute indicating that:

- (i) The Prime Minister wishes to consider separately the relationship between the handling of the Civil Service pay claim and these other pay issues, and understands the Chancellor will be minuting about it;
- (ii) The Prime Minister agrees with the Chancellor's suggestions as to the handling of teachers' pay and local authority white collar workers' pay;
- (iii) The Prime Minister agrees that there should be a meeting of Ministers early in January to consider our general publicity effort; but
- (iv) Until then, Ministers ought to continue to indicate that they will be approaching public service pay against the background of cash limits set on the basis of a 4 per cent pay factor.

X

J.S.

21 December 1981

CONFIDENTIAL

THE RECOVERY HAS BEGUN

As we enter the New Year, I know that many colleagues will find themselves asked about recent economic developments and the prospects for the year ahead. I hope you will find these notes helpful to have by you, to draw on as necessary.

Points to make

1. Economic recovery has begun. The latest figures suggest that there has been an increase in manufacturing output of about 1½ per cent in the three months ending October over the previous quarter, the largest increase for 2½ years.
2. How strong the recovery is, and how long it lasts, is up to all of us. If we expect to cash in immediately, and take out all we can in extra pay, we shall lose everything we have gained so far.
3. But if we're patient, and accept that a sustained effort is needed over several years in order to get our economy fully competitive again, the prospects are good.
4. Look at the evidence of the underlying improvements in the way we do things:
 - We're getting more productive. Productivity in manufacturing industry (output per man) rose by about 5 per cent between the last quarter of 1980 and the second quarter of this year. The CBI estimates a 10 per cent increase during the year as a whole.
 - We're keeping our labour costs down. The rate of pay settlements this year has been halved compared with last year; and for the first time for several years our unit labour costs have risen more slowly than the average of our competitors: only 3.9 per cent in manufacturing in the year to September.

- We're getting more competitive. In the last year our improved productivity, our more realistic pay settlements and the fall in the value of the pound has meant that competitiveness improved by at least 10 per cent - a considerable achievement in the depths of a recession.
- We're winning orders. The evidence is growing of the business we're winning back from our competitors. For instance, engineering export orders are over 20 per cent higher this year than in the second half of 1980, and the CBI reports the highest level of optimism over exports since 1977. Home orders for engineering and construction work are also substantially higher.
- Investment prospects are improving. The latest Department of Industry intentions survey points to prospect of rising investment over next two years in manufacturing, distribution and services. Private sector housing starts were up 40 per cent this year compared with second half of 1980.
- We're having fewer industrial disputes. The number of strikes has been fewer in the last two years than in any comparable period since the war.

5. The tide of unemployment though still too high is now slackening. It's rising only half as fast as a year ago, and in recent months there's been less short-time working, more overtime and more notified vacancies.

6. So the Government's policies are right. We're going to get inflation down further, and we're going to create the best possible conditions for industry to take advantage of the recovery. If others also play their part - particularly by moderate pay settlements - that is the way to more jobs and lasting prosperity.



~~CL. IV.~~ (1)
Prime Minister

Content for me to write

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

as at X on

p 3 of John

Vereker's minute, attached?

PRIME MINISTER

Yes
mb

MCS 21/12

PUBLIC SECTOR PAY

Important developments have taken place in the past week or so in three important pay negotiations: with the local authority manuals; with the miners; and with the water workers. We have had reports on these developments respectively in Michael Heseltine's letter of 11 December, Tom King's of 10 December, and in John Moore's of 10 December; and we discussed the prospects for coal at our meeting yesterday afternoon.

2. Briefly, the local authority employers have made an offer to their manual workers estimated as worth 6.9 per cent on the pay bill, and the unions are putting this offer to their members. The water industry unions had agreed to recommend acceptance of an offer worth 8.8 per cent on earnings (9.1 per cent on rates), though NUPE has since decided to withdraw its recommendation. The NUM Executive has rejected a slightly improved offer worth 7.4 per cent on earnings (and 9.3 per cent on rates). Following a Special Delegate Conference on 18 December there is to be a ballot of the membership on 14 or 15 January, on a resolution (and recommendation) to reject the offer and authorise the Executive to take strike action if necessary.

3. In all of these cases we would have wished for lower settlements (perhaps more strongly in some cases than in others). But there is clearly no prospect that any of these groups will settle for less than they have now been offered. The danger is that they might seek to get more. The best outcome is clearly therefore that the offers made should be accepted. We need to consider whether there is anything we can do to improve the chances of achieving that outcome.



4. A common feature of all three cases is that some form of consultation with the membership is now in train. A consideration which will obviously weigh with the membership is whether settlements at the levels offered are likely to compare adequately with settlements secured by other groups as the pay round progresses. A key factor in such an assessment will no doubt be the extent to which we are seen to be holding to a firm line on public services pay.

5. Apart from just letting events take their course, I think that there are essentially three approaches which might be adopted with the aim of creating the right climate:

- (a) we could stress publicly reasons why the workforces concerned should accept the offers made;
- (b) the negotiations for which the Government is directly responsible (in the Civil Service and NHS) will probably not take place until after the consultations which we want to influence are completed; and we cannot decide our tactics for those negotiations yet. Nevertheless we could:-

- i. stress publicly that the Government will be approaching them in the light of the 4 per cent pay factor;

- ii. and in the local authority sector, say that it will use its veto on offers made to the teachers to prevent any offer being made which would be inconsistent with the 4 per cent, while perhaps also inviting the employers' side of the NJC for the local authority white collar grades to a meeting with Ministers;

- (c) we could act as at b(i), but unattributably, and draw attention to the degree of Government influence on negotiations with the teachers rather than committing ourselves to use the veto in defined circumstances.



6. Any of these approaches would need to be combined with a continuing effort in speeches, interviews, discussions, etc., once the House rises, emphasising the need for pay restraint. All Cabinet colleagues might participate, as they have opportunity, in stressing:

(i) the crucial link between pay restraint and employment prospects;

(ii) the need to restrain current costs, including unit labour costs, if there is to be room for investment (and the profits which finance it) to grow;

(iii) the dangers of jeopardising the revival of output by excessive pay settlements.

7. As regards the choice between the approaches in paragraph 5 above, I am sure we should all agree (as we did in our discussion of the miners' ballot) in rejecting (a). It would probably cause all three of the negotiations to be represented as confrontations with the Government. It would make the workforce more, rather than less, likely to reject the current offers. It might also carry the implication that we thought settlements at these sort of levels were all right.

8. (b) would be the more robust approach. It would however complicate current discussions with the nurses; and might be represented as inconsistent with our undertakings to the Civil Service. As regards the teachers, Keith Joseph might feel that it put too much weight on a veto which depends ultimately on a voluntary concordat. George Younger will no doubt have views on the implications for the parallel Scottish negotiations. And Michael Heseltine will have views on the usefulness of a meeting with the local authority APTC employers side at this stage.

9. But (c) seems to me to be a minimum; and it would certainly need to be bolstered by the general publicity effort to which



I have referred in paragraph 6 above.

10. If you and colleagues feel that (c) is best for the present, we might aim to have a meeting early in January with the Ministers directly concerned, to decide whether we stick to it up to mid-January, when the key decisions for all three groups discussed in paragraphs 2 to 4 above will be taken, or whether we should move to (b), or some variant of it, as these decisions become imminent.

11. Copies of this minute go to all members of the Cabinet, to the Chief Whip, and to Sir Robert Armstrong and Mr Ibbs.

(G.H.)

18 December 1981

18 DEC 1981



CONFIDENTIAL





10 DOWNING STREET

From the Private Secretary

15 December 1981

MONITORING REPORT: PUBLIC TRADING SECTOR

The Prime Minister was grateful for the Chancellor's minute of 8 December, whose contents she has carefully noted.

I am copying this letter to the Private Secretaries to the Home Secretary, Chancellor of the Duchy of Lancaster, the Secretaries of State for the Environment, Industry, Trade, Transport, Energy and Employment and to David Wright (Cabinet Office) and Mr. Ibbs (CPRS).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

58

Public Sector
Pay PHS

Mr. Ingham
Mr. Scholar

CONFIDENTIAL

MR. PATTISON

c.c. Mr. Hoskyns
Mr. Ingham
Mr. Scholar

Questions: Public Sector Pay

The Prime Minister may face criticism this week on the Government's handling of public sector pay, in view of recent developments in negotiations with the miners, water workers, and local authorities. I suggest below a possible Question which might come to her, and a possible reply which I have cleared with both halves of the Treasury.

If this comes up, I think we must try and re-instate the credibility of the 4% pay factor. If the Prime Minister does not mention it, it may be assumed that the newspapers are right in saying that recent developments have torn it to shreds. Even if the newspapers are right - and there is no doubt that the Chancellor's package, and negotiations with the three groups I have mentioned, have established a higher going rate than we had hoped - we still need to re-assert it in order to keep expectations of the final outcome to a minimum.

14 December, 1981.

CONFIDENTIAL

Q. Has the Prime Minister seen the figures in the Economic Progress Report published today which indicate that in all cases the public sector is better paid relative to the private sector than it was 10 years ago; do not the recent pay offers to the miners, the water workers and the local authority manual workers make it more likely that their relative advantage will be increased; and what does the Government propose to do about it?

A. Yes, Mr. Speaker, I confirm that the figures recently published do indicate that public sector earnings have recently moved faster than the private sector. Where the Government is the employer, it will negotiate against the background of cash limits fixed on the basis of a 4% pay factor in cash limits. Where the Government is not a party to the negotiations, it cannot determine what pay offer will be made: that is up to the employer to judge, in the light of what they can afford. The House will have noted that in the case of the local authority manual workers an offer, subsequently described by a representative of the employers as more than they could afford, was made as a result of the casting vote of a Labour chairman. I hope the House finds that as deplorable as I do.

/If necessary/

No, I am not saying that the Government's employees in the Health Service and Civil Service will be given 4%, but that we will have regard to cash limits fixed on the basis of a 4% pay factor.



CONFIDENTIAL

At the first negotiating meeting on 4 December the employers offered increases of 4% against a claim from the unions (TGWU and GMWU) of around 30%. This offer was immediately rejected. It was agreed that the meeting scheduled for 12 December, to which the Chancellor referred in his minute of 8 December, would be cancelled and arrangements made for further meetings after Christmas. I understand the meeting ended reasonably amicably. It therefore came as a surprise to the employers when the TGWU subsequently issued a Press Release which talked in terms of industrial action on a national scale by 27,000 municipal busmen unless the employers made a much improved offer. The present offer is described as a "diabolical insult".

There is no suggestion that negotiations have broken down and at this stage there is no immediate prospect of an all out strike on Municipal Buses. I expect a further meeting between both sides to be held early in the New Year and that the employers will then made some marginal increase in their offer. But it is difficult to know how the Unions will play this one; I think it highly likely that they will at least attempt to use these negotiations as the place to try to achieve the victory which has eluded them over the last few months at BL and with oil tanker drivers.

I will of course keep you and colleagues in touch with developments.

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

DH

DAVID HOWELL

14 December 1981

MR PATTISON

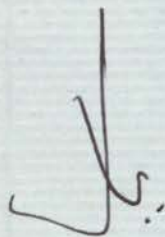
cc Mr Scholar
Mr Ingham

EPR Article on Public and Private Sector Pay

I sent you a copy of my note of 8 December, to which I attached a draft article for the Economic Progress Report. The Treasury now tell me that the EPR will be published on next Tuesday, 15 December, but that the table will be released as a Written Answer on 14 December. So the Prime Minister could, if she wished, refer to this material in Question Time from next Tuesday onwards.

