

PREM 19/706

PART 8

49.39

confidential filing.

Public Sector Pay Policy.

Treasury monitoring reports.

ECONOMIC POLICY.

Part 1: July 1979

Part 8: July 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.7.82.		30.9.82					
8.7.82		4.10.82					
12.7.82		14.10.82					
16.7.82		27.10.82					
21.7.82		27.10.82					
25.7.82		- pt ends -					
2.8.82		X					
5.8.82							
13.8.82							
17.8.82							
31.8.82							
11.9.82							
11.9.82							
20.9.82							
24.9.82							

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● PART 8 ends:-

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PART 9 begins:-

PSP (0) (82) 29 1/11/82

Econ. Pol
ce JV

Prime Minister (2)

MS 29/10

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

A handwritten signature in black ink, appearing to be 'M. J. G.' or similar, written in a cursive style.

PRIME MINISTER

THE PUBLIC SECTOR PAY SCENE

In my minute of ~~29~~ July reporting on potential 1982-83 trouble spots over pay in the public trading sector, I suggested an autumn review and further report, in the light of the dialogue with the nationalised industries over EFLs.

2. As work has continued it has become clear that it was desirable to set the scene slightly wider, taking in not only the trading sector but issues elsewhere in the public sector. I accordingly attach a note prepared by officials under Cabinet Office co-ordination.

3. I invite particular attention to conclusion (iii) in paragraph 12, about the nationalised industries. As is plain both from the note itself and from the recent New Earnings Survey (which yielded a figure of 11.1 per cent) the public trading sector in 1981-82 did very well for its employees - much better than can easily be justified on an overall national view. We must use all the levers prudently available to us to secure much greater restraint in 1982-83. For reasons special to the coal industry I cannot quarrel with the 8 per cent offer made to the NUM; but we ought to recognise that it is uncomfortably high, matching as it does inflation rates now months out of date. We need to do all we can to focus the attention of negotiators not on this unwelcome precedent but on the 5 per cent inflation forecast, the 3.5 per cent provision in public expenditure plans for public service pay next year, and the even lower provision our major competitors, eg. the FRG and Japan, are making for their public services. It is important that, as soon as EFLs are settled, sponsor Ministers should move quickly and firmly to underline to Chairmen the Government's general views on pay in the light of the new situation on inflation.

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4. Copies of this minute go to our E Committee colleagues and the Scottish and Welsh Secretaries; and also to Mr Sparrow and Sir Robert Armstrong.

(G.H.)

27 October 1982

CONQUEROR



THE PUBLIC SECTOR PAY SCENE

1. This note offers a brief survey of major trouble spots in the public sector (both the public trading sector and the public services) during the early part of the 1982-83 period.

Public Trading Sector

2. In the public trading sector the crucial event is the miners' ballot on 28-29 October. Mr Scargill has been mounting a vigorous campaign to secure a majority for strike action by diverting attention away from the pay offer to closures and union loyalty. If there is a strike it will probably be long. The main consequences for the pay round are likely to be as follows:

- (i) The major public sector groups, particularly those in other public utilities, will be reluctant to contemplate any settlement until the outcome of the miners' dispute is clear.
- (ii) In the more highly-charged atmosphere, the risks of industrial action elsewhere in the public sector - though probably of a more limited nature - are likely to be increased.
- (iii) If legal action is brought against the NUM under the industrial relations legislation, this might provide the occasion for an attempt to mount more widespread industrial action. It is however not clear that such an attempt would be successful; much would depend on the precise issue and the prevailing mood.

If the ballot went against a strike, the two main consequences for the pay round would be:

- (i) The general industrial relations temperature might be expected to be lower.
- (ii) A settlement on the basis of the NCB's offer (8.2 per cent on base rates, around 6½ per cent on earnings) would tend to define the upper limit for other pay negotiations in the public trading sector, particularly the public utilities. In the previous pay round the miners' settlement, which was presented publicly as 9.3 per cent ^{but} was in practice worth 7.4 per cent on earnings, was followed by settlements of 8.8 per cent in the water industry,

8.6 per cent for British Telecommunications, 7.9 per cent in the gas industry (after arbitration) and 7.4 per cent in the electricity supply industry.

3. Whatever the outcome of the miners' ballot, there could be a difficult situation this year in the water industry. During last year's pay negotiations the employers' side undertook to give consideration, without commitment, to the position of the water manuals in relation to the earnings of manuals in the economy generally on the clear understanding that they would want corresponding benefits in return. There were inconclusive informal joint discussions, in which the unions' case for equivalence with the upper quartile of national earnings (estimated to involve an increase roughly equivalent to 15 per cent on current pay levels) was not accepted by the employers, and the unions have now made this the core of their formal annual pay claim. The refusal of the employers to respond immediately when the claim was submitted at the first negotiating meeting on 21 September led to the first-ever official one-day national strike on 18 October; a continuing refusal to agree to the proposed link at the next meeting on 11 November could well provoke further industrial action. Apart from this, an untypically aggressive attitude by the GMWU for inter-union reasons, the decision to abolish the National Water Council (which the unions may see as portending a move away from national bargaining) and developments in other concurrent public-sector pay disputes might generate a very militant approach by the unions. The expectations of the workforce, upon whose ultimate decision a settlement depends, may be pushed upwards by their perception of the offer to the miners as well as by the upper-quartile issue.

4. The steel industry may also provide a focus for industrial discontent, not about pay but over further job losses and, should this arise, major plant closures by BSC. This is however unlikely to lead to prolonged industrial action on a national scale. This might also provide the occasion for some concerted action by the other unions in the Triple Alliance (the rail unions and the NUM) and perhaps also other unions, but this is more likely to take the form of public demonstrations and marches than continuing sympathetic industrial action. The railways may eventually become a problem in their own right, though following this year's experience any union action would more probably take the form of disruption than of national strike. This however does not stand to arise for some time yet.

5. More generally in the public trading sector there will be an opportunity for the Government to exert some influence on the attitudes of the industries following the Investment and Financing Review. The pay assumptions submitted by the industries in the early summer were considerably above the level of around 4 per cent which would be a desirable outcome for the 1982-83 pay round. As soon as decisions have been finally taken about the EFLs for 1983-84 the industries will have to be asked to look again at their pay objectives, taking account of the reductions in their original bids for finance, the improved forecasts for inflation, and their latest assessment of prospects for their finances.

Public Services

6. In the public services the main trouble-spot is the continuing dispute in the National Health Service. Although formally part of the last pay round, any settlement will influence the tone of the present round, particularly if there were to be a 2-year settlement on the lines of the Government's recent proposals to the unions. Exploratory discussion of these proposals with the Royal College of Nursing and other professional nursing bodies is still continuing; but the other unions involved - those affiliated to the TUC - have so far refused to treat them as a basis for negotiation, partly on the grounds that they do not wish to concede a low pay increase for 1983-84 which would set the pattern in the current round. If the dispute continues for some time, the main effect will be that other unions in the public services will not be ready to settle quickly. When the dispute is settled, the effect on the pay round will turn very much on whether the settlement covers 1983-84 and the level of settlement implied for that year.

7. Two public-service negotiations which come early are those for the firemen and the local authority manuals. In the case of the firemen, their pay formula, which provides for a link with the upper quartile of male manual earnings, is likely to indicate a settlement of around 7½ per cent. The possibility of off-setting the adverse presentational impact of such an increase by an increase in pension contributions is being urgently explored. In the case of the local authority manuals Ministers are stressing to the employers (LACSAB) on 25 October the need for a lower pay settlement this year. Press reports suggest that the union claim, which will be formally

tabled on 29 October, will follow closely the common-core claim for the public services drawn up by the TUC (paragraph 10 below); low pay may be a strong theme. The unions may be disinclined to settle until the NHS dispute has been resolved.

8. The Civil Service pay negotiations in the coming round may present difficulty. They will be complicated by discussions about future pay arrangements following the Megaw Report, though even if agreement is reached on new arrangements these could not come into operation in time for this year's negotiations. The Society of Civil and Public Servants, the Civil and Public Servants Association and the Inland Revenue Staff Federation are holding special conferences in the first half of December to discuss the 1983 pay claim and the Megaw Report. The details of the 1983 pay claim and the unions' strategy will not, however, be settled by the Council of Civil Service Unions until early in the New Year.

9. One general factor which may affect the degree of difficulty in the public services in 1982-83 is that in each of the last two rounds average earnings and settlements in the public services have been about 2 percentage points below the average level of settlements and the earnings outturn in both the private sector and the public trading sector. This may well fuel pressures for catching up.

Attempts at Co-ordination of Trade Union Activity

10. In 1981-82 the public service unions, under the auspices of the TUC following a Congress resolution, attempted to co-ordinate their pay claims and tactics. They were unsuccessful both in achieving their target of maintenance of real earnings and, following an early settlement for the local authority manuals, in establishing a common timetable. They were however successful in developing a co-ordinated position among the NHS unions which has so far been maintained and they succeeded in securing support for the NHS unions from other unions in the form of limited and patchy industrial action. Following the TUC Congress in September, the public service unions are now seeking to build on this experience. The TUC's Public Services Committee has set as a target pay increases of at least 8 per cent for the current round (the then year-to-year movement of the RPI), with the rider that

some unions would need to aim to achieve more to make good a perceived erosion in earnings. This is seen as a core claim, to which will be attached claims which they see as less significant, e.g. for a shorter working week. Underpinning this claim will be the search for special treatment for the lowest paid, and the unions have agreed to develop jointly the evidence which in their view would justify this. It is possible that this aspiration might come to be quantified, e.g. as a minimum basic wage target (as developed annually by TUC resolutions in the early 1970s), or as a minimum cash or percentage uplift.

11. The TUC Public Services and Nationalised Industries Committees are to hold a joint meeting in November with the objective of exploring how public service claims might be supported by the considerably greater strength of unions in the public trading sector. The present judgement is that this is not likely to result in anything more than declarations of support.

Summary

12. The position can be summarised as follows:

(i) In the public trading sector the outcome of the miners' ballot will be critical both for the level of settlements and for the general climate for industrial action.

(ii) The main other possible trouble spots are in the water industry over pay and in the steel industry over job losses and possible closures.

(iii) Following the Investment and Financing Review the nationalised industries will need to be asked to reconsider their pay objectives.

(iv) The outcome of the NHS dispute will be important for the public services both in its effect on the timing of settlements and, if there is a two-year settlement, on the level of settlements in the 1982-83 round; the pay negotiations with the firemen, local authority manuals and the Civil Service will require special attention.

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(v) There may be a general difficulty in the public services because their lower settlements, as compared with the private sector and public trading sector, in the last two rounds may lead to demands for catching-up.

(vi) The public service unions are likely to seek a common approach to pay negotiations but it is not clear whether they will be more successful than in the last round; there will also be an attempt to secure co-ordination between public service unions and those in the public trading sector; present judgement is that this is unlikely to result in more than declarations of support.

27 OCT 1982

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Prime Minister (2)

MUS 22/10

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400
Switchboard 01-213 3000

Michael Scholar Esq
10 Downing Street
LONDON SW1

22 October 1982

Dear Michael

MS

... I am enclosing a copy of the latest DE pay brief.

Copies also go to private secretaries to Members of E, E(EA) and E(PSP).

Yours sincerely
Marie Fahey

MISS M C FAHEY
Private Secretary

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PAY BRIEF - POSITION AT MID-OCTOBER

1. Since the September pay brief 49 settlements covering 43,000 employees, all in the private sector, with operative dates after 31 July 1982 have been recorded. The weighted average level of the settlements is just under 6%.
2. In the private sector the cumulative average level of settlements in the 1982/83 pay round is just under 6½% (85 settlements covering 105,000 employees). About 4/5 of settlements and of employees are covered by settlements within a 5%-10% range.
3. The only settlement in the public sector this round is for Police (138,000) at 10.3%.
4. Because of the small number of settlements notified the average for settlements effective after 31 July 1982 offers no guide to the likely level of settlements for the remainder of the round and must be treated with caution.
5. An analysis of all settlements recorded in the last 3 months (since mid-July) - 281 settlements covering 994,000 employees - shows the level in the private sector (266 settlements covering 447,000 employees) to be just over 7% - about 6½% for manufacturing and about 8½% for non-manufacturing. In the public sector (15 settlements covering 547,000 employees) the average is 7½% - about 7% for trading and about 8% for services (excluding Police the averages are 6½% for the public sector and 6% for public services).
6. Coverage: The limitations of the Department's coverage of settlements were explained in the September pay brief (para 14).
7. Four Wages Councils covering 1,040,800 workers have either made or decided to make orders to come into effect during the current pay round. The weighted average increase in representative minimum rates is about 5%; manufacturing about 7% and non-manufacturing about 5%. If these are added to the settlements for this round, using rates as a proxy for earnings and DE estimates for the numbers of workers affected, the cumulative average for the private sector drops to just over 5% with manufacturing at 5½% and non-manufacturing about 5%.

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8 Wage Drift in the 1981/82 Pay Round

Details about settlements recorded during the round were given in the September Pay Brief. About 1¼ million workers in the public sector, including most of the NHS, have however yet to settle. In order to calculate drift, estimates of the settlement levels likely to emerge for these groups have been made based on what is known about current negotiations. These estimates have been incorporated into the outturn for settlements resulting in figures that are marginally different to those given in September. On this basis the outturn for settlements was just under 7% for the whole economy, 7% in the private sector (6¼% in manufacturing and 7½% in non-manufacturing) and 6¾% in the public sector (7% in the state trading sector and 6½% in the public services). The earnings outturn for the round is estimated to have been about 9% for the whole economy after earnings increases not related to the 1981/82 pay round - mainly back pay from late settlements in the previous round - have been removed from the published Average Earnings Index. In the private sector earnings increased by about 9½%, 9¼% in manufacturing and 9¾% in non-manufacturing. In the public sector earnings increased by about 8½%, 9¾% in the state trading sector and 7½% in the public services. This points to drift of about 2% in the economy as a whole, about 2½% in the private sector (3.0% in manufacturing and 2.0% in non-manufacturing) and about 1¾% in the public sector (2¾% in the state trading sector and 1% in the public services).

9 A description of drift and its causes was given in the March Pay Brief.

NEGOTIATIONS

10 In the PUBLIC SECTOR, Unions representing Gas Supply staff (1 June - 57,700) have accepted an award of 6.8% to 7.55% on rates (just over 7% on earnings) after referring the claim for increases of 6.9% to 7.8% on basic rates for conciliation. An increase of 6% from 6 September for British Rail clerical and conciliation grades (19 April - 136,000), recommended by the Railways Staffs National Tribunal under non-binding procedures, was accepted by a special NUR conference. The other rail unions and the BR Board consider that the award could form the basis of a negotiated settlement. An offer to London Transport rail supervisory and conciliation grades (19 April - 14,152) based on the arbitration recommendation, also under non-binding

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procedures, of 7% on basic rates, a 1 hour reduction in the working week and 1 extra day holiday was also accepted by a special NUR conference. Local Authority APT & C grades (1 July - 600,000) rejected an offer of 5% on salary scales plus 0.25% for restructuring and submitted their claim for an increase to maintain living standards and a shorter working week to arbitration. The findings are expected to be announced soon. In the National Health Service generally co-ordinated industrial action continues. Unions are considering a programme of future action. In addition the TUC Health Services Committee and the transport unions have called for a 24 hour strike on 8 November. Acting collectively through the TUC Health Service Committee the trade unions representing NHS nurses and midwives (1 April - 482,650), ancillaries (1 April - 212,000), admin and clerical (1 April - 131,500), ambulancemen (1 April - 18,110) and other NHS staff, rejected alternative proposals for negotiations to be resumed at the various Whitley Councils on the basis of 6.5% from 1 April 1982 plus 5% from 20 January 1983 or 7.5% from 1 June 1982 plus 4% from 3 January 1983 for nurses and midwives; 5% from 1 April 1982 plus 5% from 20 January 1983 or 6% from 1 June 1982 plus 4% from 3 January 1983 for all the other groups, with an additional 0.5% allocated for the introduction of a salaried structure for ambulancemen. The professional nursing organisations are continuing exploratory discussions with Ministers. The Royal College of Nursing will announce the results of a ballot of members on their 'no strike' rule and TUC affiliation on 10 November. For the 1982/83 pay round, Coalmining manuals (1 November - 188,000) have submitted a claim for £27.50 for all grades (31% for surface workers) and other benefits. An offer of 7.2% on rates plus £1.50 on the standard incentive rate - equivalent overall to 8.2% on rates and, according to press reports, 6.5% on average earnings - has been rejected by a special delegate conference. The Conference authorised an overtime ban from 11 October and a pit-head ballot on 28/29 October to decide on future action, including industrial action. The NUM executive is linking the pay offer with pit closures. United Kingdom Atomic Energy Authority manuals (1 October - 4,760) have rejected an offer of 3% on average earnings. The claim is for a substantial increase. A further meeting has been arranged for 17 November. Water Service manuals (7 December - 29,400) held a 1 day strike on 18 October in support of a claim for an increase of about 15%, a 1 hour reduction in the working week and a further 1 week holiday. The Employers are to reply on 11 November. The TUC Public Services Committee has agreed to present claims with 'common core' elements of at least 8% for public service groups, against a government cash provision of 3½% for settlements. A claim for Local Authority manuals (4 November - 1,041,700) is expected to be submitted at a meeting on 29 October. Negotiations for Firemen (7 November - 40,500) are expected to begin on 26 October.

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11 In the PRIVATE SECTOR, the union representing International Publishing Corporation clericals (1 April - 5,700) has balloted members on an offer of 8 $\frac{1}{2}$ % from 1 April 82 plus 1 $\frac{1}{2}$ % from 1 October 82. The result is expected soon. For the 1982/83 pay round an offer of 3.6% on national minimum rates for workers covered by the National Engineering Agreement (1 November - 1,500,000) has been rejected. No further meeting has yet been arranged. The claim is for a substantial increase, an unskilled rate of 80% of the skilled rate (currently 71.9%) and a limit on overtime. In reply to a claim by BL (Cars) Ltd, manuals (1 November - 37,000) for £16 per week increase, consolidation of £22.50 productivity pay and a 13 $\frac{1}{2}$ % increase in overtime rates - estimated to be worth about 20% overall - management have offered a 2 year pay deal of 11.4% on basic rates and other benefits in two equal annual stages. The offer is being considered. Vauxhall Motors manuals (15 September - 15,600) have rejected an improved offer of 8% on basic rates plus improved holiday bonuses and sick pay in 1983, worth about 9% overall. The claim is for £25 on basic rates, a 35 hour week and staff conditions of service - estimated to be worth over 30%. Unions for Ford Motor Co Ltd, manuals (24 November - 50,000) have lodged a claim for an increase of £20 per week, consolidation of attendance supplements, further progress towards a 35 hour week and other benefits. The company is expected to respond on 29 October. Merchant Navy Officers (1 November - 35,000) have submitted a claim for an increase in line with the RPI, an extra 5 days holiday and retirement at 60. The Employers are expected to respond on 25 October. Seamen (1 January - 30,000) have lodged a claim for increases in basic rates to restore living standards, improved overtime rates and other fringe benefits. Offer of 3.8% rejected. Next meeting 28 October. The TGWU has presented a claim for a 14.5% increase in basic rates for Oil Tanker Drivers (1 November - 7,500). Meetings have been arranged with Continental Oil on 27 October and Amoco on 11 November. Esso (1 November - 1,500) are negotiating separately and have offered a new wage structure which incorporates a 2 hour reduction in the working week and is designed to improve productivity. The offer is expected to increase average earnings by about 20% and will bring earnings more into line with those paid by the other oil companies. The union response is expected in mid-November. Unions representing workers in Agriculture E & W (21 January - 256,000) have submitted a claim for a £120 minimum wage, 35 hour week and an extra 1 week holiday. Talks have begun. Agreement has been reached in the British Clothing Industry (1 December - 140,000) for a 5% increase, subject to ratification.

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PRICES AND EARNINGS INDICES

PRICES

12 In September the year on year increase in retail prices was 7.3% compared with 8.0% in August.

EARNINGS

13 In August the year on year increase in average earnings for the whole economy was 7.8% compared with 10.9% in July. The August increase was depressed by temporary factors; mainly due to a lower level of back-pay in August 1982 and because about 1 $\frac{3}{4}$ million public sector employees have yet to reach settlements in the 1981/82 pay round. The underlying increase in August was 9%. This continues the downward trend of the underlying rate of increase which was 9 $\frac{1}{4}$ % in July, having fallen steadily from 11% in January. The actual rate of increase will rise over the next few months as the effect of back-pay falls out of the annual comparisons and outstanding settlements are concluded, but the underlying rate is expected to show little further change until the 1982/83 pay round settlements begin to be included in the index.

REAL DISPOSABLE INCOME

14 Real disposable income - taking account of the changes in earnings, prices and taxes - of a married man on average adult male earnings with a non-working wife and two children under 11 (with no other tax liabilities or allowances and not contracted out of the State Pension Scheme) remained at the same level as in July 1981

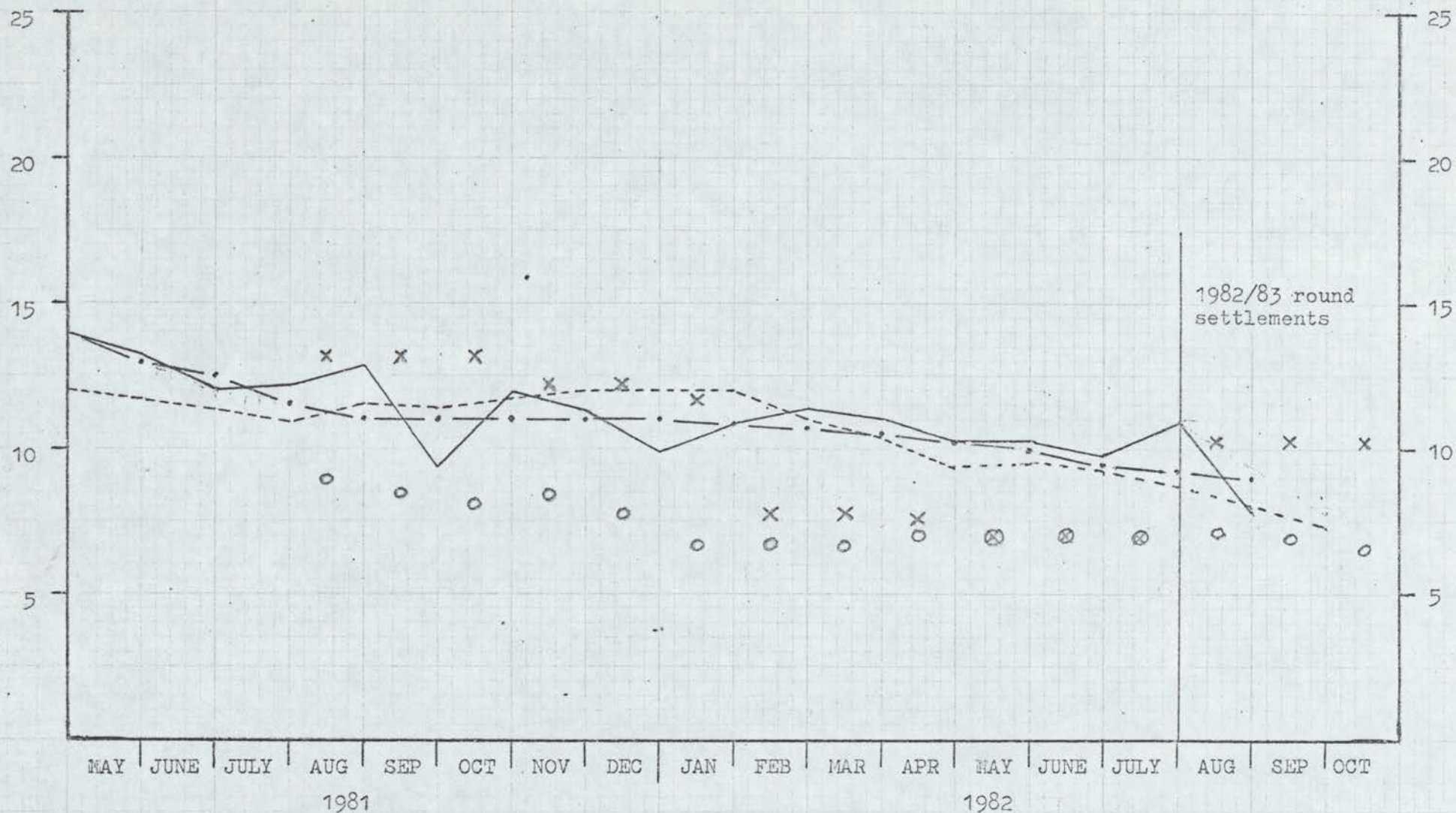
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APPENDIX 57

TRENDS IN EARNINGS AND PRICES

% increase on year earlier

%



1982/83 round settlements



- Retail Price Index
- Average Earnings Index (whole economy)
- Underlying rate of increase in earnings
- × Public Sector Settlements)
- Private Sector Settlements)

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Cumulative Average Increase in Earnings

DISTRIBUTION OF SETTLEMENTS IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1982

APPENDIX

KEY  SETTLEMENTS UP TO THE LAST PAY BRIEF
 SETTLEMENTS SINCE THE LAST PAY BRIEF

Number of settlements

MANUFACTURING

NON-MANUFACTURING

60
55
50
45
40
35
30
25
20
15
10
5
0

65
60
55
50
45
40
35
30
25
20
15
10
5
0

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Level of settlement (rounded to the nearest whole number)

E.R.

NOTE - THE NUMBER OF WORKERS (ROUNDED TO THE NEAREST HUNDRED) AFFECTED BY THE SETTLEMENTS IS GIVEN ABOVE THE APPROPRIATE INDICATOR.

The report in the Financial Times refers to the percentage changes in average earnings shown by the New Earnings Survey for April 1982.

The changes between April 1981 and April 1982 for adult men were:

Public sector	8.4
Public services	6.2
Central government	6.8
Local government	5.9
Public corporations	11.1
Private sector	10.9
Whole economy	9.8

These changes relate to average weekly earnings and cannot be identified with the average level of pay settlements in the last (1981/2) pay round.

The NES figures in the year to April 1982 reflect a number of special factors which mean that the underlying changes are much closer than the reported changes.

(a) Hours

There was a recovery in overtime working between April 1981 and April 1982. Average weekly earnings in the private sector increased because of this (probably by around 1 per cent).

(b) Bunching of pay settlements

Some public services groups had no pay settlement reflected in earnings between April 1981 and 1982, notably all teachers and some local authority craftsmen. This depressed the increase in the latest twelve months for public services by about 2 per cent.

The changes between 1981 and 1982 need to be seen in the context of earlier changes. Between 1980 and 1981 public sector average earnings increased slightly faster than private sector earnings. Also, recent public service increases need to be seen against the substantial increases in public service pay arising from the Clegg and related awards in the 1979/80 pay round.

	Reported increases (%)		Underlying increases* 1981/2.
	1980/1	1981/2	
Public sector	+ 14.4	+ 8.4	9
Public services	+ 14.2	+ 6.2	8
Central government	+ 7.8	+ 6.8	8
Local government	+ 17.3	+ 5.9	8
Public corporations	+ 14.7	+ 11.1	11
Private sector	+ 12.0	+ 10.9	10½

CONFIDENTIAL Background Note

Confidential Departmental estimates on the level of pay settlements in the last (1981/2) pay round showed that:

Public services	6½ per cent
Public corporations	7½ per cent
Private sector	7 per cent

19 October 1982

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SE 5V
Prime Minister (2)

MS 19/10

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

I attach the latest monitoring report on the public trading sector.

2. The main development since the last report is of course the miners' overtime ban, authorised by a special delegate conference of the NUM on 4 October. As expected, the strike ballot on 28 and 29 October will closely link pay and closures. (The wording of the question is quoted in the report.)
3. The proposed strike in the water industry on 18 October was reported in Tom King's letters of 24 September and 5 October. It has since been approved by the Executives of all the unions concerned. I understand that the Department of Employment have been in touch with Tom King's officials about the misleading nature of the union claim (mentioned in the 24 September letter) that water industry earnings have risen less than earnings generally.
4. As regards settlements outstanding from earlier in the year, the recent NUR delegate conference voted to accept the arbitration award of the McCarthy tribunal. (This was for a 6 per cent increase but delayed from April until September and worth about 4 per cent on earnings over the year as a whole.) Negotiations between British Rail and the unions were to begin on 15 October. The same NUR delegate conference also accepted the arbitration award of about 7 per cent on earnings to London Transport rail employees, which had been made by the LT Wages Board and had already been accepted by LTE.

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PUBLIC TRADING SECTOR

PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS

A 1981/82 PAY ROUND

1 British Rail Clerical & Conciliation grades (136,000)

Settlement date: 20 April

Unions: NUR, ASLEF, TSSA

In response to a claim for increases in line with the RPI and other benefits, BR offered a 5% increase on national rates from 6 September - not backdated to the April annual settlement date. The offer was conditional upon disagreements about productivity improvements from the 1981 pay round being resolved by 30 July and no further industrial action being taken. The offer was rejected by all three unions. Following lack of progress in productivity negotiations with the NUR and ASLEF and industrial action taken by the NUR on 28 and 29 June, BR withdrew their 5% offer.

On 29 June delegates at the NUR's annual conference voted to unilaterally refer the current pay and productivity issues, as they affected the NUR, to the Railway Staffs National Tribunal. ASLEF were associated with the reference.

The recommendations of the RSNT were published on 13 September and are not binding. The Tribunal recommends a 6% increase on basic rates from 6 September and the Minimum Earnings Level to be increased by 6% from 1st April 82 (worth together 4% on average earnings). In addition there should be agreement to 1 extra day's holiday to be effective in 1983 and a further pay review to be completed and agreed before the next annual settlement date of 17 April 1983.