The Treasury has suggested to me that an appropriate formula might be (I have slightly changed the drafting):

"Figures recently published indicate that public sector earnings have recently moved faster than in the private sector. It is fair to say that the public sector now stands in a more favourable relationship to the private sector than over most of the past ten years."

A handwritten signature in black ink, appearing to be 'J. S.', located below the main text.

11 December 1981

COUNCIL OF CIVIL SERVICE UNIONS

130.72

19, ROCHESTER ROW · LONDON SW1P 1LB · Tel: 01-828 2727-9

Secretary General:
W. L. KENDALL

Secretary:
P. D. JONES

Assistant Secretaries:
B. G. SUTHERLAND HELEN E. HUGHES

8 December 1981

P Le Cheminant Esq
H M Treasury
Old Admiralty Building
Whitehall
London SW1A 2AZ

Dear Le Cheminant

PAY 1982

1. I am writing to convey the Council's claim for increased pay rates effective from 1 April 1982.

2. Before indicating the amounts which we claim, there are two important considerations to be explained by way of introduction:

(a) Pending the outcome of the Megaw Inquiry, but without prejudicing that outcome, we shall wish to demonstrate the present comparability position as between the Civil Service and similar occupations outside. Since April 1980, and as a consequence of the unsatisfactory 1981 increase, Civil Service rates of pay have fallen markedly behind those of outside comparators. We shall wish to have this fact, and the supporting information, clearly brought out and placed on the record for future reference.

(b) In the absence of agreed principles for determining Civil Service pay in 1982, our primary concern will be to protect the living standards of our members at a time of continuing high inflation. The level of inflation has hit all civil servants, but its effect has been particularly serious so far as the lower-paid are concerned: we shall, therefore be seeking special protection for this group.

Cont'd/....

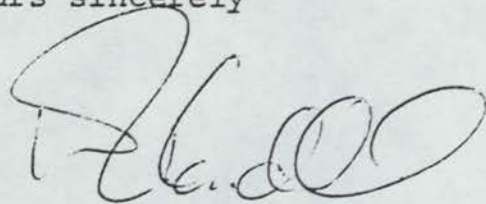
3. Having regard to the above, our claim is for a general increase of 13%, with a basic increase of £12.50 per week for all adults (ie. aged 18 and over) where 13% does not produce this amount. (Pro-rata increases would be applied for part-time staff.)

4. In addition, and as an integral part of the claim, we shall wish to prosecute the claim for improved annual leave which was submitted on 10 September 1980 and which remains unsettled. You will recall that this claim was intended to complete the process started by the interim agreement reached earlier in 1980 and which is now long overdue for settlement.

5. The supporting factual evidence for the claim, and updated supporting evidence on annual leave, will be supplied within a few days.

6. In conclusion, I must remind you of the assurances given that there will be genuine negotiations, on the 1982 pay claim, and that both sides will seek to reach a negotiated settlement. In addition, I must remind you of the Government's assurance that, in the event of disagreement, recourse to the Civil Service Arbitration Tribunal will be accepted. The Council are ready to commence negotiations on the claim forthwith, for it is plainly in the interests of good industrial relations that the 1982 pay situation should be finalised at the earliest possible date.

Yours sincerely



W L KENDALL
Secretary General

23 DEC 1981



cc. J. Jordan
A. Duguid

(2)



Prime Minister

To note

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

MS 2/12

PRIME MINISTER

[Handwritten signature]

MONITORING REPORT : PUBLIC TRADING SECTOR

...

I attach the latest report.

2. The coal and water negotiations continue to dominate the scene. In both cases the next negotiating meeting has been arranged for 8 December. The coincidence is unfortunate ~~and~~ since further moves in the water industry negotiations might affect the attitude of the NUM National Executive Committee when it meets on 10 December to consider its next moves.

3. The point in your Private Secretary's letter of 30 November about the presentation of the NCB offer is, however, relevant. The public emphasis on the 9.1 per cent basic rate figure has been used by the water industry to justify its offer of 8.1 per cent on rates, though that offer is actually worth more (7.8 per cent) on earnings than the NCB offer (7.3 per cent). This has confirmed the misgivings which I expressed as long ago as 8 October about presenting settlements in the most generous possible light. Nigel Lawson's letter of 1 December comments that the NCB now have a difficult task in avoiding a significant increase in their present offer. Clearly this must be the main objective, and we should not press tactical proposals which might make it more difficult to achieve. But I am sure that Nigel will want to consider carefully the point which you have made. We may need to give further thought to

/presentation when



presentation when the results of the meeting on 8 December are known.

4. The report also indicates that early moves are likely in the municipal bus negotiations. David Howell will no doubt let us know as soon as he can what opening offer is likely at the 12 December meeting.

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

(G.H.)

8 December 1981

PUBLIC TRADING SECTOR

British Telecom: HCO, EO and HEO grades (7,000)

Settlement date: 1 July 1981

Union: SCPS

Union members voted by a narrow margin to reject an offer worth 10% on earnings which all other BT negotiating groups have accepted.

The SCPS claim that Management earlier agreed to parity with the executive engineering grades.

Limited industrial action has led to delays in the issue of telephone bills in the London area. Management has issued an ultimatum that the pay offer will be withdrawn if the action is continued after 11 December.

2 Post Office: Postal Supervisors etc (14,800)

Settlement date: 1 July 1981

Union CMA

The CMA have rejected an offer of 11% increase on paybill*, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. The union's submission that the 7% should not be part of the current offer was heard by the Post Office Arbitration Tribunal on Thursday 19 November. A decision is expected by early December.

The PO Chairman has given the PO unions the six months notice required to terminate the present arbitration agreements which, although not legally binding, commit both parties (the PO subject to any statutory obligations) to accept the POAT findings. He has warned the CMA that he will only be prepared to pay what he considers the business can afford.

Agreement has been reached between the PO and CMA for an interim increase in pay of 9% at all scale points, with effect from 1 July 1981.

* [The effect on basic rates or average earnings is not available.]

3 United Kingdom Atomic Energy Authority: Manuals (4,700)

Settlement date: 1 October 1981

Unions: AUEW, TGWU, GNMU, EETPU

The Authority's opening offer of 4.5% increase on rates was rejected as unrealistic by the unions at a meeting on 15 September. There were no further meetings until Wednesday 25 November. In the course of that meeting management improved their offer to a 5% increase on rates and also undertook to consider the possibility of reducing the working week by 1 hour. Union negotiators reserved their reply and asked for an adjournment until January (date to be arranged).

4 Coalmining - Manuals (198,000)

Settlement date: 1 November 1981

Union: NUM

On 6 October the NUM presented the NCB with a claim for -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

In the course of 3 negotiating meetings the NCB has increased the sum available for the settlement from £71 to £100 million. The package offered on 11 November - which the NUM National Executive Committee unanimously rejected - comprised:

- | | | |
|-------|--|------------------|
| (i) | 7.8% increase on basic rates: | cost £85 million |
| (ii) | 3.3% increase in standard incentive pay: | " £7 " |
| (iii) | provision of holiday bonus for long service: | " £8 " |

The offer represented an increase of 7.3% on average earnings. The Board estimated that if the £100 million were applied to basic rates only, they would increase by 9.13%, and it is in this way that the offer has been generally presented.

Negotiations were resumed on 25 November. No more money was made available and no progress was made. The Board sought to put a further gloss on the offer by presenting its worth to employees with from 5 to 25 or more years service (roughly half the workforce), as basic rate increases ranging from 9.3 to 10.4%. The talks were adjourned until Tuesday 8 December.

Voting for the new NUM President takes place between 2 and 4 December and the result is expected on 7 or 8 December. The NUM NEC has arranged to meet next on 10 December.

CONFIDENTIAL

The miner's settlement can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to achieve the same level. In particular the settlement will be taken as a benchmark for other major groups in the public utilities.

5 Water Service: Manuals (30,000)
Settlement date: 7 December 1981
Unions: GMWU, TGMWU, NUPE, NUAAW

The unions have claimed pay increases not less than the rate of inflation, reduced hours and extra annual holidays.

The NWC's offer was improved on 18 November to 8.1% increase on basic rates (7.8% on average earnings) and 1 extra day of annual holiday. The offer was rejected and a further meeting arranged for Tuesday 8 December. It is understood that the NWC is in close touch with the NCS.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 18 - January: Electricity February/March). They may also ^{indirectly} influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

CONFIDENTIAL

6 British Steel Corporation: All grades (108,600)
 settlement date: 1 January 1982
 Unions: ISTC, GMWU, TGWU, NUB, NCCC, MATSA, SIMA

On 25 September BSC employees were told in a letter from their Chairman that the Corporation could not afford to pay a national increase in the current pay round, and that any pay rises next year must be geared to productivity deals at local level. Mr McGregor said that a national pay award could have disastrous effects and might lead to further major plant closures. BSC plans envisage a workforce of 90,000 by April 1982.

The ISTC (with some 70,000 members) responded by threatening concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks were closed, and instructed union members to take no part in local level productivity talks. In October BSC told ISTC that it would be imprudent in present circumstances to incur the added costs of introducing a 39-hour week from 1 January 1982, as had been agreed at the end of the 1980 strike.

The BSC had a series of meetings with ISTC representatives between 19 and 26 November to discuss the overall situation. The talks are to continue next week.

The NUB (with some 5500 members), in separate discussions with BSC on 23 November, agreed not to submit a national claim in 1982, but to rely on local productivity agreements. On its side the BSC agreed to consolidation of some existing productivity payments, improvements in pensions conditions from April 1982, and the introduction of the 39 hour week from 1 January 1983.

The craft and service unions and SIMA are to meet with Management for discussions on Monday 30 November.

7 British Airways (a) All grades (excluding pilots) - 50,000 (b) Pilots 3,500
 Settlement dates: (a) 1 January 1982 (b) 1 April 1982
 Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS, GMWU, FTATU, UCATT

On 10 September British Airways announced a "rescue plan" aimed at stemming losses of some £100 millions in the current year and £250 millions in the two year period to April 1982.

CONFIDENTIAL

So far as staff and pay are concerned the plan involves a reduction of 9000 jobs by June 1982, by early retirement, voluntary severance and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes and stations, and the sale of aircraft and property.

An unexpectedly high response to the severance scheme has been reported and so far there is no indication of union resistance to the proposals.

8 Gas Supply: Manuals (43,400)
Settlement date: 17 January 1982
Unions: GMWU, TGWU

The unions have submitted a claim to Management covering -

- (1) An increase in rates to maintain the value of the pay packet - taking account of both inflation and taxation levels.
- (2) A reduction in working hours.
- (3) Consolidation into basic pay of bonus earnings and "general obligations payment".
- (4) Payment of average earnings during holidays.
- (5) Improvements in shift and stagger pay.
- (6) A change in the basis of awarding local holidays.

Management have said that this "ambitious and complex" claim will be studied in detail. No early meeting of the NJIC is in prospect.

These negotiations are strongly influenced by the miners' settlement and have repercussions for the Electricity Supply Manuals (March 1982). The Gas, Electricity and Water industries closely watch each others' negotiations.