The Tribunal did not explicitly make this award conditional upon agreement being reached on outstanding disagreements about productivity but made clear its view as to which productivity commitments it considered to have been properly fulfilled and how outstanding commitments should be resolved. The Tribunal also recommended that in future any links which are established between pay and productivity should be clear and unambiguous.

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The NUR delegates considered the RSNT award on 13/14 October, and voted to accept it. Not unexpectedly, they pledged their negotiators to secure the maximum remuneration possible in return for the acceptance of the productivity elements. There has so far been little reaction from ASLEF and TSSA other than initially describing the award as disappointing. The BR Board is reported to regard the recommendations, taken as a pay and productivity package, as a basis for a negotiated settlement. Negotiations between BR and the three unions are due to commence on 15 October in the Railway Staffs National Council.

In a response to a letter from the Secretary of State for Transport dated 13 September about the RSNT's recommendations, the Prime Minister commented that a 6% offer would be too high for an industry making such substantial losses as BR, and in which so much industrial action has been taking place, and that 6% should be offered only if the unions have given specific agreement on the outstanding productivity items.

2. London Transport Executive - Rail

(a) Railway Supervisory, Booking Office, Conciliation grades (14,152)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

The LT Wages Board recommended a 7% increase on basic rates, a 1 hour reduction in the working week and 1 days additional holiday. LTE had previously offered a 5% increase. LTE formally offered to implement the arbitration award on condition that the unions accepted new timetables from 27 September. The actual offer is 7% on basic rates from 18 October 1982 with 6.25% on gross earnings backdated to 19 April, worth 6.7% on average earnings. LTE have accepted in principle the Wages Board recommendation of a 1 hour reduction in the working week providing it can be done at minimal cost (target date 1 January 1983). The offer also includes 1 extra day's annual leave effective in the 1982 leave year. The NUR considered the Wages Board recommendations and LTE's offer at a special delegate conference on 13/14 October, and voted to accept. The union had initially accepted the new timetables from 27 September on a temporary basis pending discussion at the delegate conference, but have now accepted them on a permanent basis.

(b) Rail Workshop grades (3,180)

Settlement date: 22 April

Unions: ASBSBSW, AUEW, EEPFU, FTATU, NSMM, MUSMWHDE, TGWU, UCATT, NUR

Negotiations have awaited the outcome of the settlement with the main underground group (see 2(a)).

3. Gas Supply

(a) Staff and Senior Officers (57,700)

Settlement date: 1 June

Unions: NJC - NALGO, GSWU, MATSA

Management has offered basic rates increases ranging from 6.5% for junior staff to 7.4% for Senior grades and 1 days' additional holiday. The increase in average earnings would be marginally over 7%.

At a meeting on 30 September the unions confirmed their rejection of this offer and asked the management to agree to basic rate increases for senior staff ranging from 6.9% to 7.8%. The management refused, and the unions expressed their intention to refer the claim to conciliation and/or arbitration. The unions have since referred the dispute to ACAS who have arranged exploratory talks with both sides for 18 October.

(b) Higher Management (3,700)

Settlement date: 1 June

Union: NALGO

An offer of 7.4% on basic salaries, worth about the same on average earnings, was regarded as insufficient by the union.

Comment: It is understood that further negotiations are likely to await the outcome of a settlement for staff (see 3a).

4. British Waterways Board: Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

An offer of 5% on basic rates was rejected. The unions had made an uncosted claim for increases of 12-15% on basic rates, a shorter working week and additional holidays. Negotiations resumed on 5 October when management improved their offer to 6.5% on basic rates, about 7% on average earnings, which the Board described as 'final'. The offer has since been accepted.

B 1982/83 PAY ROUND

5. United Kingdom Atomic Energy Authority: Manuals (4,760)

Settlement date: 1 October

Unions: AUEW, TGWU, GSWU, EETPU

The first formal negotiating meeting took place on 16 September when, in response to an uncoated substantial claim, management offered 3% on average earnings. The offer received a hostile response from the unions. A further meeting has been arranged for 17 November.

6. Coalmining: Manuals (188,000)

Settlement date: 1 November

Union: NUM

The NUM has submitted a claim for a flat rate increase of £27.20 per week on basic pay for all grades. For surface workers this amount represents a 31% increase on basic pay and around 23% for some face workers.

The effect of the claim on average earnings has not been calculated but the Coal Board estimates that it will add over £559 million to the pay bill in a full year. In addition the claim seeks salary status for manual grades, a four day working week, retirement at 55 and protection of earnings for miners who are obliged by illness to transfer to lower paid jobs. The Coal Board estimates that to meet the total claim in full would cost £1000 million; equivalent to around 20% of the Board's revenues.

At a negotiating meeting on 23 September, the Coal Board improved their offer by increasing the amount of money available for this year's settlement from £120 million to £155 million to be allocated as 7.2% on base rates and an additional £1.50 per week increase on the standard incentive rate. The Board said that it was willing to restructure the offer by placing all the money available on base rates - in which case it would amount in total to 8.2% on rates. The offer is worth about 6.5% on average earnings.

A special delegate conference on 4 October, called in accordance with an annual conference resolution, overwhelmingly endorsed rejection of the offer and authorised a ban on overtime and weekend working from 11 October and a pit head ballot on 28/29 October. The question will read:

'Are you in favour of the special conference recommendation that the NEC be given authority to take industrial action, if necessary, to prevent the closure or partial closure of any pit, plant or unit other than on grounds of exhaustion and at the same time bring about a satisfactory settlement of our pay claim?'

Mr Scargill will be campaigning extensively to secure the 55 per cent support necessary to call a strike. The overtime ban began on 11 October and appears to be

generally observed by the miners, although there are strongly voiced criticisms about it.

Comment

No doubt the NUM leadership have in mind that the miners are likely to feel more strongly about the issue of closures than about the issue of pay and, in consequence, will therefore give the NEC the authority it seeks.

A settlement for coalminers will set a target in the pay round for other monopoly nationalised industries such as gas, water and electricity but is likely to be seen as a ceiling by other private and public sector groups.

7. Water Service: Manual grades (29,400)

Settlement date: 7 December

Union: NJIC - GMWU, NUPE, TGWU

At a meeting on 21 September the unions tabled a claim for a substantial increase in pay to raise the earnings of water manuals to the upper quartile of manual earnings generally, one extra week's holiday and a reduction of one hour in the working week. On the latest available figures this would require an increase of £19 per week or 15%. It is unclear whether a cost of living increase for this year is also implied. The claim follows from an agreement made at the same time, although separate from, the 1981 pay settlement when the employers agreed, without commitment, to give careful consideration to the position of water manuals' earnings in relation to manual earnings in the economy generally, and in return for improvements in productivity. Subsequently, the unions submitted evidence in support of their claim for parity with the upper quartile of manual earnings figures. Management made clear this was unacceptable.

At the meeting on 21 September the employers indicated, in pursuance of established practice, that they would respond to this year's annual claim at the next scheduled meeting on 11 November. The unions requested an immediate response, or at least a commitment in principle to upper quartile relativity. The employers refused and the unions announced that they would seek approval from their National Executives for a one day strike on 18 October. All the union Executives concerned have now given approval for the strike.

The employers have stated publicly that this is a deplorable and unnecessary decision, in breach of the national agreements and that it is unacceptable that strike action should be called on the day the claim was tabled without any negotiation and more than two months before the settlement date. The employers do not intend to meet the unions or table an offer before the 11 November meeting.

The Minister for Environmental and Local Government Services wrote to the Chancellor and colleagues on 24 September setting out the position in more detail.

Comment: The union's militant attitude probably results from a number of factors: concern over the future of national pay bargaining in the industry now that the NWC is to be abolished and the desire to achieve certain objectives before reorganisation; the intention of the GMWU to reassert itself after losing members to the more militant NUPE; the fact that the same unions are involved in the NBS dispute; the need to keep pace with the miners; frustration at having achieved nothing from last year's collateral agreement on pay relativities and the knowledge that in recent years the membership has wanted to take a more militant line than union leaders.

A settlement for the water workers and a miners settlement will influence negotiations in the other monopoly gas and electricity industries and could have implications for the local authority manual workers negotiations which begin in November. The possibility of co-ordinated action exists, particularly if negotiations are prolonged and disputes develop at much the same time.

8. British Steel: All grades (103,700)

Settlement date: 1 January

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

Bonus earnings of 2.5% (out of a total bonus yield of 6.3% to date this year) were consolidated into basic rates from July 1982 in accordance with last year's pay agreement that all increases in 1982 should come from locally agreed productivity schemes. Although no claims for the January 1983 pay settlement have been submitted by the unions representing manual grades, the ISTC are reported to be preparing a claim for a 9.5% increase in addition to the consolidation of existing bonus earnings.

The staff unions have written to BSC management asking for "a substantial increase in earnings in line with inflation".

Following discussions with BSC management who have said that further plant closures and redundancies may be necessary, a meeting of representatives from all the steel unions called for a one day strike at the end of October/beginning of November. In addition the representatives recommended an end to local redundancy talks and withdrawal of "worker directors" from BSC and its subsidiaries. The recommendations will be put to the Executives of the individual unions.

Comment: Pay negotiations will take place against a background of closures and redundancies.

PA 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

9. British Airways: All grades (excluding pilots) 40,000

Settlement date: 1 January 1982 (deferred to October 1982)

Unions: TGWU, AUEW, EETPU, NUSM, APEX, FTATU, GMWU, UCATT, ACTSS, MIAOA

Settlements have now been reached with all 9 negotiating groups for an increase of 11% on basic rates from 17 October 1982. The next settlement date will be 1 January 1984. The settlement will increase average earnings by 10.8% and will run for 15 months until 31 December 1983. No increase was awarded on 1 January 1982.

CONFIDENTIAL

Econ Pol

cc Mr. Mount
Mr. Walters

PA
MR. SCHOLAR

London Weighting Indices

We are content with the recommendation of E(PSP), conveyed in the Chancellor's note to the Prime Minister dated 1 October, that the publication of the London Weighting Index be discontinued. It is clearly right to abandon the construction of an index which is no more than a hangover from the days when it was accepted that there would be an automatic link between pay and prices.

J.

4 October 1982

CONFIDENTIAL

CONFIDENTIAL



Prime Minister

sent by PM

MUS/10

Ea Pa

PRIME MINISTER

PUBLIC SERVICE PAY

At this morning's meeting of Cabinet, we decided to announce on late Friday afternoon the provision we intend to make for public service pay in 1983-84.

- ... 2. I attach a draft of the statement I propose to release.
3. I should draw attention to two particular points:
- (a) the statement says, in terms, that the pay factor does not apply directly to local government. We shall have a separate opportunity to give a clear signal to the local authority negotiators, at a meeting which has been arranged between them and Ministers on 25 October.
 - (b) The statement does not apply to the National Health Service. As we agreed this morning, it will be premature to say anything about this in present circumstances.
4. I am sending copies of this minute to all members of Cabinet and to Sir Robert Armstrong.

L.B.

LEON BRITTAN
30 September 1982

CONFIDENTIAL

DRAFT PRESS NOTICE

PUBLIC EXPENDITURE PLANNING AND PAY

As is usual at this time of year the Government is reviewing its plans for public expenditure. The conclusions of the review will be announced later. As part of the process of reaching final decisions on the cash total for each programme for 1983-84, it is necessary to make an assumption about pay. A decision has now been taken to include in programmes provision for average increases in earnings of 3½% from due settlement dates in the coming year.

2. This decision relates to those groups for which the Government is directly responsible other than the NHS. A decision about health service expenditure will be taken later.

RS4
 3. It does not cover the local authorities or the nationalised industries, which are not within the Government's direct control, but they will be constrained respectively by the Rate Support Grant proposals and by External Financing Limits.

4. The decision concerns the provision to be made in the public expenditure plans for the pay of the groups concerned. It is not a forecast of, or a decision about, the settlements which the Government expects to reach. It is not a pay norm. Each negotiation will be considered on its merits.

NOTE FOR EDITORS

A similar announcement about the provision for pay in 1982-83 was made on 15 September last year. The corresponding figure for 1982-83 was 4 per cent.

FROM: C W KELLY
DATE: 29 September 1982

MOUNTFIELD

cc Mr Walker
Mr Mowbray
Mr Loughran *PK*.

cc Sir Anthony Rawlinson
Mr Le Cheminant
Mr Quinlan
Mr Wilding
Mr H Evans
Miss Kelley
Mr Kemp
Mr Kitcatt
Mr Monger
Mr Pearce
Mr Hall
Mr Hart
Miss Sinclair
Mr Traynor
Mr I P Wilson
Miss Barber

I think this is fine.
Any comments?

PK
29/9

PAY AND PUBLIC EXPENDITURE : PRESS BRIEFING

Even if Cabinet tomorrow accepts the Chief Secretary's recommendation against early announcement of the pay assumption, we must expect to have to respond to leaks virtually immediately.

2. I attach the draft of briefing which might be used by Press Office and others in responding to leaks. It takes the form of:-
 - i. a list of suggested points to make;
 - ii. a suggested line to take on a number of specific points which might be raised;
 - iii. an account of the pay assumptions used in recent years, and their fate;
 - iv. a list of 'key facts'.
3. There is an obvious awkwardness in knowing how far to respond to particular points about the pay assumption without confirming what the assumption is.
4. If, contrary to expectations, Cabinet decides in favour of an immediate announcement, the brief will need to be adapted accordingly. In practice I doubt if this need take very long, if it is right in the first place.
5. I also attach the draft of a Press Notice, prepared on a contingent basis. You have already put me and others on call for an urgent drafting session immediately after Cabinet if necessary. The draft is intended to provide something to work on. It is deliberately low-key, which I take to be consistent with Treasury Ministers' views about presentation.

CONFIDENTIAL

6. I would be grateful for comments on any of the attachments, including suggestions for additions as well as redrafting on particular points, by close tonight.

Received bpm!
J.

cu

C W KELLY

cc Mr Gruffyd Jones - DOE
Mr Hulme - DHSS
Mr Buckley - Cabinet Office
Mr Vereker - No.10

(ii) SPECIFIC QUESTIONS

Pay in the private sector

1. Employers in the private sector will, of course, have to make up their own minds what they can afford. But the CBI have already made clear its view that it would be appropriate for wage settlements to be much lower than last year. The Government share this view.

Prospects for inflation

2. UK inflation has come down faster than had been expected some months ago. The Chancellor has said that he expects the rate of increase in the RPI to have fallen $6\frac{1}{2}$ per cent by the end of the year. There are indications that this improvement will be sustained into next year. Inflation is falling world wide, both in industrialised countries and the primary producers. Commodity prices in particular have been weak this year and it is hard to see much or any recovery for a time. With the UK's effective exchange rate firm over the last year competitive pressures on UK firms ^{to} keep down price increases are likely to remain strong.

Why not a price factor, as there was last year?

3. Last year's exercise was a one-off which formed part of the transition to cash planning. There is no operational need for a specific general price factor for public expenditure planning purposes this year. In any event, there is no evidence of programmes coming under greater pressure from the general level of prices than had been anticipated when they were first expressed in cash.

How can a planning assumption not predetermine the pay settlements to be reached?