CONFIDENTIAL

9 Municipal Buses: Platform and non-craft maintenance staff (15200)
Settlement date: 1st full pay week in January 1982
Unions: TGWU, GMWU

The unions have submitted in writing to the Employers' Side of the NJIC for the Passenger Transport Industry a detailed case in support of a national claim for:-

- (1) A substantial increase in basic rates.
- (2) Extension of current holiday entitlement to 5 weeks.
- (3) Bank holidays to be treated as annual holidays for pay purposes.
- (4) Consolidation into basic rates of current supplement for S/S and U/S Maintenance workers coupled with a restoration of the differential with Municipal Passenger Transport Undertaking Craftsmen.
- (5) A reduction without loss of earnings in the scheduled working week.

The employers intend to respond in writing to the unions' submissions at an NJIC meeting on 4 December, then consider all the arguments and probably make an opening offer, at a further meeting on 12 December.

The Municipal Bus settlement is closely followed by the National Bus Co (March 82) and influences settlements in the Passenger Transport Executives.

1981

12 1
2
3
4
5
7 6 5

CONFIDENTIAL

CONFIDENTIAL

cc: Mr. Ingham
Mr. Duguid

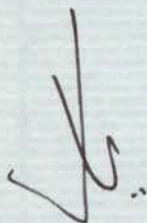
MR. SCHOLAR

Monitoring Report: Public Trading Sector

Just two points on the latest monitoring report sent to the Prime Minister under cover of the Chancellor's minute of 8 December:

1) The Chancellor has confirmed his misgivings, which as you know I share, about the way in which the NCB's offer to the NUM is being presented. You will recall that, in his letter of 3 December, Mr. Lawson's Private Secretary said that Mr. Lawson expects that if the NCB have to raise the offer, it may be necessary to publicise the earnings figures. I think in acknowledging the monitoring report, it would be appropriate if the Prime Minister agrees for you to say that she endorses that position: it really is important that the offer should not appear to be in double figures. I see from the tapes, and no doubt the Department of Energy will be confirming, that the NCB did not increase their offer today: as I recorded in my minute to you of 3 December, there is a nice balance to be struck because we do not want the NCB to lose a ballot, with a corresponding need for a substantial increase in the offer.

2) Of lesser importance: the monitoring report indicates that no average earnings figure is available for the offer that has been made to postal supervisors. I understand that this has been requested several times - the average earnings figure is considerably more important than the pay bill figure, and it might be worth mentioning in your note to the Chancellor's office that we ought to be provided with this.



8 December 1981

CONFIDENTIAL

Econ Pol
Public Sector Pay
12/5/81

Econ Pol
cc: Mr. Scholar ✓
Mr. Pattison

MR. INGHAM

Public/Private Sector Pay Comparisons

The Treasury have shown me the attached draft of an article to be published in this month's Economic Progress Report about the relationship between public and private sector earnings over the last ten years. It will appear towards the end of this week, and the Chancellor will answer a Written Question about it. It is of considerable interest because it does show that the public sector has done better than the private sector since the first few years of the 1970's, and it therefore reinforces the case for public sector pay restraint, a case which already exists because of the public sector's relatively high job security.

No doubt Mr. Pattison will wish to keep these figures by him for use during Prime Minister's Questions: I offer the usual caution that we do not use them in such a way which is likely to appear to public service groups as if the Government is trying further to discriminate against its own employees. It is possible to disaggregate local government and central government from the figures, but needless to say the worst offenders are in the public corporations, and notably in public corporation manual workers.

J. M. M. VEREKER

8 December 1981

PUBLIC AND PRIVATE SECTOR EARNINGS

Public and private sector earnings can be broadly compared over a period of years on the basis of the New Earnings Survey (NES) compiled by the Department of Employment since 1970. The NES is based on a 1 per cent sample of earnings throughout the economy in April each year. Results from the 1981 NES are now being published, and figures for the public and private sector appeared in the October issue of the Department of Employment Gazette. The relevant figures, together with those for earlier years, are set out in table [] []. (This table was also published on [] December in response to a Parliamentary Question - see Hansard Vol. [] Col WA [] [].) To facilitate comparison actual public sector earnings are shown as percentages of the corresponding private sector figures, for manuals, non-manuals or both as appropriate.

2. The figures relate to full-time men: comparisons of women's earnings are affected by moves to equal pay during the period which had more effect on the private than the public sector. They relate to gross earnings, and do not take account of pensions, fringe benefits, or other conditions of service. Relative average earnings in different sectors and changes in these relativities will reflect differences and changes in the structure of employment, as well as differences in rates of pay for similar work. (Such structural differences account for the fact that totals and sub-totals can be higher - or lower - than either of the component figures for manuals and non-manuals.) The comparisons are not therefore definitive but nevertheless give a useful indication of trends.

Main trends

3. The charts [below] set out the main trends indicated by the figures*. Each chart shows manuals, non-manuals and both combined. They cover respectively central government (civil service and National Health Service but not the armed forces which are not covered in the NES), local government, public corporations (mainly Nationalised Industries), and the total public sector.

4. In all cases the recent position of the public sector can be seen to be better than in the first few years of the 1970s. This is especially true of manual workers, where relative improvements of around 10 per cent have been recorded. The improvement for non-manuals is smaller, but still of the order of 5 per cent.

* The charts incorporate the adjustments for the timing of the 1981 civil service settlement given in footnote 4, and show the discontinuity for central and local government manuals between 1977 and 1978 which is mentioned in footnote 3.

Comparable data are not available for earlier periods. But the figures which exist suggest that relativities between the public and private sectors were fairly stable in the 1950s and 1960s.

5. In all cases a peak was reached in the years 1975 and 1976. Thereafter the relative level uniformly fell back (allowing for the discontinuity for central and local government manuals between 1977 and 1978 - see footnote 3 to table [] to a low point in 1979, in most cases close to the original level. Since then, however, the previous peak levels have been almost regained, reflecting large comparability awards and other factors.

PUBLIC AND PRIVATE SECTOR EARNINGS (1) 1970-80

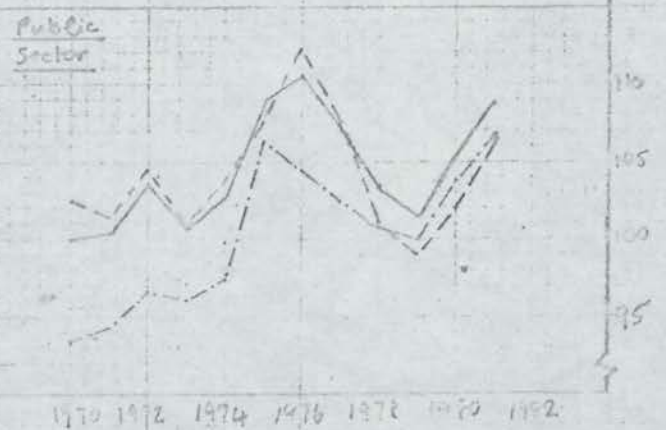
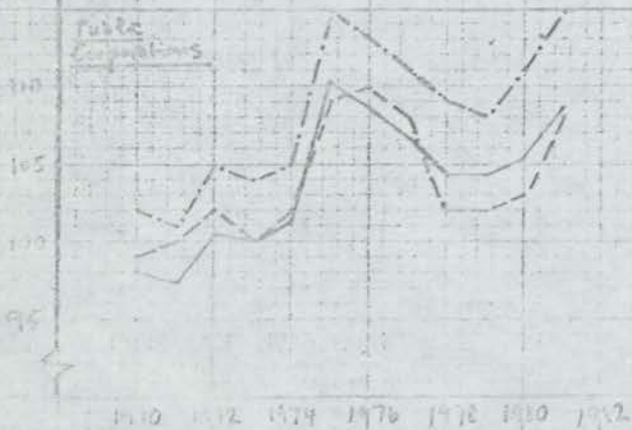
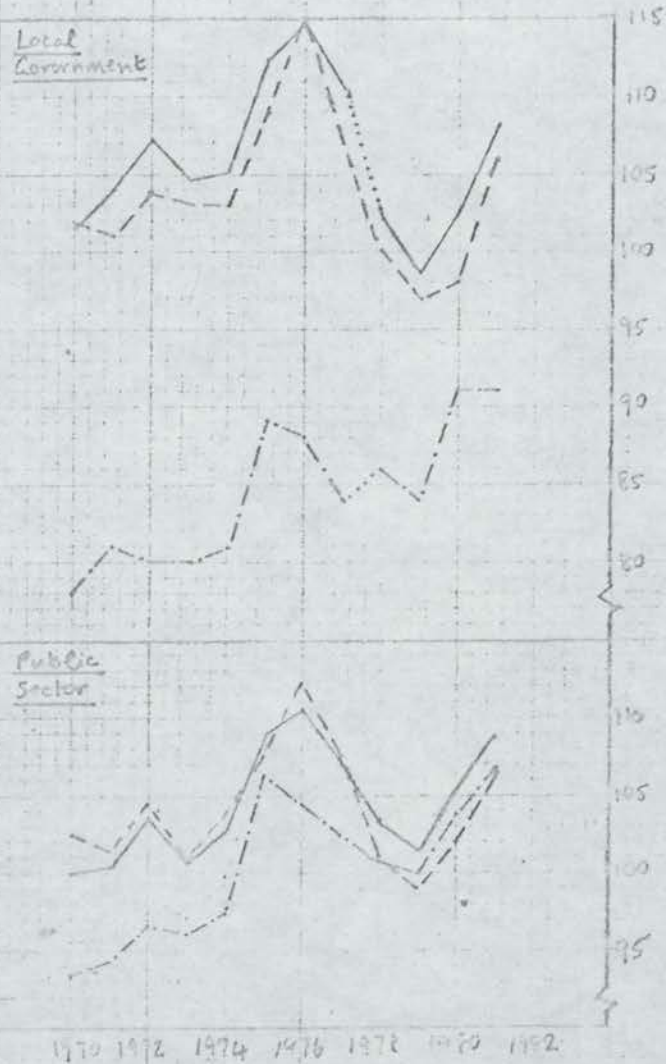
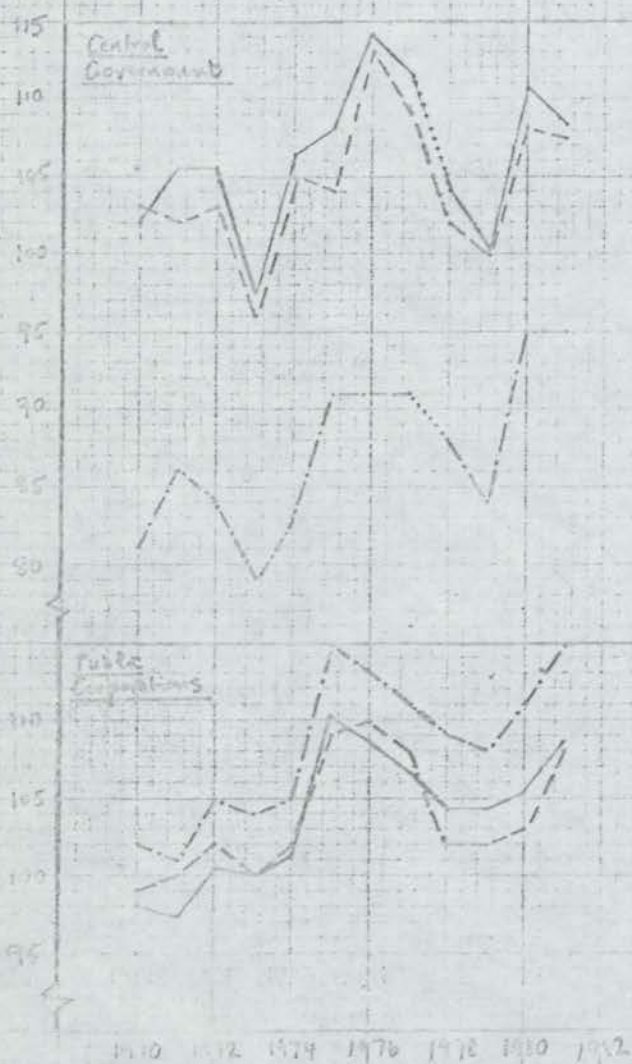
Public sector earnings as a percentage of private sector earnings for manuals and non-manuals

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
a. <u>Public Sector</u> (b+ c + d)												
Manuals	93.4	94.3	96.7	96.1	97.3	106.2	104.5	102.4	100.9	100.0	103.9	106.8
Non-manuals	102.3	101.3	104.4	100.8	103.5	107.5	112.1	107.6	101.0	99.0	102.0	108.5
TOTAL	100.0	100.3	103.6	100.7	102.7	109.0	110.5	107.2	103.4	101.5	105.3	108.4
b. <u>Central Government</u> (2)												
Manuals (3)	81	86	84	79	83	91	91	91	88	84	95	95
Non-manuals	103	102	103	96	105	104	113	109	102	100	108	108.4
TOTAL	102	105	105	98	106	108	114	112	104	100	111	108
c. <u>Local Government</u>												
Manuals (3)	78	81	80	80	81	89	88	84	86	84	91	91
Non-manuals	102	101	104	103	103	109	115	107	100	97	98	108
TOTAL	102	104	107	105	105	112	115	111	102	99	102	108
d. <u>Public Corporations</u>												
Manuals	102	101	105	104	105	115	113	111	109	108	111	115
Non-manuals	99	100	102	100	102	109	110	108	102	102	103	108
TOTAL	98	97	100	100	101	110	109	107	104	104	105	109

Source: DE Gazette December 1977 and New Earnings Survey each year 1978-81

- (1) Comparisons have been made in terms of the average gross weekly earnings of full-time men aged 21 and over, who pay during the Survey period was not affected by absence. Manuals and non-manual group earnings have been related to the appropriate private sector group.
- (2) Includes NHS.
- (3) The figures for central Government, local Government and public corporations are calculated on a rather different basis in the periods 1970-77 and 1978-1981. The different bases of calculation have no effect on the figures for the public sector as a whole, and a significant effect only on the figures for manuals in central Government and local authorities: results on both bases for 1977 suggest that the figures on the 1970-77 basis may have understated the level of earnings for those workers by 2½% and 4½% respectively.
- (4) If rough adjustments are made for:
 - i. the 1981 non industrial Civil Service award which was too late to be included in the 1981 NSE;
 - ii. the effects of the Civil Service strike (which had a greater effect on the lower grades than on the higher grades and so raised the average earnings of those whose pay was not affected by absence);

the central Government non-manuals figure would be 107 and the public sector figure would be 108.8.



Manuals - - - - -
 Non-manuals - - - - -
 Total - - - - -

RESTRICTED



cc. Mr. VENERER. 20

C. von Pol

10 DOWNING STREET

From the Private Secretary

30 November, 1981.

Dear Sir,

Public Trading Sector Pay: Monitoring Report

The Prime Minister was grateful for your Secretary of State's minute of 23 November, whose contents she has carefully noted.

I am sending copies of this letter to John Kerr (HM Treasury), John Halliday (Home Office), Jim Buckley (Office of the Chancellor of the Duchy of Lancaster), David Edmonds (Department of the Environment), John Rhodes (Department of Trade), Anthony Mayer (Department of Transport), Julian West (Department of Energy), Richard Dykes (Department of Employment), and to David Wright and Gerry Spence (Cabinet Office).

Yours sincerely,

Michael Scholten

I.K.C. Ellison, Esq.,
Department of Industry.

RESTRICTED

ES



P.0597

ms

PRIME MINISTER

Arbitration Arrangements in the Public Sector
(E(81)114 and 120)

BACKGROUND

A
B
C
D

—
—
—
—

This report by the Department of Employment arises out of your meeting on 21 September to discuss the CPRS report on pay. The arbitration arrangements in the public services sector (but not the public trading sector) were the subject of a number of discussions in E Committee towards the end of last year and early this year (E(80)31st Meeting, Item 2, 37th Meeting, Item 2 and 43rd Meeting, Item 1; and E(81)1st Meeting, Item 4). The position reached at the end of those discussions was as follows:

- a. The Government's opposition in principle to unilateral access to arbitration was made clear in a Parliamentary Question answered by the then Secretary of State for Employment on 16 January.
- b. Unilateral access to arbitration was withdrawn from schoolteachers in England and Wales (and similar action has now been taken in Scotland).
- c. The Secretaries of State for the Environment and for Education and Science were invited to encourage the employers in local government, the water industry and universities to withdraw the right of unilateral access to arbitration for their employees; (for a variety of reasons no effective progress proved possible on any of these fronts (E(PSP)(81) 3rd Meeting, Item 2)).
- E —

MAIN ISSUES

- Below
2. The Department of Employment's report and the CPRS's paper raise three general issues:



- a. how far should arbitration be generally discouraged in the public sector?
- b. what should be done to get rid of unilateral access to arbitration?
- c. what should be done to ensure that employers take more account of 'affordability'?

In the light of their attitude to these general issues, Ministers will then want to review the position of some specific groups of employees.

Should arbitration be generally discouraged?

3. The report by the Department of Employment, while opposed in principle to unilateral access, suggests that arbitration by mutual consent is acceptable; the CPRS argue that even this should be avoided, especially in the public trading sector. The Secretary of State for Employment's own view, in paragraph 3 of his covering paper, is that arbitration should be avoided except where it may be a better risk than a damaging strike.

4. If this is the general view, the question remains of whether there is anything which the Government can usefully do. The large majority of arbitration arrangements are the results of voluntary agreements between the parties, and are not based on statute. It seems unlikely that the Government would succeed in persuading those concerned to end their voluntary arrangements and there is little or nothing it can do to bring pressure to bear on them. However, in the case of some nationalised industries it is a statutory requirement to have arbitration machinery. Sponsor Ministers might therefore be invited to take the opportunity of any further major legislative changes in the framework of their nationalised industries (for example the re-organisation of the water industry) to abolish such provisions.

How to get rid of unilateral access

5. The scope for getting rid of unilateral access to arbitration is discussed in paragraphs 11 and 12 of the report by officials attached to E(81)114. There is likely to be general support for the conclusion, endorsed in para 5 of the Secretary of State's covering paper, that rights to unilateral access should be

renegotiated or withdrawn. But there are two constraints: first the employer is usually someone other than the Government and he has to be persuaded to act; secondly renegotiation takes time. The CPRS do not dissent from this assessment although they argue that the problem should be tackled with greater urgency and that sponsor Ministers should be required to report back to E Committee on progress within a specified timescale (Easter might be a possible deadline). The Committee may be prepared to endorse this general approach, subject to considerations affecting particular groups of employees, discussed later in the brief.

'Affordability'

6. The Secretary of State for Employment has accepted the recommendation in the report by officials that it would be undesirable and impracticable to place a statutory duty on arbitrators to take account of what an employer can afford to pay, and that the right approach is for the employer to agree suitable terms of reference and to submit persuasive evidence. The CPRS does not dissent but points out that action is needed to ensure that public sector employers do in fact follow this course. They suggest that the Department of Employment should be asked to consider how this might best be done but an alternative approach would be simply to give sponsor departments the task of taking this up with their public sector employers.

Specific groups

7. Paragraph 16 of the report by officials lists eleven groups of employees where unilateral access to arbitration needs to be renegotiated or withdrawn. In only one case, the Post Office, has action been put in hand. You should be aware of the following:

a. University teachers

The Secretary of State for Education and Science apparently takes the view that to raise the question of arbitration arrangements at this stage would seriously prejudice the main objective of achieving redundancies and ending academic tenure. Moreover, it might mean that the employers and university staffs decided to terminate the present voluntary pay negotiation arrangements, to which the Government is a party, and to devise new machinery from which the Government would be excluded. The balance of advantage may need careful examination.

Norman's review

- Unilateral access

Norman

b. Gas Supply and British Steel Corporation

The question arises whether, given the limited role of arbitration in the past and, in the case of the gas industry, the reasonable attitude adopted by the trade unions, the gains achieved by tampering with the arrangements would outweigh the losses in terms of industrial relations.

c. Water

Legis

The present legislation requires agreement to be reached on arbitration machinery, although not necessarily on the basis of unilateral access. Legislation to restructure the industry (when this provision might be deleted) will not now be introduced before the 1982-83 Session. But the employers like the present arrangements, since they have used them in the past to their advantage, and may well seek similar arrangements even when the industry has been restructured.

d. British Rail

Ram

The Department of Transport thinks that the British Railways Board are unlikely to be prepared to seek changes in the present arbitration arrangements. These provide for unilateral access but not for the result to be binding on both parties (although the Board might find it difficult to refuse to accept the outcome). One possibility, however, might be for Lord McCarthy to be replaced as chairman of the arbitration tribunal by someone less obviously well-disposed to the trade union side.

e. Buses

N.B.C.

- 2nd Transport Bill 1981

This is an area where progress seems possible and highly desirable. But primary legislation would be required. This might be achieved in the 1981 Transport Bill, or, just possibly (as the Secretary of State for Transport might suggest) in the Department of Employment's forthcoming legislation on trades unions, which would avoid two separate rows with the unions.

5 months

f. Local Authorities and London Transport

There seems little scope for early progress. The Government has no means of pressing the local authorities to agree, and in the present climate to try to do so might be counter-productive.

No power at this stage



→ BT

g. British Telecom

There seems no reason in principle why BT should not follow the Post Office.

8. In each case Ministers will want to weigh the longer-term advantages against any short-term disadvantages for industrial relations and the current pay round. The groups on which progress seems most likely to be possible (although in some cases there may be good arguments against opening up this issue at this stage) are: university teachers, gas supply, buses, British Steel Corporation, British Telecom and possibly British Rail. It seems unlikely that progress will be possible in the case of the various local authority and London Transport groups.

HANDLING

*Should unilateral be generally discouraged
Unilateral access, Awardability*

9. You will want to invite the Secretary of State for Employment to introduce his paper and Mr Ibbs to speak to the CPRS paper. The Chancellor of the Exchequer and the Secretaries of State for the Environment, Education and Science, Transport, Energy and Industry are the other Ministers primarily concerned.

10. After inviting comments on the three general issues discussed in paras 3 to 6 above you might then focus the discussion on paragraph 16 of the note by the Department of Employment, taking each group of employees in turn. In each case the main questions seem to be: is progress practicable (either by direct Government action, or because the employers concern would be sympathetic)? What would the likely penalty be, in terms of industrial relations trouble? Where does the balance lie?