4. There are a number of ways in which higher or lower settlements could be reconciled with a particular planning assumption. These include imposing a further squeeze on numbers or making other offsetting savings and, if necessary, increasing cash limits by making use of the Contingency Reserve. Both have happened in the past. What is done would depend, among other things, on the timing of the settlement and the circumstances of the programme concerned.

Cash limits for 1982-83

5. The civil service settlement for this year has generally been absorbed within existing cash limits. In a few cases of exceptional difficulty there may, however, need to be small increases in the cash limits concerned. If so they will be announced shortly. The offer made to the National Health Service

to be financed partly from the Contingency Reserve and partly from savings in the health programme.

National Health Service

6. There is nothing further to be said at this stage about the negotiations with the National Health Service Unions this year. Pending a settlement, Ministers have not yet made any planning assumptions about the provision to be made for pay next year.

Armed forces

7. There is an operational need to make a planning assumption about armed forces pay, as for civil service pay. It is reasonable to suppose that they will be treated in the same way. The Government will consider the increase for the armed forces in the light of what the Armed Forces Pay Review Body may recommend.

Other pay review bodies

8. The review bodies will no doubt recommend what they think right for the groups with whom they are concerned. The Government is not pre-judging the outcome at this stage.

Police

9. The use of pay assumptions for planning purposes has not constrained the Government's attitude on police pay in the recent past. The Government will continue to discharge its role in police pay negotiations in the light of all the relevant factors at the time.

Fireman (including indexation)

10. Financial consequences of any pay settlements which they reach with employees are a matter for the local authorities.

Other local authority pay

11. The settlements in particular cases are for the negotiators concerned. They should have regard to the need for low settlements generally in the public services, and to the governments and the CBI's view that it would be appropriate to have lower settlements over the next year than in the last 12 months.

ASSUMPTIONS IN RECENT YEARS

This is the first full year of cash planning: the public expenditure plans currently under review are already in cash. Under the old constant price planning system, pay and price factors were necessary to derive cash limits for the year ahead from the public expenditure plans expressed at prices of the previous autumn. Last year, in the transition to cash planning, factors were required for all forward years to create a cash baseline, for discussion, from the previous constant price plans.

2. For 1980-81, central government cash limits were set assuming 14 per cent increases for new pay awards from due settlement dates and for the Rate Support Grants to local authorities the corresponding assumption was 13 per cent. For 1981-82, cash limits and the Rate Support Grants were set assuming 6 per cent increases for new pay awards from due settlement dates for all public services. For 1982-83, the cash plans, and the cash limits and the Rate Support Grants derived from them, made general provision for 4 per cent pay increases from due settlement dates throughout the year.

3. Over these years, civil service pay outcomes have generally been met from within cash limits as originally set. In 1980 the pay increase averaged around 18 per cent, but was staged to allow the cost to be met from within existing provision. In 1981, the average increase was $7\frac{1}{2}$ per cent. This year, the average increase of around 6 per cent will also probably be met from within existing provision. For the national health service, actual pay outcomes in 1980-81 and 1981-82 were accommodated within the original cash limits, although some adjustment was made to the non cash limited provision as a result of pay increases recommended by the Doctors and Dentists Review Body. In 1982-83, some additional provision has been made circulable from the Contingency Reserve, as announced on 8 March and 23 June. For the armed forces, the government has consistently implemented the recommendations of the Armed Forces Pay Review Body, with extra provision being made available from the Contingency Reserve if necessary. For local authorities, adjustments have been made to the Rate Support Grants and to the specific police grants to allow for the cost of pay increase awarded under the existing agreement that police pay is linked to average earnings. Otherwise, central government grants to local authorities have not been increased to accommodate pay outcomes above the pay factors.

FACTS

The last White Paper, Cmnd 8494, public expenditure planning totals were £115.15 billion in 1982-83 and £121.07 billion in 1983-84.

2. The total central government pay bill, excluding pensions, in 1982-83 is about £17 billion (the total local authority pay bill, excluding pensions in 1982-83 is about £16½ billion).

3. 1% on Central Government pay is worth about £170m (1% on Local Authority pay is worth about £165m).

4. The main public service pay groups are:-

	Approx Pay Bill in 1982-83 <u>£ billion</u>
Civil Service	5
Armed Forces	3
National Health Service	7½
Other Central Government	1½
Local Authorities	16½

5. Earnings over the last year

There is no official index of settlements, and the figures therefore must be treated with some caution. However the average level of settlements in the public sector is calculated to be just under 7% - just over 7½% in the trading sector (essentially the nationalised industries) and just over 6½% in the services sector. The average for the public services was increased by the settlements for the police and fire, and the local authority manuals. Apart from these, all major groups settled for 6% or less. The average level in the private sector is calculated to have been 7%, just over 6% in manufacturing, and just over 7½% for non-manufacturing. The estimate for manufacturing industry is nearly 1% lower than the information provided by the CBI in their Data-bank survey. Should the question arise, the figures are intended to relate to increases in earnings, and not only basic rates, but they do not take account of possible 'drift'.



✓ SV
Press off.
Prime Minister (2)

MUS 27/9

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

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

I attach the latest monitoring report on the public trading sector.

2. There have, in the last few days, been significant developments in both the coal and water industries. In the coal industry the NUM have, as expected, rejected an increased pay offer of about 8.2 per cent, and will be reconvening their national delegate conference on 4 October to endorse the executive's call for industrial action. If the conference rejects the NCB's offer, there will be a pit-head ballot on 28/29 October. Nigel Lawson's letter of 24 September, copied to colleagues, rightly stresses the importance of looking closely at any Ministerial announcements which might have an impact on the dispute. PM's Box

3. In the water industry, the unions have called a one-day national strike on 18 October. The pretext for this is management's delay in responding to the manual workers' claim for a 15 per cent 'comparability' increase. In fact, the management side followed normal practice in offering to reply at the next scheduled meeting of the joint negotiating body on 11 November. The unions involved are the GMWU, TGWU and NUPE. The significance of this is that unions representing workers in another sensitive industry appear to be calling for industrial action well in advance of the settlement date and before normal negotiating processes have really begun, let alone been exhausted. This is an aspect to which we shall need to direct public attention. Tom King's letter of 24 September, also copied to colleagues, gives a fuller assessment of the situation. I agree with him that we should not involve ourselves while developments are still uncertain.

4. I understand that negotiations on UKAEA manuals will be resumed shortly. I should be grateful for early warning from Nigel Lawson of any offer made to this group, whose settlement date is 1 October.



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

A handwritten signature in black ink, consisting of a stylized, cursive 'G' followed by a horizontal line and a small flourish.

(G.H.)

27 September 1982

CONQUEROR





Econ Pol

Public Sector Pay Policy

PT8

COMPTON

1981

2. London Transport Executive - Rail(a) Railway Supervisory, Booking Office, Conciliation grades (14,152)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

The LT Wages Board has recommended that a 7% increase on basic rates, a 1 hour reduction in the working week, and 1 extra day annual holiday be awarded to the group. The award follows a unilateral reference to arbitration by the NUR after LTE had offered a 5% increase. The recommendation is not binding on either side and the NUR have called a special delegate conference on 13/14 October to consider the award. On 20 September a Railway Negotiating Council meeting discussed pay. LT offered 7% from 18 October with 6.25% of gross earnings backdated to 19 April. LT have accepted in principle the Wages Board's recommendation of a 1 hour reduction in the working week, but the reduction is not to be effected until negotiations are concluded on a mutually accepted means of introduction (target date 1 January 1983). The offer also includes 1 extra day annual leave effective in the 1982 leave year.

There has so far been no agreement in the joint union/LTE working party on ways of achieving economies other than the scheduled reductions proposed by management. The working party was set up following industrial action in June over management's proposals to introduce the new schedules. It is not LTE's intention to postpone the introduction of the new timetables indefinitely and management wrote to the unions advising that they would be introduced on the Northern Line from 13 September, and this has now taken place. It was anticipated that LTE would also implement new schedules on other lines (except the Jubilee, Victoria and Bakerloo lines) a week later. However further talks with the unions have postponed implementation until 27 September. The RNC meeting on 20 September also discussed the service cuts issue, and management agreed not to cut services as planned on the Central Line, but confirmed that they saw no alternative to implementing the new schedules on other lines on 27 September.

(b) Rail Workshop grades (3,108)

Settlement date: 22 April

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

Negotiations are likely to await the settlement of the main underground group (see 2(a)).

*TO BE ATTACHED to our minute
to you today.*

PUBLIC TRADING SECTOR
PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS
A 1981/82 PAY ROUND

1. British Rail Clerical & Conciliation grades (136,000)

Settlement date: 20 April

Unions: NUR, ASLEF, TSSA

In response to a claim for increases in line with the RPI and other benefits, BR offered a 5% increase on national rates from 6 September - not backdated to the April annual settlement date. The offer was conditional upon productivity items outstanding from the 1981 pay round being completed by 30 July and that no further industrial action was taken. The offer was rejected by all three unions. Following lack of progress in productivity negotiations with the NUR and ASLEF and industrial action taken by the NUR on 28 and 29 June, BR withdrew their 5% offer.

On 29 June delegates at the NUR's annual conference voted to unilaterally refer the current pay and productivity issues, as they affected the NUR, to the Railway Staffs National Tribunal. ASLEF and TSSA were associated with the reference.

The recommendations of the RSNT were published on 13 September and are not binding. The Tribunal recommends a 6% increase on basic rates from 6 September and the Minimum Earnings Level to be increased by 6% from 19 April 82 (worth together 4% on average earnings in the current financial year). In addition there should be agreement to 1 extra day's holiday to be effective in 1983, and a further pay review should take place before the next annual settlement date of 17 April 1983.

The Tribunal did not explicitly make this award conditional upon agreement being reached on outstanding productivity issues, but made clear their view as to which productivity commitments they considered to have been properly fulfilled and how outstanding commitments should be resolved. The Tribunal also recommended that in future any links which are established between pay and productivity should be clear and unambiguous.

The NUR will not respond to the recommendations until they have been considered at a special delegate conference on 13-14 October. There has as yet been little reaction from ASLEF and TSSA other than describing the award as disappointing. BR Board is reported to regard the recommendations, taken as a pay and productivity package, as a basis for a negotiated settlement.

There will be no further negotiating meetings until after the NUR special delegate conference on 13/14 October.

In response to a letter from the Secretary of State for Transport dated 13 September about the RSNT's recommendations, the Prime Minister commented that a 6% offer would be much too high for an industry making such substantial losses as BR is, and in which so much industrial action has been taking place, and that 6% should be offered only if the NUR and ASLEF have given specific agreement on the outstanding productivity issues.

3

Gas Supply

(a) Staff and Senior Officers (57,700)

Settlement date: 1 June

Unions: NJC - NALGO, GMWU, MATSA

At a meeting on 9 September, management slightly improved their offer. The offer to junior staff of an increase of 5½% on basic salaries and 1 additional day's holiday remained the same, but staff in middle and senior grades were offered increases ranging from 6.5% to 7.4% (the previous maximum had been 7%) and, in addition, staff in these grades were offered an additional day's holiday. The effect of the overall offer would increase average earnings marginally over 7% (the previous offer would have increased average earnings by 6.5%). The unions are to consult at Regional level on the offer. Formal union response is expected at the regular NJC meeting on 30 September.

(b) Higher Management (3,700)

Settlement date: 1 June

Unions: NALGO

An offer of 7.4% on basic salaries; worth about the same on average earnings, was regarded as insufficient by the union.

Comment: It is understood that further negotiations are likely to await the outcome of a settlement for staff (see 3(a)).

4 British Waterways Board: Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

An offer of 5% on basic rates has been rejected. The effect of the offer on average earnings is not known. The unions had made an uncosted claim for increases of 12-15% on basic rates, a shorter working week and additional holidays. No progress was made at a meeting on 7 September. Negotiations will resume on 8 October.

B. 1982/83 PAY ROUND

5 British Airways: All grades (excluding pilots) 40,000

Settlement date 1 January (deferred to October 1982)

Unions: TGWU, AUEW, EETPU, NUSM, APEX, FTATU, GIMU, UCATT, ACTSS, MNAOA

Agreements have now been reached with 7 of the 9 negotiating groups.

An increase on basic rates of 11% will be paid from 17 October 1982 (the deferred settlement date) until 31 December 1983. The next settlement date will be 1 January 1984. The effect of the increase on average earnings will be 10.8% which includes improvements to London weighting and shift allowances which took place on 1 July 1982 in accordance with a pre-determined formula.

6 United Kingdom Atomic Energy Authority: Manuals (4,760)

Settlement date: 1 October

Unions: AUEW, TGWU, GIMU, EETPU

A claim for an uncosted substantial increase was received in July. An informal meeting between management and staff representatives took place in August but a formal negotiating meeting has yet to be arranged.

7. Coalmining : Manuals (188,000)

Settlement date : 1 November

Union : NUM

At their 1982 annual conference, the NUM passed the following resolution:-

Wages

Composite Resolution I

This Conference of the National Union of Mineworkers instructs the National Executive Committee to demand a minimum weekly rate of £115 for S.6, with across the board, flat rate increases on basic rates for all other grades. These rates to be paid on a salary basis. The National Executive Committee are also instructed to submit the agreed wages claim to the National Coal Board, in writing, following the first National Executive Committee meeting after Conference, and also to inform the Board that negotiations must be concluded by the 1st November, 1982.

The National Executive Committee must ensure that the Union's representatives on the Joint National Negotiating Committee retain full negotiating rights and are answerable to the NNC at all times.

CONFIDENTIAL

If the National Coal Board fails to agree to the Union's demands, or fails to conclude the negotiations by the 1st November, then the National Executive Committee are instructed to convene a special National Delegate Conference to consider the position. If the special Delegate Conference recommends rejection of the Coal Board's offer, the National Executive Committee should impose an immediate over-time ban and should be instructed to recommend in a ballot vote that they be given the authority to take various forms of industrial action, including strike action."

The NUM has submitted a claim for a flat rate increase of £27.20 per week on basic pay for all grades. For surface workers this amount represents a 31% increase on basic pay and around 23% for some face workers. The effect of the claim on average earnings has not been calculated but the Coal Board estimates that it would add over £400 million to the pay bill in a full year. In addition the claim seeks salary status for manual grades, a four day working week, retirement at 55 and protection of earnings for miners who are obliged by illness to transfer to lower paid jobs. The Coal Board estimates that to meet the total claim in full would cost over £1000 million; equivalent to around 20% of the Board's revenues.

The first negotiating meeting took place on 15 September when the Coal Board offered 6-6.5% on base rates (5% on average earnings). Management indicated that further monies may be available if the union is willing to consider, with the Board, ways of improving productivity. The offer was rejected by NUM negotiators and the union's executive formally endorsed rejection on 16 September. The Executive has drawn up plans to call a special delegate conference on 4 October in accordance with the annual conference resolution. If the conference rejects the Coal Board's offer, which is likely, there will be a pit head ballot on 28/29 October. The executive is committed by the terms of the resolution to recommend in a ballot vote that they be given authority to take various forms of industrial action including strike action.