CONCLUSIONS

11. You will want to record conclusions on the following matters:

i. whether there is any action which the Government ought to take to discourage arbitration generally in the public sector (eg by removing statutory arbitration requirements in particular nationalised industries as opportunity arises);

ii. whether sponsoring Ministers should report back to the Committee by, say, Easter, on progress in getting rid of unilateral access to arbitration;



iii. whether these reports should also cover progress in ensuring that public sector employers take proper account of 'affordability' in drawing up terms of reference for arbitration and submitting evidence;

iv. which of the groups of employees listed in para 16 of the officials report should be priority candidates for action to withdraw unilateral access to arbitration.

PLG

P L GREGSON

27 November 1981

CONQUEROR
LONDON

CONFIDENTIAL

PRIME MINISTER

cc. Mr. Hoskyns
Mr. Duguid

E: 30 NOVEMBER: ARBITRATION

The arguments in the Department of Employment's paper look weak. But we agree that there is no structured or statutory way in which what the employer can afford to pay can be introduced to arbitration. Arbitration is a voluntary process, which by its very nature cannot therefore be controlled by Government. If it became controlled, it would be less used, and less useful. We think therefore that the CPRS miss the point in recommending that the Department of Employment again examine how public sector employers can get affordability into arbitrators' terms of reference. Arbitrators frequently do not have terms of reference. Instead, employers should argue their affordability case forcefully as part of the evidence.

Obviously unilateral access to arbitration contradicts what should be the voluntary nature of the process, and weakens the bargaining position of the employer. Employers should be free to avoid it. If arbitration is to work, the parties to a dispute should both agree to go to it, and to be bound by the outcome. So Employment are right to ask E to focus on the particular public sector cases (paragraph 16 of the Official Paper) where unilateral access still exists.

You may want to remind colleagues that it is nearly a year since E decided (on 14 January) that the Government should consult all public service employers with the intention of withdrawing unilateral access; and that Jim Prior answered a Question on 16 January in which he said that:

"Except in special circumstances, arrangements about arbitration should provide for access to arbitration only with the consent of both sides to the dispute".

/ We think

CONFIDENTIAL

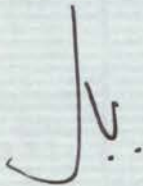
CONFIDENTIAL

- 2 -

We think that Ministers need not waste effort trying to change the arbitration arrangements in cases where we already know that they will not succeed (local authority white collar workers, the fire service, and London Transport Underground staff), nor in cases where the arrangements cause little problem (BSC and the Post Office). The main groups whose arrangements we would like to see changed are:

- (i) The university teachers, who ought to be brought in line with other teachers, whose unilateral access to arbitration was withdrawn by Mr. Carlisle earlier this year;
- (ii) Water workers, as part of our longer term approach to improving pay determining arrangements in the industry;
- (iii) British Rail, whose arbitration award, you will recall, amounted to 11% this August;
- (iv) British Telecom, where a newly established industry has the opportunity of starting with sensible arrangements.

We agree with CPRS that the best way forward would be to ask the Ministers responsible to report back to "E" by, say, the end of January.



26 November 1981

CONFIDENTIAL

RESTRICTED

Prime Minister

④



To note.

MUS 26/11

PRIME MINISTER

PUBLIC TRADING SECTOR PAY: MONITORING REPORT

In his minute to you of 16 November covering the latest monitoring report on pay in the public trading sector, Geoffrey Howe drew attention to the situation at the British Steel Corporation and asked whether there was any significant risk that a damaging confrontation might develop there.

2 There are no signs of any serious industrial unrest in BSC, either over the proposal for no central pay increase from 1 January 1982 or over the next round productivity demanning, in which about 15,000 further jobs are likely to go. It is true, as the monitoring report notes, that there are union instructions prohibiting participation in local negotiations on productivity demanning, but talks are taking place between BSC and the unions aimed at overcoming this.

3 It is essential, if BSC is to get back to break even next year and into profit in 1983, for the workforce to co-operate fully in improving productivity and reducing costs. I believe Ian MacGregor has succeed in getting this message across to the workforce and that we should not take too much notice of public posturing by the ISTC, particularly when it threatens concerted action by the "Triple Alliance".

RESTRICTED



4 I and several colleagues will be meeting Ian MacGregor on 1 December when he will present his new Corporate Plan for 1982 to 1985. At that meeting I will ask him for his latest assessment of the industrial relations situation at BSC. If, contrary to present expectations, there were a deterioration in the situation at BSC in the next few weeks to the point where serious and prolonged industrial unrest appeared likely, I would naturally let you know.

5 I am sending copies of this minute to Geoffrey Howe and to other recipients of his minute of 16 November.

PJ

P J

23 November 1981

Department of Industry



23 NOV 1981

CONFIDENTIAL

Econ Pol



MR. SCHOLAR

cc. Mr. Hoskyns

Public Sector Pay Monitoring Reports

The latest monitoring reports on public service pay (E(PSP) (81) 26) and on the public trading sector (the Chancellor's minute of 16 November) raise only one issue worth drawing to the Prime Minister's particular attention. That is the development of the campaign, following the resolution passed at the TUC Congress, to co-ordinate public service pay claims. It is still likely that the different interests, timing of negotiations, and union membership will stop this getting far off the ground; but it is a little surprising that it has not already run into the sand.

J.

J. M. M. VEREKER

17 November, 1981

CONFIDENTIAL

010

CONFIDENTIAL

Prime Minister

(2)

Dear Sir to
rephs M/S 23/11



J Verkerke
Advised
M/S 18/11

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

PRIME MINISTER

MONITORING REPORT : PUBLIC TRADING SECTOR

... I attach the latest report.

2. The main development is of course the rejection by the NUM's National Executive Committee of the NCB's revised offer. But we can consider this separately in the light of what Nigel Lawson reports.

3. Otherwise I would only draw attention to the situation at British Steel, where the Chairman's warning some weeks ago that a national pay increase could not be afforded seems so far to have met with a relatively muted reaction from the unions. It would be helpful if Patrick Jenkin could let us know whether this is likely to remain the case, or whether he sees any significant risk that a damaging confrontation might develop.

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

(G.H.)

16 November 1981

CONFIDENTIAL

PUBLIC TRADING SECTOR

- 1 British Telecom: HCO, EO and HEO grades (7,000)
 Settlement date: 1 July 1981
 Union: SCPS

SCPS members voted by a narrow margin to reject an offer worth 10% on earnings which all other BT negotiating groups have accepted.

The union continues to press for pay parity with telephone engineers who, they say, have a 10% lead over the rates offered to SCPS grades. The union has organised limited industrial action which has led to delays in the issue of telephone bills in the London area.

- 2 Post Office: Postal Supervisors etc (14,800)
 Settlement date: 1 July 1981
 Union: CMA

The CMA have rejected an offer of 11% increase on paybill, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. They contend that the 7% should not be part of the current offer, and are preparing a unilateral reference to the Post Office Arbitration Tribunal. The case is to be heard on Thursday 19 November, and a decision is expected by early December.

The PO Chairman has given the PO unions the six months notice required to terminate the present arbitration agreements which, although not legally binding, commit both parties (the PO subject to any statutory obligations) to accept the POAT findings. He has warned the CMA that he will only be prepared to pay what he considers the business can afford. Agreement has been reached between the PO and the CMA for an interim increase in pay of 9% at all scale points, with effect from 1 July 1981.

NP.

3 United Kingdom Atomic Energy Authority: Manuals (4,700)

Settlement date: 1 October 1981

Unions: AUEW, TGWU, CMWU, EETPU

The Authority's opening offer of 4.5% increase on rates was rejected as unrealistic by the unions at a meeting on 15 September. A further meeting has now been arranged for 25 November between the Authority and their trade unions at which pay is the main item. The Department of Energy understand that no new offer will be made by the Authority.

Management are understood to have in mind the advantages of moving the manuals' settlement date to 1 April - the non-industrials' date - and aligning the pay and financial years. Any such change would mean a pro-rata adjustment to the offer.

4 Coalmining - Manuals (198,000)

Settlement date: 1 November 1981

Union: NUM

At a meeting^{on} 16 October the NUM presented the NCB with a claim for -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

That meeting and a subsequent one on 19 October resulted in an offer costing a total of £71 million in a full year (excluding associated costs), and equivalent to 6.5% on basic rates, 5.2% on average earnings.

The NCB and NUM met again on 11 November. By the end of a full day of negotiation the NCB had increased their offer to £100 million, representing 9.1% on basic rates and 7.3% on earnings. The offer comprised:

- a) a 7.8% increase in basic rates
- b) a £1 increase in the standard rate of incentive payment, currently £30 per week.
- c) improvements in holiday pay for men with long service.

CONFIDENTIAL

The NCB made it clear that this was their final offer, and Mr Gormley suggested that it should be accepted. However, on Thursday 12 November the NUM's National Executive Committee unanimously rejected it and asked for another negotiating meeting. This has been arranged for 25 November, with the whole NUM NEC in attendance.

The NCB will be considering their line at this meeting: some re-jigging within the present offer may make it more acceptable. Many of the difficulties at present with the NEC arise because the 'right' does not wish to be outfaced by the 'left' in the contest for the NUM Presidency. The ballot for this takes place between 2 and 4 December.

The miner's settlement can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to achieve the same level. In particular the settlement will be taken as a benchmark for other major groups in the public utilities.

5. Water Service: Manuals (30,000)

Settlement date: 7 December 1981

Unions: GMWU, TGWU, NUPE, NUAAW

At an NJIC meeting on 23 September the unions submitted a claim for pay increases not less than the rate of inflation; reductions in working time towards in eventual 35 hour week (now 39); and increased annual holiday entitlements (now 19-24 days according to service). The employers' side made no response.

When the NJIC met on 5 November the employers put forward a pay offer, estimated at 6.7% increase on basic rates or 6.5% on average earnings, and in addition 1 extra day of annual holiday. The unions rejected the offer and after further discussion the parties agreed to meet again on Wednesday 18 November. The meeting date was chosen so that the outcome of the miners' negotiations on 11 November would be known and in time to permit a settlement ratified by the work-force close to the settlement date of 7 December. It is understood that the NWC is in close touch with the NCB.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas mid-January: Electricity February/March). They may also influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

6 British Steel Corporation: All grades (110,000)

Settlement date: 1 January 1982

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

On 25 September BSC employees were told in a letter from their Chairman that the Corporation could not afford to pay a national increase in the current pay round, and that any pay rises next year must be geared to productivity deals at local level. Mr McGregor said that a national pay award could have disastrous effects and might lead to plant closures.

The ISTC are seeking talks with BSC about the line which the corporation are taking. The press reports that the ISTC have threatened concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks are closed, and have instructed members to take no part in local level productivity talks. National meetings are being held, however.

In the last pay negotiations (settlement date 1 January 1981) the Corporation obtained the agreement of the unions to its "survival plan" (although ISTC resisted until its annual conference in mid-June) with a settlement of 7% increase on basic rates from 1 July 1981 (ie a 6-months pay freeze), which amounts to a 3.5 per cent increase for the year.

7. British Airways: All grades except pilots* (50,000)

Settlement date: 1 January 1982

Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS, GMWU, FTATU, UCATT

On 10 September British Airways announced to staff and unions the launch of a "rescue plan" aimed at stemming losses approaching £100 millions in the current year and £250 millions in the two year period to April 1982.