At a further negotiating meeting on 23 September the NCB increased the money available for this year's wage settlement from £120 million to £155 million (the revised offer was reported in the press to be worth around 8.2 per cent). This was rejected, and the NUM will now recommend the national delegate conference on 4 October to endorse the executive's call for industrial action. If the conference rejects the NCB's offer, there will be a pit head ballot on 28/29 October.

Comment

A settlement for coalminers will set a target in the pay round for other monopoly nationalised industries such as gas, water and electricity but is likely to be seen as a ceiling by other private and public sector groups.

8. Water Service: Manual grades (29,400)

Settlement date: 7 December

Unions: NJIC - GMWU, NUPE, TGWU.

At a meeting of the NJIC on 21 September the unions tabled a claim for substantial increases in pay to raise the earnings of water manuals to the upper quartile of manual earnings generally, one extra week's holiday and a reduction of one hour in the working week. On latest available figures earnings would need to rise by £19 per week or 15%; it is unclear whether a 'cost of living' increase for this year is also implied. In accordance with normal practice in the industry the employers indicated that they would respond to the claim at the next scheduled meeting on 11 November. The unions requested an immediate response to their claim, or at least a commitment in principle to upper quartile relativity. The employers refused this and the unions announced they would now seek the approval of their National Executives for a one day national strike on 18 October. The employers have stated publicly that this is ^adeplorable and unnecessary decision, in breach of the national agreements, and that it is unacceptable that strike action should be called on the day the claim was tabled, without any negotiation and more than two months before the settlement date.

At a meeting with the Minister for Local Government and Environmental Services on 16 September representatives of the employers had anticipated the upper-quartile claim and emphasised that, as during informal discussions during the last year, they would refuse to accept the validity of the unions position but were prepared to consider steps to improve earnings in return for improvements in performance and other managerial objectives. The one day strike may result in inconvenience where emergency action is needed but it is otherwise unlikely to be damaging. The employers do not intend to change their approach to the negotiations and will consider their response on 27 October and table it at the 11 November NJIC.

The Minister is writing to the Chancellor and colleagues setting out the position in more detail.

Comment: The union's militant attitude probably results from a number of factors: concern over the future of national pay bargaining in the industry now that NWC is to be abolished, and the desire to achieve certain objectives before reorganisation; the intention of the GMWU to reassert itself after losing members to the more militant NUPE; the fact that the same unions are involved in the NHS dispute; the need to keep pace with the miners; frustration at having achieved nothing from last year's collateral agreement; and the knowledge that in recent years the membership has wanted to take a more militant line than union leaders.

The extent to which the workforce positively endorses the action (the closed shop will ensure compliance) will provide a guide as to whether further disruptive action can be expected.

Continued disruption could have implications for the local authority manual workers' negotiations which begin in November.

Settlement levels for miners and water workers will influence negotiations in the gas and electricity industries.

9 British Steel: All grades (103,700)

Settlement date: 1 January

Unions: BSC, ISTC, NCCC, NUB, GMWU, TGWU, SIMA, MATSA, ACTTS

Press reports indicate that the ISTC executive are to submit a claim for a 9.5% increase to the British Steel Corporation. Last year there was no national pay award; increases were paid on the basis of locally agreed productivity schemes. Management and unions met on 1 September to negotiate consolidation into basic rates of a percentage of bonus judged to have arisen from permanent productivity improvements. At that meeting BSC and a body representing all the unions met for the first time and agreed that 2.5% out of a total bonus yield of 6.3% (to date this year) should be consolidated with effect from July 1982.

PART 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

10 Post Office & National Girobank - Postal Supervisors, Executives & Supervisory grades (14,800)

Settlement date: 1 April 1982

Union: CMA

The group has accepted 6½% on basic salaries, worth 6½% on average earnings.

11 Electricity Supply - Clericals (45,000)

Settlement date: 1 May

Union: NALGO

The group has accepted 7.2% on basic salaries, worth 7.2% on average earnings (no increase for 16-17 year-olds).

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Prime Minister (2)
Mus 17/4

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

MF

✓
Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

17 September 1982

Dear Michael

... I am enclosing a copy of the latest Pay Brief.

Copies also go to the Private Secretaries to
Members of E, E(PSP) and E(EA).

Yours sincerely
Marie Fahey

MISS M C FAHEY
Private Secretary

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PAY BRIEF - POSITION AT MID-SEPTEMBER

SUMMARY OF THE 1981/82 PAY YEAR

1. In the pay year ending 31 July 1982 the Department was given information about 1,192 settlements covering 9,131,000 employees. The overall weighted average level of these settlements was 7%.
~~_____~~
 2. In the public sector, 80 settlements covering 4,318,000 employees, the average level was just under 7%. The average in the trading sector was just over 7½% and in the services sector just over 6½%. British Rail (200,000), most NHS groups (900,000) and local authority APT & C grades (600,000) have yet to settle.
 3. The average level in the private sector, 1,112 settlements covering 4,812,000 employees was 7%. The average for manufacturing was just over 6% and for non-manufacturing was just over 7½%. The average in non-manufacturing was depressed by the 4.2% to 4.7% settlement for Motor Vehicle Retail and Repair; exclusion of this settlement would raise the average for this sector to 8%.
 4. Twenty-six Wages Councils covering 2,784,000 employees either made or decided to make orders to come into effect during the pay round. Changes to Wages Council Orders do not necessarily result in corresponding increases in earnings, but representative minimum rates increased by an average of 7½% and improvements to hours and holidays were worth a further ½%.
 5. According to the CBI survey, which is based on a sample of about 1500 establishments covering about ¾ million employees in manufacturing industry, settlement levels from November onwards fluctuated around 7% which was also the average for the round. This is nearly 1% above the DE average for manufacturing. The information on which the two averages are based is not however strictly comparable.
- Drift
6. Preliminary indications are that gross drift in the whole economy is of the order of 2 percentage points. Drift will be analysed in detail when more information is available and reported upon in a later Pay Brief.

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Characteristics of the Round

7. The round started with the RPI at 11-12% and this influenced the level of claims which tended to be pitched at around 12%. The RPI fell steadily from February to July when it reached 8½%. Whilst care was taken to avoid mentioning specific pay targets, references by the Chancellor to the 5% level of pay settlements in West Germany and the announcement of a 4% pay provision (2 percentage points below the previous year) in the public services were taken to signal Government's intention to achieve a further substantial downwards move in pay settlement levels. In CBI pay conferences 6% for settlements with earnings at 7-8% was thought realistic. In the event, once the untypical settlements for police, firemen and some private sector groups early in the round were out of the way, settlements were steady throughout the round and consistently averaged 6-8% with an eventual outturn of 7% - some 1½ percentage points below the average for the previous round. In the public services the 6.9% settlement for L.A manuals, re-inforced by the 5.9% arbitration award to non-industrial civil servants, influenced other public service settlements which generally exceeded the 4% factor used to set the cash provision for pay in the public services by 2-3 percentage points. A settlement for coal miners (7.44%) presented as 9.3% set a target for other monopoly nationalised industries but was probably seen as a ceiling by the other private and public sector groups.

8. Whilst there was a wide range of settlements both within and between industries about 90% of employees covered received settlements in the 5-8% range. In the private sector below average settlements included engineering, clothing, textiles and paper and printing; those above average included agriculture, petroleum and chemicals, food and drink, insurance, banking and finance and distribution. In the state trading sector most settlements were towards the upper end of the 5-8% range with settlements for Water Service Manuals at 8.8% and British Telecom at 8.6%. In the public services there were settlements for police at 13.2% and firemen 9.7% but most other groups settled around 6-7%. Wages Council increases to minimum rates varied from 5% for clothing to 11.8% for hairdressing.

9. About ⅓ of employees in private sector groups but few employees in the public sector, apart from Civil Servants, secured holiday improvements.

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10. A substantial number of employees benefited from a reduction in hours agreed in previous rounds. About 1/5 of employees in both the private sector and in public sector secured a reduction, generally of 1 hour, in this round's agreements; but for the majority in both sectors the operative date was during the 1982/83 round.

11. A confidential CBI survey of members in manufacturing about factors influencing settlements during the round showed that comparability featured in about $\frac{1}{2}$ of settlements, similar to the 1981/82 round. The combination of low profits, price competition and the fear of redundancy were the main factors exerting downward pressures on settlements; in the case of redundancy, however, the proportion of establishments which reported that this factor had influenced the level of settlements was about $\frac{1}{2}$ at the beginning of the round but fell steadily to end the round at about 1/3. The primary upward pressure continues to come from cost of living increases.

CURRENT PAY YEAR

SETTLEMENTS

12. Since the July pay brief 37 settlements covering 200,000 employees with operative dates after 31 July 1982 have been recorded. In the private sector (36 settlements covering 62,000 employees) the weighted average level of settlements was just under 7%. The only settlement in the public sector was for Police (138,000) at 10.3%.

13. Because of the small number of settlements notified the average for settlements effective after 31 July 1982 must be treated with caution. Perhaps a better indication of the level of recent settlements can be obtained from an analysis of the 339 settlements covering 1,397,000 employees recorded in the last 3 months (since mid-June). This shows the level in the public sector (22 settlements covering 687,000 employees) to be $7\frac{1}{2}\%$ - just over $7\frac{1}{2}\%$ for trading and just under $7\frac{1}{2}\%$ for services (excluding Police the averages are just over $6\frac{1}{2}\%$ for the public sector and 6% for public services). In the private sector (317 settlements covering 710,000 employees) the average was about 7% - just under $6\frac{1}{2}\%$ in manufacturing and just over 8% in non-manufacturing.

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14. The Department monitors settlements covering about 90% of employees in the public sector and about 40% of employees in the private sector. Coverage is not based on statistical sampling and may not therefore be entirely representative; two of the sectors under represented are distributive trades and miscellaneous services. However, for these and other industries in the private sector information is obtained about increases in minimum rates decided by Wages Councils. These are excluded from the settlement figures because their effect on earnings in the settlement year is difficult to estimate. In addition some wages council workers are also covered by other pay bargaining arrangements and there is some overlap in the numbers covered. Recent research by the Department suggests however that when averaged over a period of years there is a reasonably close relationship between increases in minimum rates and earnings in the larger councils; also, estimates have been made of the extent of the overlap in the numbers covered. Inclusion of wages councils data increases the private sector coverage to about 50%.

15. Two Wages Councils covering 531,400 workers have either made or decided to make orders to come into effect during the current pay round. The weighted average increase in representative minimum rates is about 5%; manufacturing about 7% and non-manufacturing about 5%. If these are added to the settlement figures for this round, using rates as a proxy for earnings and DE estimates for the numbers of workers affected, the cumulative average for the private sector becomes just over 5%; with similar increases in manufacturing and in non-manufacturing.

NEGOTIATIONS

16. In the PUBLIC SECTOR, Unions representing Gas Supply staff (1 June - 57,700) are to consult members on an offer worth just over 7% on average earnings. The claim is for an increase to maintain living standards. An increase of 6% from 6 September has been recommended for British Rail clerical and conciliation grades (19 April - 136,000) by the Railways Staffs National Tribunal under non-binding procedure. The NUR is to hold a special delegate conference on 13/14 October to consider the recommendation. An arbitration recommendation, also under non-binding procedures, to London Transport rail supervisory and conciliation grades (19 April - 14,152) of 7% on basic rates and a 1 hour reduction in the working week will also be considered at a special NUR delegate conference on 13/14 October. Seven of the nine negotiating groups, including the 3 most militant, of British Airways (1 January - 40,000) have accepted offers of 11% from 17 October to last to 1 January 1984. Meetings with the other groups are taking place. An offer of

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5% on salary scales plus 0.25% for re-structuring has been rejected by Local Authority APT & C grades (1 July - 600,000). The claim for an increase to maintain living standards and a shorter working week has been referred to arbitration. The hearing will take place on 24 September. In the National Health Service generally, the Secretary of State on 3 September reaffirmed that the global sum on offer was final. Co-ordinated industrial action is being taken by the TUC Health Service Committee unions. The TUC is calling for industrial action by all affiliated members on 22 September. The unions representing NHS nurses and midwives (1 April - 482,650) have rejected alternative offers of 6.5% from 1 April 1982 plus 5% from January 1983 or 7.5% from 1 June 1982 plus 4% from January 1983. Both offers to last to 1 April 1984. The Royal College of Nurses is considering the offers and is to hold further talks with the Minister. NHS ancillaries (1 April - 212,000) and NHS admin and clerical (1 April - 131,500) have refused alternative offers of 5% from 1 April 1982 plus 5% from January 1983 or 6% from 1 June 1982 plus 4% from January 1983. A similar offer to Ambulancemen (1 April - 18,110) but with an additional 0.5% on the first payment to allow for a move to a salaried structure was rejected. Staff side consider a salaried structure to be a separate issue and are not prepared to discuss pay and a salaried structure together. For the 1982/83 pay round, Coalmining manuals (1 November - 188,000) have lodged a claim for increases of £27.20 on rates for all grades (31% for surface workers) and other benefits. Union negotiators rejected the offer and this was formally confirmed by the union's executive on 16 September. Talks will resume on 23 September. A special delegate conference is to be held on 4 October and if no agreement has been reached a pit head ballot will be held on 28/29 October to decide on future action, including industrial action.

17. In the PRIVATE SECTOR a 2 stage offer of 8½% from 1 April 82 and 1½% from 1 October 82 for International Publishing Corp'n clericals (1 April - 5,700) is being put to a ballot of members with a recommendation to accept. For the 1982/83 pay round a claim for a substantial increase, an unskilled rate of 80% of the skilled rate (currently 71.9%) and a limit on overtime has been submitted for employees covered by the National Engineering Agreement (1 November - 1,750,000). The employers are to reply at a meeting on 24 September. Vauxhall Motors manuals (15 September - 15,600) have rejected an offer of 7.25% on basic rates plus improved holiday bonuses and sick pay in 1983, worth about 8% overall. The claim is for £25 on basic rates, a shorter working week and staff conditions - estimated to be worth over 30%. The TGWU has presented a claim for a 14.5% increase on basic rates for Oil Tanker Drivers (1 November - 6,780). No meetings have been arranged. Unions representing BL (Cars), manuals (1 November - 40,520) are to present a claim on 7 October and management are to respond on 8 October.

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PRICES AND EARNINGS INDICES

PRICES

18. In August the year on year increase in retail prices was 8.0% compared with 8.7% in July.

EARNINGS

19. In July the year on year increase in average earnings for the whole economy was 10.9% compared with 9.8% in June. The July increase was inflated by temporary factors; mainly back-pay for teachers and the Civil Service which had two annual increases paid in the year. The underlying increase in July was 9 $\frac{1}{4}$ %. This continues the downward trend of the underlying rate which was 9 $\frac{1}{2}$ % in June, having fallen from 11% in January.

REAL DISPOSABLE INCOME

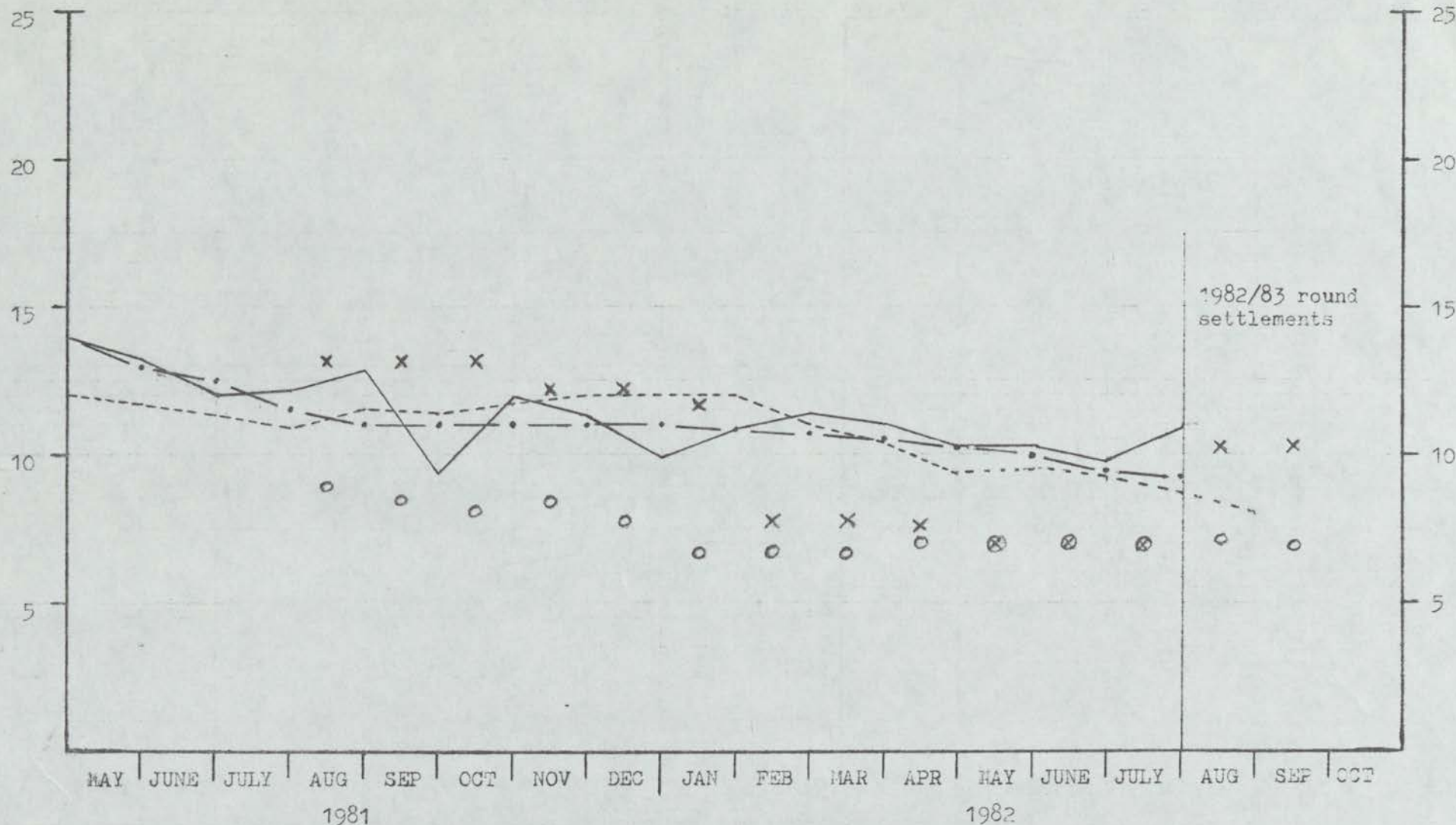
20. In April the real disposable income - taking account of the changes in earnings, prices and taxes - of a married man on average adult male earnings with a non-working wife and two children under 11 (with no other tax liabilities or allowances and not contracted out of the State Pension Scheme) rose marginally in the year to June.

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TRENDS IN EARNINGS AND PRICES

% increase on year earlier

%

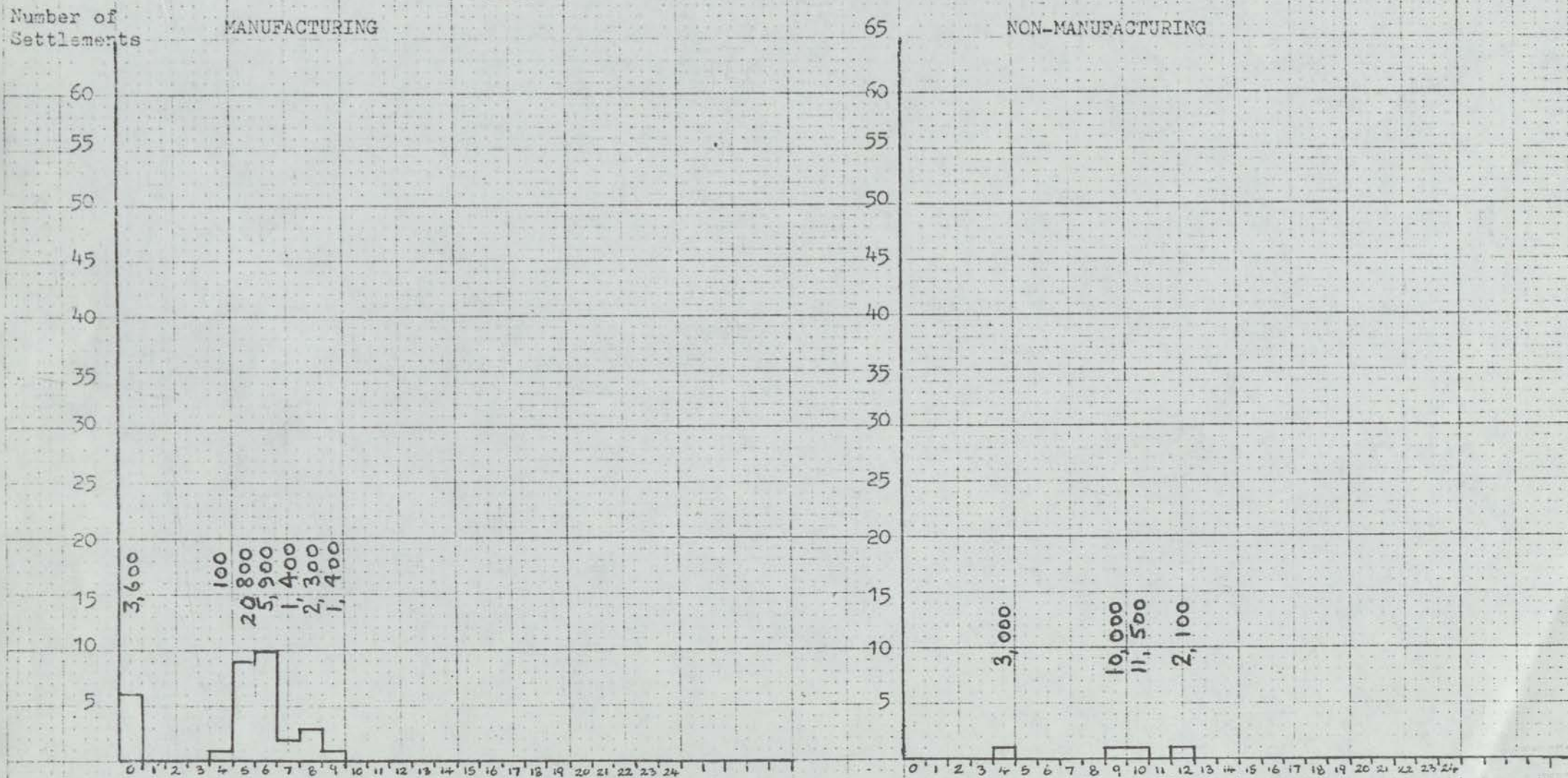


- Retail Price Index
- Average Earnings Index (whole economy)
- Underlying rate of increase in earnings
- x Public Sector Settlements)
- o Private Sector Settlements) Cumulative Average Increase in Earnings

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DISTRIBUTION OF SETTLEMENTS IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1982

KEY SETTLEMENTS UP TO THE LAST PAY BRIEF
 SETTLEMENTS SINCE THE LAST PAY BRIEF



LEVEL OF SETTLEMENT (ROUNDED TO THE NEAREST WHOLE NUMBER)

NOTE - THE NUMBER OF WORKERS (ROUNDED TO THE NEAREST HUNDRED) AFFECTED BY THE SETTLEMENT IS GIVEN ABOVE THE APPROPRIATE INDICATOR.



Treasury Chambers, Parliament Street, SW1P 3AG

David Clark Esq
Private Secretary to
Secretary of State
Department of Health
& Social Security
Alexander Fleming House
Elephant & Castle
London SE1 8BY

16 September 1982

Dear David,

GROUP ON PRESENTATION OF PAY POLICIES
TIMES ARTICLE BY A TREASURY MINISTER

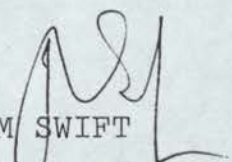
You will recall that the Chief Secretary agreed, following the recommendation of the Group on Presentation of Policies on Pay, to write an article for the Times on the NHS dispute, in its general economic context, for publication on 20 September. A copy of the text now approved by the Chief Secretary is attached.

2. The Chief Secretary will be considering how far current and prospective developments will affect the case for having the article at all, and will be taking the decision whether or not to publish as late as possible.

3. In the meantime, I should be grateful for any comments you may have on the text by noon tomorrow Friday 17 September.

4. I am copying this letter to Michael Scholar.

yours sincerely



MISS J M SWIFT
Assistant Private Secretary

By-standers, victims and participants alike in long-running industrial disputes can all too easily lose sight of what they are about. In the case of the current Health Service dispute there is, for example, no shortage of comment designed to divert attention and inflame passions to other ends. In just two days' time, trade union leaders will be urging their members to stage "sympathetic" industrial action. They know, the Health Service workers know, we all know, that such "sympathy" will contribute nothing to settling the dispute and do less than nothing to justify their case. Indeed, to the extent that it is successful, it will damage Britain's economy and so make it still more difficult to afford the standards of health care which we all would like to see. Meanwhile, in the wing, the chorus of Leftist militants, whose latest recruit seems to be Mr Callaghan, urge workers to defy the law and turn industrial might to dubious political purposes.

The Government has stood firm in spite of these carefully contrived alarums and excursions. We have done so not through stubbornness or heartlessness, but because our proper concern both for Britain's economic recovery and for an efficient, improved National Health Service, has led us to the clear conclusion that it is right to do so.

No-one should be in any doubt about the importance of the issues at stake. First, if economic recovery is to be achieved, public spending, has to be kept under firm control. Other countries that have been reluctant to accept that are now having to do so, and curbs in spending have now to be introduced in France and Germany. Secondly, if a limited amount of public money is to provide the highest possible quality of service, the amount going on pay increases has to be severely limited. Thirdly, pay restraint is crucial to Britain's economic recovery generally. In the private sector, the threat - and all too often the reality - of

bankruptcy acts as a discipline upon potentially irresponsible pay settlements. Belatedly, there are encouraging signs that there and in areas of the state trading sector, the vital link between pay, profits and jobs is being grasped. It is no exaggeration to say that the biggest single contribution that can be made to the fight against unemployment is an acceptance of pay restraint - a refusal to price oneself or others out of a job. Against a background of dramatically falling inflation, commonsense has fortunately become the rule, not the exception. But in some areas of the public sector where competition at best imperfectly applies such realism is somewhat less apparent.

In asking for such realism in the NHS we are asking for no more than is already accepted and understood over by far the larger part of the economy. What we are refusing to do is to accommodate pay claims which would be unjustified by any criteria applying inside or outside the public sector. In particular, when civil servants, teachers, the armed forces, the police (after increased pension contributions) receive increases of some 6% or less, it is not reasonable to argue that Health Service workers should receive twice that. We have already increased the initial 6.4% offer to nurses to 7½% and brought the offer to other NHS groups up to 6%. It is also worth recalling that nurses' pay increased by over 60% between March 1979 and the beginning of the present dispute, a rise substantially above the 49% increase in prices over the same period. In other words we have over a period of time sought to increase living standards of nurses, and in our recent offer we again recognise their special position. The millions of workers who have settled for smaller increases have helped to provide through their labour the taxation, levied to run the Health Service, and pay its employees. Most of them enjoy less job security than the Health Service workers.

They should ask the leaders of their own Trade Unions to remember that fraternity and solidarity work both ways. Higher taxes or higher interest rates (because of higher Government borrowing) in order to pay for higher public sector wages increase the burden on industry, squeeze profits, discourage investment, abort jobs and postpone economic recovery. It may be that this is of relatively small concern to those in some areas of the public sector, more or less shielded from economic realities. But it does concern most trade unionists, most workers and, it is of supreme importance to the unemployed, and anyone who genuinely wants to increase their prospects of regaining a job.

The only other way of providing more for public service pay is by cutting back further on non-pay spending to accommodate higher wages. That is no mere illusion. For every 1% off the public service pay bill releases £350 million for other expenditure, including capital expenditure which will help to create tomorrow's wealth and jobs. How strange that those who believe that constructing roads and repairing sewers are the way to more growth have become blind to that relationship.

But we must also make our stand on the protection and improvement of health care. That may seem paradoxical at a time when shrill accusations of Health Service cuts continue to gain credence. But in many a paradox lies truth. At £14½ billion this year, spending on the NHS is 5% higher in real terms than it was in 1978-79, the last year of the Labour Government. We also spend a higher proportion of GDP on the Health Service than we did in 1979. There are now 57,000 more jobs in the NHS than there were then. But what matters to the patients, and so what must matter to the Government which defends their interests, is not just money but value for money. In

1983-84 and 1984-85, given reasonable improvements in efficiency, public money will be available to allow a modest annual improvement in service provision. Were we to allow irresponsible pay rises, that modest improvement would be transformed into a significant worsening of standards. Those in the public sector, particularly those in the public services, should remember that they cannot claim a special position deriving from their sense of vocation, while failing to recognise their special duties - duties to today's patients unable to receive treatment because of the dispute and also duties to tomorrow's patients whose standards of care would be worsened if available resources were diverted into larger pay packets. Again, that is no speculation. For just 1% extra on pay would mean 5,000 fewer kidney machines or 2,000 fewer hospital beds. A Government which honours its election pledges and which recognises a duty to patients cannot fail to strike that balance. Nor should those who work in the Service.

The pay offer that has been made for the NHS is reasonable. In two days' time unreasonable, inappropriate and damaging action is planned in response to it. Those who work in the Health Service ought to realise clearly that that industrial action cannot possibly be justified. They should bring to an end the misery and disruption that they have for so long unnecessarily caused.



Econ Pol

file No

10 DOWNING STREET

From the Principal Private Secretary

14 September 1982

PERSONAL

Thank you for your letter of 9 September about the Bank's pay settlements. I do not know where the Prime Minister got the figure of 13 per cent, and so far as I am aware, nobody here gave her a calculation on the lines described in your letter. But it is very useful to have the true facts, and I will keep these by me in case the point arises again.

E. E. R. BUTLER

George Blunden, Esq.