* (Pilots' pay is normally reviewed wef 1 April. In 1982 it is expected that the effective date will be deferred in line with other grades' settlements).

CONFIDENTIAL

So far as staff and pay are concerned the plan involves a reduction of 9000 jobs by June 1982, by early retirement, voluntary severance and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes and stations, and the sale of aircraft and property.

The press reports an unexpectedly high response to the severance scheme.

1984 NOV 17



CONFIDENTIAL

cc HO
CDL
DOE
DOI
DOT
D/TRNS
D/N
D/EMP
CO
CPRS
30 October 1981

HL



10 DOWNING STREET

From the Private Secretary

Handwritten initials

Monitoring Report -- Public Trading Sector

The Prime Minister was grateful for the Chancellor's minute of 26 October, covering the latest Monitoring Report on the Public Trading Sector.

I am sending copies of this letter to John Halliday (Home Office), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Edmonds (Department of the Environment), Ian Ellison (Department of Industry), John Rhodes (Department of Trade), Anthony Mayer (Department of Transport), Julian West (Department of Energy), Richard Dykes (Department of Employment), David Wright (Cabinet Office) and Gerry Spence (Central Policy Review Staff).

M. C. SCHOLAR

John Kerr, Esq.,
H.M. Treasury.

Handwritten initials

CONFIDENTIAL

CONFIDENTIAL

✓
MS

MR SCHOLAR

cc Mr. Hoskyns

Public Service Pay

E(PSP) reached two decisions yesterday which the Chancellor undertook to report to the Prime Minister: to provide, subject to Cabinet's agreement to the extra public expenditure, some additional money to enable pay settlements in the NHS to exceed the 4 per cent cash limit planning assumption; and to allow the 3 pay review bodies to complete their 1982 reports. These are both rather important issues, with quite far reaching implications, on which it might be helpful for us to have an opportunity to comment at the same time as the Prime Minister sees the Chancellor's minutes when they arrive.

J.S.

28 October 1981

CONFIDENTIAL

CONFIDENTIAL

cc:- Mr Hoskyns

MR SCHOLAR

PUBLIC TRADING SECTOR MONITORING REPORT

I have no comment on the Public Trading Sector Monitoring Report submitted to the Prime Minister under cover of the Chancellor's note of 26 October. Nationalised industry pay is dominated at present by the miners' negotiations, and that will probably not change for several weeks.

J.

27 October, 1981

CONFIDENTIAL

*cl J. Heseltine
4/10/81**Prime Minister**(2)**The Policy Unit have
no comments on this. Suggest
you simply note.*

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

PRIME MINISTER

Mus 28/10

MONITORING REPORT - PUBLIC TRADING SECTOR

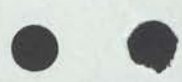
.... I attach the latest report.

2. There are no significant new issues to be noted. Developments in both the coal and water industry (on which Michael Heseltine reported in his minute of 13 October) are proceeding at a fairly slow pace: the NCB and NUM have postponed their next meeting to 11 November, while it will be 5 November before the water industry employers respond formally to the claim which they have received. Meanwhile, colleagues will no doubt continue to report any significant developments in these or other industries in good time.

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

(G.H.)

26 October 1981



CONFIDENTIAL

1

11 12 1
10 9 8
7 6 5
4 3 2

27 OCT 1981

PUBLIC TRADING SECTOR

- 1 British Airways: Pilots (3,500)
 Settlement date: 1 April 1981
 Union: BALPA

The pilots have accepted British Airways' offer to increase pay rates by 8% from 1 July 1981 (ie 3 months postponement of the settlement date). Their attempt to link scheduling agreements to the pay negotiations has been dropped. All British Airways negotiating groups have now settled at the same level, with a 3 months pay freeze.

- 2 British Telecom: HCO, EO and HEO grades (7,000)
 Settlement date: 1 July 1981
 Union: SCPS

SCPS members voted by a narrow margin to reject the offer worth 10% on earnings (9% on the pay bill) which all other BT negotiating groups have accepted.

The SCPS continue to press for pay parity with telephone engineers who, they say, have a 10% lead over the rates offered to their grades. The union has organised limited industrial action which has led to delays in the issue of telephone bills in the London area.

- 3 Post Office: Postal Supervisors etc (14,800)
 Settlement date: 1 July 1981
 Union: CMA

The union has rejected an offer of 11% increase on paybill, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. The CMA contend that the 7% should not be part of the current offer, and is preparing a unilateral reference of the case to the Post Office Arbitration Tribunal. The Department of Industry understands that the hearing is likely to be in mid or late November, with a decision towards the end of the year.

The PO unions (with the exception of the Union of Communication Workers) have unilateral rights of access to arbitration. Both parties have agreed to accept the findings of the tribunal; the PO subject to any statutory obligations. However, neither the agreement nor any arbitration award under it is legally binding on the parties.

CONFIDENTIAL

4 United Kingdom Atomic Energy Authority: Manuals (4,700)
Settlement date: 1 October 1981
Unions: AUEW, TGWU, GMWU, EETPU

The Authority's opening offer of 4.5% increase on rates was rejected as unrealistic by the unions at a meeting on 15 September. No arrangements were made for a further meeting.

The Department of Energy say that, for the time being, neither side shows any indication of seeking to resume negotiations.

Management are understood to have in mind the advantages of moving the manuals' settlement date to 1 April - the non-industrials' date - and aligning the pay and financial years. Any such change would mean a pro-rata adjustment to the offer.

5 Coalmining - Manuals (205,000)
Settlement date: 1 November 1981
Union: NUM

The NUM Annual Conference on 6 July adopted a resolution which seeks £100 a week basic minimum for surface workers with appropriate differentials for all other grades, 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 fully meet the resolution.

The formulated claim was presented to the National Coal Board at a meeting on 6 October. It seeks -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

At the meeting on 6 October the Board reviewed the state of the industry and said that the global sum available for increases in wages, salaries and associated costs to all NCB staff this round was £120m, of which £71m was available for wage increases for mineworkers. Such a figure could finance a 6.5% increase in basic rates, though its effect on average earnings would be about 5.2%. Following some quotation of higher figures, the 6.5% has been quoted fairly widely in the Press. But the NCB did not mention any percentages.

The NCB and NUM met again on 19 October. The NCB did not offer any more money but gave an indication of the way the £71m could be split amongst basic rates, incentives, and other payments; and there was some discussion of the "non-pay" elements of the claim. The NUM indicated that a substantially increased offer would be necessary, but were willing to accept postponement of the next meeting to 11 November. At this NCB will probably increase their offer somewhat and this will be considered by the NUM's NEC the next day and possibly, despite the July Resolution, put to ballot without a Delegate Conference. NUM appear to be awaiting the results of the BL negotiations before considering the next move.

6 Water Service: Manuals (30,000)
 Settlement date: 7 December 1981
 Unions: GMWU, TGWU, NUPE, NUAAW

At an NJIC meeting on 23 September the unions submitted a claim for pay increases not less than the rate of inflation; reductions in working time towards an eventual 35 hour week (now 39); and increased annual holiday entitlements (now 19-24 days according to service). The employers' side made no response. They are to meet on 28 October to discuss the claim and will make an offer at the next NJIC meeting on 5 November.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 1 January: Electricity February/March). They may also influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

Proposed changes in the organisation and management structure of the water industry, which have been discussed in E Committee, will need legislation and will not affect negotiations in this pay round.

7 British Steel Corporation: All grades (110,000)

Settlement date: 1 January 1982

Unions : ISTC, GMWU, TGWU, NUB, NCCC

On 25 September BSC employees were told in a letter from their Chairman that the Corporation could not afford to pay a national increase in the current pay round, and that any pay rises next year must be geared to productivity deals at local level. Mr McGregor said that a national pay award could have disastrous effects and might lead to plant closures.

The press reports that the ISTC have threatened concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks are closed, and have instructed members to take no part in local level productivity talks. However, the NUM's current disposition to let BL employees make the running on pay negotiations suggests that they may not at present have much appetite for this kind of concerted action.

In the last pay negotiations (settlement date 1 January 1981) the Corporation obtained the agreement of the unions to its "survival plan" (although ISTC resisted until its annual conference in mid-June) with a settlement of 7% increase on basic rates from 1 July 1981 (ie. a 6-months pay freeze).

8. British Airways: All grades except pilots (50,000)

Settlement date: 1 January 1982

Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS,
GMWU, FTATU, UCATT.

On 10 September British Airways announced to staff and unions the launch of a "rescue plan" aimed at stemming losses approaching £100 millions in the current year and £250 millions in the two year period to April 1982.

So far as staff and pay are concerned the plan involves a reduction of 9000 jobs, preferably by normal and early retirement and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes and stations, and the sale of aircraft and property.

The press reports the successful progress of the plan so far; over 7000 staff have already applied for severance pay. Of the unions, only TGWU is reported to have advised its members to stay and resist redundancy.



*J. Vereker
A. Duguid
A. Walters*

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

26 October 1981

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

Dear Geoffrey,

POST OFFICE PAY NEGOTIATING ARRANGEMENTS

In your minute of 6 October to the Prime Minister about the latest monitoring report on the Public Trading Sector you mentioned the postal supervisors' 1980/81 pay negotiations, where the unions have unilateral access to arbitration.

2 I agree that the present arbitration arrangements in the Post Office are unsatisfactory. Arbitration awards are not, however, legally binding and Ron Dearing has warned the supervisors' union that he will only be prepared to pay what he considers the business can afford. Moreover, he has now given all the Post Office unions which have unilateral access to arbitration (ie all his unions except the Union of Communications Workers) the six months' notice required for termination of the agreements.

3 I am copying this letter to the recipients of your minute.

*Your ever
Patel*

1270011888

1270011888



PM
Pr

CONFIDENTIAL

MR. SCHOLAR

The Monitoring Report on Public Service Pay

Given the pressures on the Prime Minister's time, and the fact that she will not be taking papers this weekend, I think you need not trouble her with the latest public service pay monitoring report, E(PSP)(81)24. Two of the issues raised - arbitration on local authority London Weighting and NHS electricians - are tricky, but do not merit Prime Ministerial attention; the other one, the handling of the local authority manuals claim, has of course already been dealt with by us.

J.

23 October 1981

CONFIDENTIAL

MR SCHOLAR M1

20 October 1981 *Econ Pol*

ALAN WALTERS

PRIME MINISTER

GORDON PEPPER ON MONETARY CONTROL

1. Pepper's description of the "new arrangements".

Although Pepper does not say anything which can be construed as wrong, he does fail to give an adequate description of the new arrangements. He is, however, perfectly correct in saying that the Bank has not changed to a system of control over banks' reserves. This we never intended. We envisaged the new arrangements as a way of allowing market forces to impinge more directly on the determination of short term interest rates. We also thought that it would be an intermediate stage on the road to some form of monetary base control. Pepper has been talking to the Bank and presumably the Treasury and has got the firm impression from them that they do not think that any move to a monetary base control, that is a control of the Bank reserves, will be forthcoming. I am sure that the Bank are strongly of this view. They would like to use an exchange rate EMS type of mechanism. In other words they would like to control, by direct intervention, the exchange rate and allow the money supply and bank reserves to be determined endogenously. Pepper does not say that the Bank would prefer exchange rate targets, but I believe he is substantially correct in that part of the story.