VS

MR BUTLER

BANK OF ENGLAND SALARIES

Thank you for letting me see George Blunden's letter of 9 September. I have never followed Bank of England salaries at all closely, largely because the Government has never pretended to have much control over them; such information as I have confirms the figures given in the letter, although I understand that an extra day's leave was also part of this year's settlement.

The real criticisms to be levied at the banking sector are, first, that the Bank of England salaries are too high at senior levels and, second, that the banking sector (other than the Bank of England) regularly settles for more than the going rate. There is some truth in both criticisms. The Economist on 31 July had a short piece pointing out that at the end of February, 166 members of the Bank staff earned over £25,000 a year. (The comparable figure at the Treasury was only 13, although the TSRB award on 1 April will have increased that.) Alan Walters and I had a word about it at the time, and concluded that there were more important issues to pursue with the Bank. As for the banking sector, who would no doubt argue that they are highly profitable and paying only what they need to retain their skilled staff in a competitive market, they settled for 10% in 1981 after industrial action, and 8.5% this year; in both cases about 2% more than the going rate.

I do not know why the Prime Minister mentioned 13% to George Blunden: certainly I have not, in briefing her, suggested that the Bank of England have been paying themselves too much.



JOHN VEREKER

13 September 1982

PERSONAL

Mr. Vender
you may be interested to see.
Fair enough? **FEBB**

BANK OF ENGLAND 13.9.
Threadneedle Street
London
EC2R 8AH

9 September 1982

F E R Butler Esq
Principal Private Secretary
10 Downing Street
London SW1

Dear Robin

Knowing how busy you are I am sorry to inflict any extra paper on you; but I felt that I ought to send you a brief personal note about one small matter which came up at Dunphail. This was that the Prime Minister appeared to think that we had urged pay restraint on others but had not exercised restraint ourselves, and had paid our staff 13% more in the Bank year which ended in February 1982 than in the year before.

The Civil Service settlement was a catching up settlement

Our pay settlements with our banking and associated staff in the last three years have been: 17% in July 1980 - well below the corresponding clearing bank and Civil Service settlements and also well below the current rate of inflation; 7½% in July 1981 - the same as the Civil Service but again well below the clearing banks and the rate of inflation; and 6.8% this year - nearly 1% above the Civil Service but still appreciably below the clearing banks and the rate of inflation. Because our settlement dates from 1 July, the actual pay bill in any Bank year reflects for one third of the year, from March-June inclusive, the previous year's settlement, and for the remaining two thirds of the year the current year's settlement. This means that in 1981/82 the increase in pay to be expected from main pay settlements would have been 10.7% (one third of 17% and two thirds of 7½%). In fact, as our latest Annual Report shows, the aggregate remuneration of employees went up from £50.7 mn to £55.6 mn, an increase of only 9.9%. The shortfall below 10.7% was due largely to a further reduction in numbers of staff.

I cannot be quite sure where the figure which the Prime Minister quoted of 13% came from; but I suspect that someone has reported to her the result of dividing the figures given above for total remuneration of staff by the figures, also shown in our Annual Reports, for the average number of staff employed in each of the last two years. Such a calculation does show an increase of 13%. The difference between that 13% and the 10.7% resulting from the pay awards is accounted for by two facts. First the reduction in average staff numbers of 200 in 1981/82, unlike the reductions in the current year and in the preceding year, reflected almost entirely a rundown in staff at the bottom end of the earning range. Two of the most significant elements in this rundown were a very significant reduction in our Messenger Force and redundancy in part-time women staff on note issue work at our Newcastle Branch. This rundown of lower paid staff increased the average remuneration per individual by just over 1% without anybody

being paid any more. This brought the figure of 10.7% up to 12%. The remaining 1% difference is largely due to the fact that we coped with a 15% increase in the volume of work on Government Stocks, whilst achieving a reduction of 50 in staff numbers in the Registrar's Department. But there was a consequential increase in overtime worked which, of course, affected average remuneration.

I have somewhat over-simplified all this. There are a number of other factors which also affect pay in the Bank: some 1,500 staff at our Printing Works are not governed by our main pay settlements but by the national printing trade settlements; we have also a separate pay scheme for EDP staff; and, as for many other employers in London, there are complications caused by London Allowance. But I hope what I have said does show that the Prime Minister's fears that we might not be practising what we preach are unfounded.

Your sincerely

George

George Blunden



Prime Minister

LJV 2

Wm
31/8

From the Secretary of State

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

31 August 1982

Geoffrey Howe

BRITISH AIRWAYS PAY SETTLEMENT

I thought it might be helpful if I explained the position on the recent British Airways pay settlement, on which you commented in your monitoring report on the public trading sector (your minute of 9 August to the Prime Minister).

The two important features of the BA settlement are:-

- (a) that, although it is for about 11%, it will only take effect in mid-October, after a 9½ month pay freeze from BA's normal settlement date of 1 January; and
- (b) that it is to last 14½ months from mid-October 1982 to the end of 1983.

The effect on BA's costs is equivalent to that of a settlement of about 6½% lasting for the full two years from January 1982 to January 1984 ($11 \times \frac{14.5}{24} = 6.65$).

Because the pay deal was deferred, however, and covers more than one year, these figures do not provide a basis for comparison with annual pay increases. If we can take 1982 in isolation, the cost of the deal to BA is equivalent to one of only just



From the Secretary of State

ms

over 2% for the whole year ($11 \times \frac{2.5}{12} = 2.29$). For 1983 the deal will cost the same as if BA had made successive annual settlements for 1982 and 1983 of just under 5½% ($105.36\% \times 105.36\% = 111\%$). It might be argued that the end-loading in a deferred 11% deal gives BA an unnecessarily high wage base for 1984 and subsequently; but BA's wage rates in December 1983 will still only be 11% higher than they were during 1981, and effect again equivalent to that of two successive annual settlements of under 5½%.

Whichever way one looks at it, therefore, the BA settlement, translated into annual terms, is well below inflation and seems well in line with other recent settlements, even in loss-making nationalised industries. With the exception of BSC, I understand that most of these industries settled at a level of above 5½% in 1981/82: for instance, BS 6.5%, ESI 7.4%, NCB 9%. And I see from recent briefs to Ministers circulated by the Department of Employment that the average level of settlements in the economy for the 1981/82 pay "round" as a whole was around 7%.

There have been press reports suggesting that, when this year's increases in shift allowances, overtime, London Weighting, etc are allowed for, the effective level of the settlement is considerably greater than the published 11%. My Department has checked this with BA, who assure us that even when these items are allowed for the settlement is still around 11%. And of course BA's high levels of planned redundancy have a countervailing downwards effect on their wage bill.

*- handle
redundancies
cost is
very high*

In the circumstances, while one would always have preferred a lower figure, I consider BA's settlement to be well in line with what we could reasonably expect, especially after allowing for the other measures Sir John King is taking to restore the airline's profitability. And the deal should win industrial peace at BA- on the pay front at least - till beyond our current target date for privatisation.

Sir John did not, however, consult me in advance of making the offer; and I am writing to him reminding him of the requirement to do so in future.

I am copying this letter to members of E(NI) and to Sir Robert Armstrong.

[Signature]

[Signature]
LORD COCKFIELD



31 AUG 1967

1 2 3 4 5 6 7 8 9 0



Prime Minister (2)

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

MUS 2/9

31 August 1982

John Halliday Esq.
Private Secretary
Home Office

[Handwritten signature]

Dear John.

GROUP ON PRESENTATION OF POLICIES ON PAY

You may recall that at its meeting of 1 July E Committee endorsed the conclusions of the Chancellor's paper "Pay in the Coming Year" E(82)53. One of the recommendations of that paper was that officials be asked to draw up a programme which would enable the message on pay to be put across adequately. A group has now been set up, under the chairmanship of the Chancellor's Press Secretary, and has met once. The group will be preparing Ministerial speaking notes from time to time, and seeking to identify the best moments tactically for putting across the Government's message on pay.

The Chancellor has asked me to commend to your Minister two specific recommendations of the Group:-

- (a) It is generally counter productive for Ministers to seek to make capital from individual low settlements in the private sector. Overt Government support is often embarrassing to both employer and union sides. This is not to say, of course, that the Government should avoid commenting on general trends on pay in the private sector, without singling out cases.
- (b) The advice of the group to Ministers was that on balance it would not be helpful to have a statement of the Government's views on pay directly aimed at the forthcoming conference of the TUC. This again does not imply that all reference to pay before the conference should be avoided; simply that a clearly anticipatory statement by the Government would add to the publicity the TUC will obtain for its position on pay, and provide a rallying point at the conference itself. The last two conferences have in fact had quite a muted press coverage.

I would be grateful if you would bring this letter to the attention of the Home Secretary and other Ministers in your department. Copies go to Willie Rickett at No. 10, and to the Private Secretaries to other Ministers in charge of Departments. The Chancellor would be grateful if they would draw this letter to the attention of all Ministers in their Departments. Copies also go to Bernard Ingham at No. 10, Richard Hatfield, Cabinet Office, and Gerry Spence at CPRS.

Yours sincerely,

JILL RUTTER
Private Secretary

Jill Rutter



THE MINISTER OF STATE
RT. HON HAMISH GRAY MP

Even P1
DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01-211 3290
Switchboard 01-211 3000

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Wm 19/8

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The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Her Majesty's Treasury
Parliament Street
London
SW1P 3AG

August 1982

Hamish Gray

MONITORING REPORT: PUBLIC TRADING SECTOR

I have seen your minute of 9 August to the Prime Minister enclosing the latest monitoring report on the public trading sector. I would like to take up your comments on the latest offers in the gas industry pay negotiations.

BGC treats each of its negotiations on their merits and points out also that the pay structures of manuals and staff are too different for straight comparison to be meaningful. Nevertheless I understand that the constituent unions acting for the white collar workers have a mandate from their respective Conferences to obtain a settlement not less than that achieved by the manuals. The BGC management have told my officials that the unions are now trying to get this mandate relaxed so that they have more flexibility in the negotiations. The NALGO Conference, which is concerned with both the GSSO and HM negotiations, is due to be held on 19 August and I understand that BGC do not expect any further developments until after that date. BGC have assured us that they are well seized of the need to secure settlements at the lowest level possible, consistent with recruitment and retention factors and the maintenance of realistic differentials that take account of the acceptance of higher responsibility. It has to be recognised, however, that gas industry white collar workers have more industrial muscle than the manuals by virtue of their control of the computerised national gas transmission system, and it would be unwise to assume that these groups will be easily persuaded to reach settlements significantly lower than the manuals obtained.

I am sending a copy to the recipients of your minute.

Hamish Gray

✓ Nat Ind: Coal
Pt 6

CONFIDENTIAL

SW



10 DOWNING STREET

+ 6cc: J Vereker.
HO
DIN
DIETUP
DOE
DOT
DOI
DOTRANS
CO
CPRS

From the Private Secretary

13 August, 1982

Monitoring Report: Public Trading Sector

The Prime Minister has seen the Chancellor of the Exchequer's minute of 9 August. She agrees that there should be an early discussion on coal industry pay, and we have now arranged this for 1700 on Friday, 10 September. This should enable the Secretary of State for Energy to pass on the conclusions as necessary before the NCB meet the NUM on 15 September.

I am copying this to the Private Secretaries to the Home Secretary, the Secretary of State for Energy and the Secretary of State for Employment, whose Ministers have been invited to attend the meeting, and for information to the Private Secretaries to the Secretaries of State for the Environment, Trade, Industry and Transport. I am also copying it to Richard Hatfield (Cabinet Office) and to Gerry Spence (Central Policy Review Staff).

W. F. S. RICKETT

Peter Jenkins, Esq.,
H.M. Treasury

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HL

✓ Nat Ind: Coal
Pt 6

Letter to PJ
as in below
nothing clear
John is wrong



10 DOWNING STREET

W:Ue

arranged for
1700 on Friday
10: Sept. only
Ch/EX; S/ENERGY;
S/ENG; Sparrow
ORCA have
been invited
so far.

Cf.

10/8

H.O. have
been
informed.
Cf.

Industry

Home Sec

Transport

Scotland

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Prime Minister

JV
Nat Ind: Coal Pt 6



Yes not

Agree that you should chair a meeting of Ministers on the NUM pay claim in the week

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

of 6 September,

by which time the NCB's ~~proposal~~ should have put to us their proposed pay offer?

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

LM
9/9

.... I attach the latest monitoring report on the public trading sector.

2. In submitting the previous monitoring report I referred in particular to negotiations with non-manuals in the electricity supply and gas industries. The electricity supply clericals have now settled broadly in line with the 7.4 per cent increase for the manuals. In the gas industry the offer to staff and senior officers has been increased to the equivalent of 6.5 per cent on earnings. Within this figure the most senior grades are being offered 7 per cent. The separate higher management group had also been made an offer at that level (as reported in Nigel Lawson's letter of 28 June). Now, however, the offer to higher management has been increased to 7.4 per cent. I hope that this will not be allowed to precipitate a general move up towards the 7.9 per cent increase which the gas manuals earlier obtained at arbitration. The present offer to the staff of 6.5 per cent seems more than adequate. No doubt Nigel will keep in touch with British Gas.

3. Tom King undertook in his letter of 16 July to report further on developments in the water industry, in the light of both the special 15 per cent comparability claim which has emerged and the prospective dissolution of the National Water Council. I understand that there have as yet been no moves in respect of the next annual pay increase, due in December, and that it has therefore been felt premature to approach the Regional Water Authority chairmen about the handling of the



negotiations. We will, however, need to do all we can to ensure satisfactory arrangements on the management side before negotiations get under way; and this would point to action before too long. We await Tom King's report on this.

4. A settlement with water industry non-manuals is now imminent, at just under 7½ per cent on earnings. This is high, but at least significantly lower than the manuals' increase of 8.8 per cent. As regards the British Waterways Board, Michael Heseltine has drawn their attention to the lack of justification for any increase in the present offers of 5 to 5½ per cent. I am sure that this is right.

5. British Airways had withheld any pay increase this year, but are now in the process of agreeing an increase of 11 per cent from 17 October to last until the end of 1983. This will cover, in effect, the two calendar years 1982 and 1983. Given the reduction in settlement levels for which we are aiming in the coming year, such an increase could well mean that British Airways keep abreast of pay movements generally over the period. Given the success which they had earlier this year in avoiding a pay increase, that would be a disappointing outcome in the circumstances. Moreover, I am not aware that we had any prior notification of the increases now being agreed.

6. Finally we now have Nigel Lawson's report on the forthcoming coal industry negotiations (his letter of 2 August), which was anticipated in my minute of 29 July. In your reply of 2 August you agreed that there would need to be early consideration of that report. Having seen it, I think that we will need a discussion as soon as we know the outcome of the Board's meeting on 3 September at which they will be deciding their pay offer. Nigel will no doubt keep closely in touch with the Board before that date. If your office were able to arrange a meeting of colleagues concerned for the subsequent week, Nigel would then be in a position to pass on our conclusions as necessary before the Board meet the NUM on 15 September.

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As his letter indicates, it is quite possible that the offer made then will be the one which is ultimately put to the (almost inevitable) strike ballot. So any misjudgements at that stage could have serious implications.

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

(G.H.)