He is wrong, however, in asserting that the "new arrangements" are to a large extent cosmetic and I believe also he is wrong to assert that the Bank is effectively a lender of "first resort". The point is that the Bank does give whatever quantity of overall assistance the market wants; but not at an almost fixed rate - as it did under the MLR system. Now the rate can move up very rapidly as we saw in September. The general interpretation then, which appeared in the Financial Times just before Pepper made his speech, was that the market had pushed up the rates and the Bank had let the market do its work. This would never have happened under the old system. Moreover, I think we should be looking shortly towards widening the bands within which the market does determine the interest rate. The essential point is that the market operators can no longer count on getting assistance at a fixed rate. They have to judge the risks of paying a substantial penalty for being short of reserves.

/In my view

In my view, the rapidity with which the market interest rates moved up, and were seen to be driven by market forces and not Government policy, was one of the main new features of the last significant movement in rates.

2. The Exchequer surplus and its implications for the banking system.

Pepper is certainly correct in that we expect the Exchequer to be in considerable surplus during the unwinding of the dispute and the tax paying season. I believe he is correct also in identifying the fact that the banks have very limited holdings of public sector debt. Pepper, however, goes on to imply that we'll have a re-run of 1980. The drain of sterling deposits will mean that the Bank will be forced to supply additional assistance. Instead, however, of supplying it through the discount window it will, on Pepper's prediction, be buying huge amounts of eligible bills.

I think this situation is different from mid-1980 in two important ways. First, interest rates do respond much more quickly to the market forces than with the old MLR system. We have not delayed raising interest rates on this occasion. Secondly, the liquidity of the corporate sector is fairly high. It is the personal sector that is the main borrower. There is no "distress borrowing" likely in the next few months, as there was in 1980. Third, much of the additional borrowing is likely to be business which was hitherto outside the banking system, such as trade consumer credit, moving into the banks. The extent of this, however, has yet to be determined.

I suspect it is more likely that sterling M_3 will grow somewhat over the target rate, say about 12% in the year ending March 1982, in which case the banking sector's domestic surplus will be almost eliminated. But these facts should emerge when we have finished discussion of the various special factors which emerged because of the new competitive aggressiveness of the banking sector. (I doubt very much whether the recent rises in interest rates will have any substantial effect on the growth rate of M_3 during this financial year.)

20 October 1981

AW

ALAN WALTERS

FILE

MS

MR WALTERSGORDON PEPPER ON THE NEW MONETARY ARRANGEMENTS

I attach a copy of a note by me to the Prime Minister about Gordon Pepper's recent talk about the new arrangements for monetary control. I also attach a copy of the Greenwell's publication which contains Gordon Pepper's talk.

As you will see the Prime Minister would be grateful for your comments.

M S

19 October, 1981

Public Serv
Pay PFS

MR. PATTISON

pn hwn
10/8/81

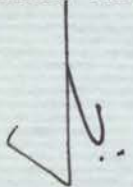
c.c. Mr. Scholar
Mr. Ingham
Mr. Duguid

Public Services Pay Bill

I am sure you will have picked out, for use if necessary during Prime Minister's Questions, the analysis in the Chancellor's Cabinet Paper on Public Expenditure of the way in which the public services pay bill has increased over the last three years, compared with the private sector. For your convenience, I attach a copy of the relevant table.

This table does indeed show two useful things: first, that the burden of pay ~~to~~ public servants has increased substantially compared with the private sector's pay bill, and second, that - given that there have been no remarkable movements in relative earnings - the public services have had far greater job security than the other groups.

But there is one pitfall, and because the Prime Minister is always keen to make the point about public services pay, we must be careful to avoid confusing wage levels with the wage bill. It is not, of course, possible to say that over the last three years public service pay has gone up $1\frac{1}{2}$ times as much as pay in the private sector. As I have often said, even the figures the Prime Minister frequently uses about relative wage movements over the last two years are misleading, because of catching up and the fact that public services pay tends to have one large step change a year, not always in the same month. The point is best understood from the annual averages of the average earnings index. Taking January 1976 as the ~~base~~ base of 100, the public administration average earnings index has never exceeded the index for the whole economy, whereas of course the index for the nationalised industries always has.


16 October, 1981.

years 1978-79 to 1981-82 the public services' pay bill is likely to have risen by more than 60 per cent, or one-and-a-half times as fast as the private sector's. This has played a big part in the growth of public expenditure and in the consequent increases in the tax burden. The figures are as follows:-

TABLE A

<u>Change on preceding year</u>	1978-79	1979-80	1980-81	1981-82 (estimate)	% change over period 1978-79- 1981-82
Wage and Salary <u>Bill</u> <i>net salaries.</i>					
Private Sector	16½	18½	13½	4½-5 <i>because of higher rate.</i>	41½
Nationalised Industries	17½	17	19½	6½-7	49½
Public Services	11½	18½	27½	8-9	64
Total Public Expenditure	15½	18¼	22¾	14½-15½	66½
Final GDP	14¼	19¾	13¾	10-11	50¾
Retail Prices Index	8¼	15¾	16¼	11½-12½	50¾
<u>% of GDP</u>					
Share of Total Public Expenditure in GDP (exclusive of debt interest)	41	40½	43¾	45-46	
Non-North Sea tax burden	35	36	37½	40-41	

8. Nonetheless, we have made progress this year towards a more soundly based economy. The growth of money national income and the rate of inflation have both been halved in the past eighteen months. Unemployment, though much too high and still rising, is now rising more slowly. Pay settlements in the 1980-81 pay round averaged about 9 per cent, half the level in the 1979-80 round. There have also

CONFIDENTIAL

Prime Minister

ECON POL

(2)

MCS 9/10

[Handwritten signature]

PRIME MINISTER

c.c. Mr. Hoskyns

Pay

You may find it helpful to have this short note of developments on the pay front while you have been away. There are no issues requiring urgent collective Ministerial attention.

The latest monitoring reports, and a covering note from the Chancellor on the public sector, are attached. There is no need for you to go through them, and they are already a bit out of date. The main features are:-

- There are no signs (yet) of a return to total irresponsibility, as might be indicated by, for instance, strike threats in support of 15-20%, or an effective coordination of action by the public service unions; but
- Expectations seem to have drifted up a couple of points, which must be at least partly because of higher expectations of inflation. If higher mortgage rates push the RPI beyond 12% in December, pay bargaining will be a lot harder.

The position of the main groups negotiating this autumn is as follows:-

- (i) The NCB have now told the miners the total sum available, which has been interpreted as an offer of about 7%. There was no outraged reaction from the NUM. Both sides meet again on 19 October. So far, so good.
- (ii) Sir Robert Marshall is not expected to be willing to open the bidding with the water workers at less than 7%. Officials will have ready the report you commissioned, on how we can withstand industrial action, by 22 October.

CONFIDENTIAL

/ (iii)

- (iii) Local authority manual workers have agreed on a claim, to be presented next Tuesday, of 12%.
- (iv) There has been no progress on de-indexing firemen's pay, or linking it with a no strike agreement. Michael Scholar is chasing the Home Office,
- (v) In the private sector, the main groups negotiating at this time of year are in the highly competitive engineering sector. There have been few settlements, mostly in the 5-8% band. The Engineering Employers Federation is sticking to a final offer of 3.16%, but GEC has broken loose; and BL is threatened by an all-out strike over its final offer of 3.8%. Vauxhall's offer of 5% has also been rejected, and Ford has not yet begun serious negotiations.
- (vi) Professor Layard launched his "Wages-Inflation Tax" proposal in a lecture at LSE yesterday. So far it has not attracted much interest.



8 October, 1981.

CONFIDENTIAL



*✓ Verker
Ingrid
Wallen*

Prime Minister

(Shirley)

MCS 6/10

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

PRIME MINISTER

... I attach the latest monitoring report on the Public Trading Sector

2. The main issues to note are broadly those highlighted in the previous report, in particular the key negotiations in the mining and water industries. Nigel Lawson and Michael Heseltine will be keeping us in touch with developments in these negotiations; no doubt Michael will also keep an eye on the relationship between the waterworkers' and local authority manuals' negotiations (settlement date: 4 November) in view of recent press reports which suggest that unions common to both groups (particularly NUPE and GMWU) may be considering joint action in these negotiations.

3. I would also draw your attention to an unsatisfactory feature of the Postal Supervisors' 1980/81 negotiations where, it seems, the unions have unilateral access to arbitration. I understand that Patrick Jenkin is raising this point with Mr Dearing.

4. 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 Sir Robert Armstrong.

(G.H.)

6 October 1981

PUBLIC TRADING SECTOR

A 1980/81 PAY ROUND

1 British Airways: Pilots (3,500)

Settlement date: 1 April 1981

Union: BALPA

An offer to increase pay rates by 8% from 1 July 1981 remains on the table awaiting a response from the pilots. All other BA negotiating groups have accepted a comparable offer.

The pilots continue negotiations; they hope to link scheduling agreements to pay, but Management insist on keeping the issues separate.

In the light of Management's announced intention in the next pay round to freeze increases until September 1982, it seems unlikely that the pilots will get an improved offer.

2 British Telecom: HCO, EO and HEO grades (7,000)

Settlement date: 1 July 1981

Union: SCPS

SCPS members voted by a narrow margin to reject the offer worth 9% on the pay bill and 10% on earnings, which all other BT negotiating groups have accepted.

SCPS continues to press for pay parity with telephone engineers who, they say, still enjoy a 10% pay lead.

3 Post Office: Postal Supervisors etc (14,800)

Settlement date: 1 July 1981

Union: CMA

The union has rejected an offer of 11% increase on paybill, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. The CMA contend that the 7% should not be part of the current offer, and is preparing a unilateral reference of the case to the Post Office Arbitration Tribunal.

The Department of Industry understands that terms of reference are not yet formulated; the hearing is likely to be in mid or late November, with a decision towards the end of the year.

The PO unions (with the exception of the Union of Communication Workers) have unilateral rights of access to arbitration. Both parties have agreed to accept the findings of the tribunal; the PO subject to any statutory obligations. However, neither the agreement nor any arbitration award under it is legally binding on the parties.

B 1981/82 PAY ROUND

4 United Kingdom Atomic Energy Authority: Manuals (4,700)

Settlement date: 1 October 1981

Unions: AUEW, TGWU, GMWU, EETPU

The unions have submitted a substantial claim; the Authority, however, aims to settle within an overall cost of about 5½%.

The parties met for the first time on 25 August and again on 15 September when an opening offer of 4½% increase on rates was made. The unions rejected the offer as unrealistic. No date was arranged for the next meeting.

5 Coalmining - Manuals (198,000)

Settlement date: 1 November

Union: NUM

The NUM Annual Conference on 6 July adopted a resolution which seeks £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 fully meet the resolution.

A £100 basic minimum would mean 25.7% increase on the current minimum of £80.85. Because of the variable elements of miners' wages there is no direct relationship between basic rates and earnings. However, assuming no change in work patterns, a given percentage on rates would produce a somewhat lower percentage on earnings.

It is understood that the NUM will formulate the claim by 25 September and present it to the NCB at a meeting on 6 October 1981.

Comment

The miner's settlement (now two months earlier in the round) can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to settle at the same level. In particular the settlement will be taken as a benchmark for other major groups in the public utilities; and may be expected to have an immediate impact on the negotiations with the water workers in England and Wales.

CONFIDENTIAL

6 Water Service : Manuals (30,600)
Settlement date: 7 December 1981
Unions: GMWU, TGWU, NUPE, NUAAW

At an NJIC meeting on 23 September the unions were reported to have submitted a claim for pay increases of 11-12%, reductions in working time towards an eventual 35 hour week, and increased annual holiday entitlements. The employers made no response. They intend to hold back their initial offer until the next NJIC meeting on 5 November 1981.

Comment

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 1 January: Electricity February/March). They may also influence the negotiations with the Local Authority manualworkers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers. It is understood that the combined employers, who are to meet on 22 October, have not yet decided what their opening offer will be. But the Chairman of the NWC has indicated that the best that can be hoped for in the industry as a whole are average settlements of 8-9 per cent. Proposed changes in the organisation and management structure of the water industry, which have been discussed in E Committee, will need legislation and will not affect negotiations in this pay round.

CONFIDENTIAL

CONFIDENTIAL

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
BALPA	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.
FPATU	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
NUSMWCDE	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

CONFIDENTIAL



OCT 1981

12



10 DOWNING STREET

From the Private Secretary

DF

cc: Ho *Evon 101*
Leader/Hse of C.
801
D/M
DOE
23 September 1981
DN
805
J Trans, CPRS,
Co

MONITORING REPORT: PUBLIC TRADING SECTOR

The Prime Minister was grateful for the Chancellor's minute of 17 September.

As you will know, the Prime Minister has already asked the Civil Contingencies Unit for an up-dated assessment of the implications of a national water strike and of what might be done to counter it; but she agrees that it would also be helpful if the Secretary of State for the Environment would let colleagues have a report on the prospects for the pay negotiations as he sees them.

I am sending copies of this letter to John Halliday (Home Office), David Heyhoe (Leader of the House of Commons Office), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), David Edmonds (Department of the Environment), Julian West (Department of Energy), John Rhodes (Department of Trade), Anthony Mayer (Department of Transport), Gerry Spence (CPRS) and David Wright (Cabinet Office).

I. P. LANKESTER

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

2/28

CONFIDENTIAL

Econ Pol

1

c. Mr. Duguid

Prime Minister

Agree x below

MR. LANKESTER

PUBLIC TRAINING SECTOR MANUFACTURING REPORT

DING

MONITORING

Tu

18/9

You asked for comments on the latest monitoring report on the nationalised industries attached to the Chancellor's minute of 17 September.

At this early stage in the pay round, the main task is of course to keep abreast of the prospects for the negotiations, rather than to take up negotiating positions. I doubt if Mr. Lawson needs to be reminded to keep us informed about the progress of the negotiations with the miners, but I do think it would be helpful, if the Prime Minister agrees, for you to send a letter saying that she too would welcome an early assessment from Mr. Heseltine about the prospects for the negotiations with the water workers; and for an indication for the extent to which he thinks we can influence the outcome. The Prime Minister will recall that we had an unhappy experience negotiating with the water workers last year.

x

||

JL

PM not seen -

overstated

Tu

22/9

18 September 1981

CONFIDENTIAL

Pl. J. Venter
for comments
E. 11/9



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

Prime Minister

As regards the
water industry (x),

you have already
asked for a report

from CCU. But a
report from Michael

Heseltine on the prospects
for the negotiations would

be helpful.

Amc?

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

...

I attach the latest report.

Yes not

2. Since we discussed nationalised industry pay on Monday, 7 September I need not go into detail now. But we shall need to keep a careful eye on two key sets of negotiations.

3. First, the miners. David Howell's proposals regarding the NCBs external financing limit in 1982-83 suggest that the NCB aims to achieve without conflict a settlement which will increase the wage bill by about 7 per cent. This may well be as good a result as we can hope for. But clearly the tactics will be very tricky; and I hope that Nigel Lawson will keep us fully in touch with the progress of negotiations.

P.L.
27/9

4. Secondly, water. In view of the militancy the water workers have shown in the past few years, and the serious consequences of industrial action in the industry, I think it would be very helpful if Michael Heseltine could let us have an early assessment of the situation, including the implications of possible industrial action and its likelihood.

x ||

5. More generally, I should like to emphasise the need for colleagues to report the outcome of their discussions of pay prospects with nationalised industry chairmen as soon as possible - and certainly within the next month.

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

(G.H.)

17 September 1981

PUBLIC TRADING SECTOR

PART I CURRENT AND FORTHCOMING NEGOTIATIONS

A. 1980/81 PAY ROUND

1. British Airways All Grades (50,000) settlement date 1 January 1981
Pilots (3,500) settlement date 1 April 1981

Ramp workers and cabin crews have now accepted the offer of 8% from 1 April, with no increase from 1 January. All groups except pilots have now settled on that basis.

The pilots' negotiations continue, the main issue being scheduling agreements for long-haul pilots.

2. British Telecom

Settlement date: 1 July 1981

POW: Telephonists, Telegraphists etc (36,000)

CMA: Telephone, Telegraph, Radio Supervisors etc (6,000)

These groups have settled - in line with POEU, SPOE and CPSA grades - for a pay/productivity agreement worth 9% on BT's pay bill and 10% on earnings per head.

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

SCPS members narrowly rejected the offer worth 10% on earnings which has been accepted by all other BT negotiating groups. SCPS continues to negotiate for pay parity with telephone engineers who, they say, still enjoy a 10% pay lead.

CONFIDENTIAL

3. BRITISH WATERWAYS BOARD - Manuals (2370)

Settlement date: 18 July 1981

Unions: TGWU, NUR, CSEU

The unions have been offered 8% and a reduction in the working week from 40 to 39 hours from November 1982. The offer will be considered by members in Birmingham later this month. Acceptance is likely..

CONFIDENTIAL

4. UNITED KINGDOM ATOMIC ENERGY AUTHORITY: Manuals (4,700)

Settlement date: 1 October 1981

Unions: AUEW, TGWU, GMWU, EETPU

The unions have submitted a substantial claim and are expected to press management hard in the forthcoming negotiations. The Authority is fully seized of the Government's concern to see a marked reduction in the levels of pay settlements in the new round and, with the approval of the Department of Energy, propose to open negotiations with an offer around 4½% aiming at a settlement within an overall cost of about 5½% (last year's increase was 8.97% on the wage bill).

The Authority are also considering the advantages of moving the manuals' annual settlement date from 1 October to 1 April, (AEA non-industrials' date) and aligning the pay and financial years. Such a change would mean a pro-rata reduction in the suggested increases.

The parties met for the first time on Tuesday 25 August when preliminary discussions took place. No formal offer was made on that occasion and it was agreed to meet again on Tuesday 15 September.

5. COALMINING - Manuals (224,850)

Settlement date: 1 November

Union: NUM

The NUM Annual Conference on 6 July adopted a 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 £80.85. Because of the many variable components of the wage system there is no simple arithmetical relationship between basic rates and total earnings. However, assuming constant shifts worked and no change in the other elements of pay, 23.7% on rates would produce a somewhat smaller percentage rise in earnings.

The NUM has not yet submitted a pay claim and no developments are expected before mid-September.

CONFIDENTIAL

Comment

The miners' settlement (now two months earlier in the round) can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to settle as high as the miners. In particular the settlement will be taken as a benchmark for other major groups in the public utilities; and may be expected to have an immediate impact on the negotiations with the water workers in England and Wales.

6. WATER SERVICE: Manuals (33,000)

Settlement date: 7 December 1981

Unions: : GMWU, TGWU, NUPE, NUAAW

The unions are expected to submit a pay claim at an NJIC meeting arranged for 23 September. The employers expect to respond on 5 November. GMWU, the leading union, are understood to be anxious for an early settlement this year after last year's protracted negotiations which, in late March 1981, produced an increase of 12.3% on average earnings.

Comment

Water service manuals' settlements are strongly influenced by the coal miners, and interact with the other utilities' settlements (Gas 1 January; Electricity February/March). They may also interact with the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

The dominating influence in negotiations will be the willingness of the unions and their members to use their industrial strength. They regard the last settlement as a "climbdown" by the employers and the Government, and union officials will be unwilling to risk rejection of a negotiated settlement (for a third year) by an increasingly militant workforce. The employers therefore recognise that official industrial action is likely if attempts are made to achieve a settlement which is more than marginally below the miners.

Proposed changes in the organisation and management structure of the water industry, which have been discussed in E Committee, will need legislation, and will not affect negotiations in this pay round.

CONFIDENTIAL

PART II - SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

Uncompleted negotiations in the previous round which were recorded in the last report on 24 July, have progressed as shown below.

1. United Kingdom Atomic Energy Authority: Staff (8,700)

Settlement date: 1 April 1981.

The revised Civil Service offer of 7% plus £30 has been accepted.

2. Civil Aviation Authority. All Grades (8,000)

Settlement date: 1 April 1981.

The revised Civil Service offer of 7% plus £30 has been accepted.

3. London Transport Executive. Rail W/S Wages grades (3,000)

Road W/S Wages grades (3,540)

Settlement dates 20/22 April 1981.

The settlement agreed for LT Underground Staff and bus crews - estimated at about 11.5% - has been applied to the Workshops Wages grades. All LT negotiating groups have now settled on this basis.

4. British Transport Docks Board

Non-registered manuals (3,300) settlement date 22 April 1981

Non-manuals (1,740) settlement date 20 May 1981

Both groups have settled for an increase of 8.1% on rates, a reduction in weekly hours from 40 to 39 with effect 4 January 1982 and the introduction of an improved overtime calculator with effect from April 1982.

CONFIDENTIAL

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

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

On 16 July 1981 the Railway Staff National Tribunal recommended (Decision No 75) pay increases for the above grades of 8% from 20 April 1981, a further 3% from 1 August 1981, and revised London allowance, costed overall at 10.5% p.a. The award was accepted by the unions, but BR insisted that the cost of the second stage 3% must be met from improved productivity. Talks between the two sides broke down and NUR and ASLEF decided to call an all-out strike of their members from 31 August. TSSA decided not to participate.

Discussions were held under the auspices of ACAS on 18, 19 and 20 August and understandings were reached, on pay - to increase rates by 8% from 20 April 81, and by a further 3% from 3 August 81, the second stage payment to be made in January 82. Minimum earnings levels and London allowance were also to be revised; and on productivity - to resume urgently discussions and negotiations on open stations; manning of passenger and freight trains and traction units; variable rostering hours; and the trainman concept, with specific requirements for conclusions to be reached on all issues between 31 October 81 and 1 January 82.

On 21 August the three unions reported their Executives' acceptance of both understandings and ASLEF and NUR countermanded their strike decisions. The two sides met on 27 August to ratify their agreement and to programme the productivity discussions.

6. BRITISH WATERWAYS BOARD - Staff (830)

Settlement date: 21 July 1981

Unions: NALGO, TSSA, ACTSS

The unions settled in August for increases of 8%, a reduction in the working week of 1 hour from 7 September, and marginal holiday improvements. Overall cost is expected to be slightly above 8%.

CONFIDENTIAL

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
BALPA	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
NUSMWCNDS	Nat. Union of Sheet Metal Workers, Copper-smiths, 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

17 SEP 1941

17 12 11 13 14
15 16 17 18 19
20 21 22 23 24
25 26 27 28 29
30 31

17 SEP 1941

PART 4 ends:-

P₄ (81) 17 2/9

PART 5 begins:-

.....