9 August 1982

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PUBLIC TRADING SECTOR

PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS

A 1981/82 PAY ROUND

- 1 British Rail: Clerical and Conciliation grades (150,000)
Settlement date: 20 April
Unions: NUR, ASLEF, TSSA

In response to a claim for increases in line with the RPI and other benefits, BR offered a 5% increase on national rates from 6 September - not backdated to the April annual settlement date. The offer was conditional upon productivity items outstanding from the 1981 pay round being completed by 30 July and that no further industrial action was taken. The offer was rejected by all three unions. Following industrial action taken by the NUR on 28 and 29 June, BR's offer was automatically withdrawn.

BR has still to reach agreement with the NUR on the single manning of trains on the Bedford to St Pancras line. The Board has indicated that without agreement there will be no annual pay increase. The NUR insists that the union's agreement on substantial productivity improvements has already been sufficient for a 1982 pay review to go ahead.

On 29 June delegates at the NUR's annual conference voted to unilaterally refer the current pay and productivity issues, as they affect the NUR, to the Railway Staffs National Tribunal. ASLEF and TSSA have associated themselves with the reference to pay. The RSNT began hearing evidence on 3 August. The tribunal's recommendations on the unilateral reference will be non-binding.

The strike by ASLEF, which had brought the rail network effectively to a standstill from 4 July following British Rail's attempt to impose flexible rostering, was called off following a meeting of the TUC Finance and General Purposes Committee which put forward proposals for a return to work on the following basis;

- (a) that the BR Board withdraw its intentions to issue dismissal notices to those involved in the strike and withdraw notice to close the rail network from 21 July

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(b) that the flexible rosters already introduced at 71 depots be regarded as provisional (worked under protest) and subject to joint review and agreement in the light of the rostering agreement reached at national level

(c) BR would not introduce any new rosters before 2 August

(d) and that ASLEF terminate the strike immediately

(e) recall an annual delegate conference within 7 to 10 days to authorize the Executive Committee to enter into negotiations and complete an agreement on the basis of recommendations and safeguards contained in RSNT 77

(f) and that further negotiations are carried out by a sub-committee of the RSNC immediately after the ASLEF conference and are to be completed within 6 days.

A full return to work took place on 19 July. ASLEF's recalled conference met on 27 July when delegates accepted the principle of flexible rostering "under protest". Negotiations on a new agreement were concluded prior to the RSNT hearing on 3/4 August, although formal signing of the new agreement has yet to take place.

In its submission to RSNT on 3 August the Board asked the Tribunal to find that firm implementation dates should be agreed on the remaining productivity items, and that the unions should agree to co-operate in further economy measures as a condition of a modest pay increase less than the Board's previous offer.

2. London Transport - Rail

(a) Railway Supervisory, Booking Office, Conciliation grades (18,000)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

Management had offered 5% on basic rates and a further 1-2% on basic rates linked to improvements in productivity.

In addition, management undertook to review relativities, consider 1 extra days holiday, reduce hours from 39 to 38 per week (providing this could be achieved at negligible cost) and to pay a lump sum bonus worth in total half of any undershoot of the 1982/83 budget. The total effect on earnings is unclear.

As a result of new underground timetables introduced from 21 June which reduced services and cut manning levels, services were greatly disrupted by an

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ASLEF all out strike and NUR "non co-operation". A full return to work finally took place following agreement with the London Transport Executive that the introduction of the new timetables would be deferred until whilst a joint working party considered other ways of achieving economies. At the same time, the NUR annual delegate conference voted to refer the pay issue unilaterally for arbitration by the Wages Board under the Chairmanship of Professor Buchanan. ASLEF and TSSA are associated with the reference.

LT arbitration arrangements are based on those for British Rail. As the unions are proceeding on a unilateral reference, the recommendations of the award will not be binding although such recommendations have, in the past, been generally accepted as a basis for settlement.

The Wages Board will began hearing evidence from 29 July and are expected to report in mid-August.

Comment: Although the NUR has said that the old timetables should run indefinitely until an alternative way of producing economies has been negotiated, the LTE has made it clear that it is not prepared to accept an indefinite postponement. The pay settlement for LT underground employees traditionally follows that of British Rail and the Wages Board machinery has therefore been little used for the purpose of determining the annual pay increases, but its awards generally favour LT.

(b) Rail workshop grades (3,550)

Settlement date: 22 April

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

Management have made a similar offer as that made to the main underground group (see item 2a). Negotiations are likely to await the outcome of the unilateral reference to arbitration.

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3. Gas Supply:

(a) Staff and Senior Officers (57,700)

Settlement date: 1 June

Unions: NJC - NALGO, GMWU, MATSA

On 17 June management made an improved offer of increases on basic salaries ranging from 5.5% (for junior staff) to 7.0% (for higher grades); an increase in average earnings of just over 6%. The offer was rejected. At a further meeting management offered a 0.5% improvement to certain grades in the middle of the range whilst leaving the overall range at 5.5% to 7.0% plus an extra day's holiday to staff in the lowest band. This brought the increase in average earnings to 6.5%.

Comment: The recent arbitration award for gas supply manuals worth 7.9% on average earnings in a full year will influence negotiations.

(b) Higher Management (3,600)

Settlement date: 1 June

Union: NALGO

Negotiations with this group will be influenced by the settlement for the gas staff and Senior Officers (see item 4a). An uncosted claim has been submitted which includes increases of 12% on basic salaries, restoration of differentials over staff and senior officers and grade restructuring. The unions rejected an offer of 7% on basic salaries (equivalent to about the same on average earnings) on 24 June. At a further meeting on 29 July the management increased their offer to 7.4% on basic salaries (about the same on average earnings). The unions still did not consider that this went far enough and are still considering their formal response. No further meeting has been arranged.

4. Water Service: Staff (35,300)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

Following rejection of management's offer of 7% on basic salaries and marginally increased holiday entitlement, (the effect of the total offer on average earnings is not known), NALGO reconvened their annual Staff Water Group meeting on 14 July and have been undertaking further discussions with the other unions involved in negotiations. Subject to formal ratification by the NALGO water committee on 23 August the unions accepted on 4 August an offer giving 7.5% increase on all salary points. Average earnings will increase by slightly less.

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5. British Nuclear Fuels Ltd: Industrials (9,190)

Settlement date: 1 July

Unions: GMWU, AUEW, TGWU, EETPU

A ballot of union members on an offer worth 7½% on average earnings was inconclusive; the non-craft unions accepted the offer; the craft unions rejected it. At a meeting on 14 July management were asked to reconsider their offer, but refused. The unions are now considering their next moves which they have said could involve industrial action. The next meeting with management is on 7 August. It is not known what line management intends to take at the meeting.

6. Post Office and National Girobank

(a) Postal Supervisors, Executives and Supervisory Catering Grades (14,800)

Settlement date: 1 April

Union: CMA

The Post Office has made an opening offer worth 5½% on earnings. Negotiations continue. The CMA is unlikely to accept increases less than those recently awarded to members of the UCW (7.6% on average earnings).

(b) National Girobank, Clerical, Typing, Secretarial and Data Processing Grades (5,200)

Settlement date: 1 July

Unions: CPSA, SCPS

Management has offered 6% on basic salaries and a productivity scheme which, it is estimated, could provide a further 3% on earnings; the overall effect of the offer on average earnings is not known. Negotiations are continuing.

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7. British Telecom:

Settlement date: 1 July

(a) Radio Officers, Telephonists, Telegraphists - 36,000

Union: UCW

Although the union had pressed for an increase comparable to the settlement reached with the Post Office UCW grades (7% on basic rates), the union's executive has now recommended for acceptance an offer in line with the main BT negotiating groups represented by the POEU and SPOE which provides a 6.75% increase on basic rates; 6.8% on average earnings in a full year. The offer will be put to a ballot of the membership and the result is expected around mid-August.

(b) Clerical, Typing, Secretarial and Data Processing grades - 35,000

Union: CPSA

(c) HCO, EO, HEO, Welfare, Information grades etc (6,300)

Union: SCPS

(d) Telephone, Telegraph and Radio Supervisors (6,000)

Union: CMA

The Executive Committees of the unions are meeting to consider offers in line with that which has already formed the basis of a settlement with the main POEU and SPOE negotiating groups i.e. 6.75% on basic rates, 6.8% on average earnings in a full year.

8. British Waterways Board: Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

The unions have made an uncosted claim for an increase of 12% to 15% on basic rates, a shorter working week and additional holidays. A formal negotiating meeting took place on 20 July when management made an opening offer of 4% on basic rates which was rejected. A second offer of 5% on rates was also rejected. The Secretary of State for the Environment has met the full Board and has stressed that any improvement on the existing offer would not be justified.

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B. 1982/83 PAY ROUND

9.. British Airways: All grades (excluding pilots) 40,000

Normal settlement date : 1 January

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

On 10 September 1981, British Airways announced a "rescue plan" aimed at stemming large financial losses. The plan included a large reduction in manning levels, the reorganisation of many working practices and a pay freeze at least until 1 October 1982. A reduction of 10,000 jobs has been achieved and BA has recently announced a target reduction of a further 7,000 jobs by 31 March 1983.

For the purpose of negotiation on pay and conditions of employment, staff are divided into 10 functional groups called National Sectional Panels on which all unions are represented. After pressure from some unions, pay talks were opened on 5 July. Agreement has now been reached with the Engineering & Maintenance group and the Ground Service group for an increase in basic pay of 11% from 17 October to last until 31 December 1983. The effect of the settlement on average earnings in the 1982 and 1983 pay years is not yet known.

BA confidently expect to reach the same agreement with all other groups of staff in due course.

London Weighting and shift allowances are negotiated separately to general pay reviews and were increased from 1 July 1982 in accordance with the Department of Employment published indices for London Weighting and the RPI for shift allowances

10. Water Service: Manuals (35,300)

Settlement date : 7 December 1982

Unions : GMWU, NUPE, TGWU, NUAAW

To date, no claim has been received and no offer has been made in respect of the December 1982 pay review. There are, however, two issues which will have a bearing on negotiations:

a special

- a) the unions are seeking a / increase based on comparability with manual workers in the economy generally, / separate from the annual pay settlement. The 1981/82 pay settlement included a collateral agreement that the employers would, without commitment, give careful consideration to representations by the unions on the position of manual water workers in relation to the earnings of manual workers in the economy generally.

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The agreement was made "on the clear understanding that the employers will wish to ensure that corresponding benefits of equal value are obtained for management and customers". Representations for increases based on the upper quartile of published earnings figures for manual workers generally were made by the unions at an informal meeting of the Chairmen of both sides of the NJIC. Management made it clear to the unions that comparison with upper quartile figures was unacceptable and that management's aims are towards improving performance and efficiency and, possibly, for a change to an April annual settlement date for the group. At a meeting on 30 June both sides reiterated their positions. Management said it would, however, consider ways of improving earnings and it was agreed that management would submit written proposals to the unions for consideration. No further meetings have been arranged.

(b) Although the National Water Council remains responsible for annual pay negotiations this year, the government's intention for its abolition could have an unsettling effect on the employers' attitudes; and the unions will be concerned to protect their interests for the future.

11. Coalmining : Manual grades (188,000)

Settlement date : 1 November

Union : NUM

The NUM has submitted a claim for a flat rate increase of £27.20 per week on the basic pay of surface workers; a 31% increase. For higher grades the increase represents a lower percentage increase in basic pay - around 23% for some face workers. The effect of the claim on average earnings has not been calculated. If negotiations on the claim are not completed by 1 November, a special delegates conference will be called which can be expected to agree an immediate overtime ban, probably with a pithead ballot to follow. A negotiating meeting has been arranged for 15 September.

PART 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

12. British Transport Docks Board: Manual grades (3,120)

Settlement date : 22 April

Unions : NUR, CSEU

Both unions have formally accepted management's offer of 7% on basic rates, an increase of 2.2% on the bonus and overtime claculators and 2 days additional holiday; worth in total 6.8% on average earnings.

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13. London Transport - Buses

- (a) Platform Staff (19,800)
Settlement date: 27 March
- (b) Road Workshop grades (3,300)
Settlement date: 22 April
- (c) Garage Maintenance wages grades (3,000)
Settlement date: 22 April
- (d) Miscellaneous wages grades (1,140)
Settlement date: 19 April

Settlements have now been reached with all four groups for a 7% increase on basic rates from 28 July (19 July in the case of platform staff). A back payment of 6% on gross earnings will be made to cover the period between these dates and the relevant annual settlement dates. The effect of the settlements on average earnings will be 6.7% in the first year; 7.1% in a full year. In addition, groups (b), (c) and (d) will benefit from the consolidation of a small workshop bonus from 1 January 1983, which will provide a further 0.6% on earnings in a full year.

14. Electricity Supply: Clericals (45,000)

Settlement date: 1 May
Union: NALGO

A settlement was ratified by NALGO on 30 July which gave a nil increase for 16 and 17 year olds, an increase of 7.2% across the board, and an increase of 7.3% to 7.6% for professional and administrative grades.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

cc D/Enp DOE vb
 D/N MAFF
 CDL MOD
 CSO NIO WO
 MOT DES CO
 DOT FLO CPRS
 D/Ind HO SO
 WPSO

2 August 1982

Con PR

Dear John

Public Sector Trading Pay in 1982-83: Potential trouble spots

The Prime Minister has seen the Chancellor of the Exchequer's minute of 29 July. She notes that the Secretary of State for Energy will be minuting shortly on the prospects and tactics for dealing with the miners' pay claim, and she agrees that there will need to be early consideration of the Secretary of State's report. She also agrees that there should be a review of progress in the other industries in the latter half of September, and that Treasury officials should coordinate this with the Departments concerned.

I am copying this letter to the Private Secretaries to other members of E and the Scottish and Welsh Secretaries and Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

Yours ever

Willie Ricketts

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

CONFIDENTIAL

da

Prime Minister

CONFIDENTIAL

30 July 1982

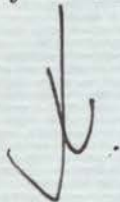
MR SCHOLAR

cc Mr Mount

POTENTIAL TROUBLE SPOTS IN THE PUBLIC TRADING SECTOR

I was involved in the preparation of the official paper enclosed with the Chancellor's note to the Prime Minister of 29 July; and in the discussion I was struck by the ease with which it is becoming accepted both that the tone of the next pay round in the public trading sector will be set by the miners, and that the miners will have to be offered a pay rise in high single figures if we are to avoid a strike.

The official paper does not refer to the NCB's judgment as to what is the minimum figure that would be accepted in the ballot, and Mr Lawson will no doubt be writing about that separately. But there is little doubt that the NCB are assuming that it will have to be a rather higher figure than what Ministers have been saying about the next pay round as a whole, ie the need for substantially less than last time. I do not question any of the main judgments involved - that the miners' pay offer will have to go to a ballot; that it will have to be in high single figures; and that it will set a trend for other public sector monopolies - but I think the Prime Minister ought to be more aware than she might otherwise be from seeing this paper, of the likelihood of the public trading sector pay round ending up much higher than we want, and therefore of the need to make a substantial effort to lower the expectations of nationalised industry management as much as possible. No doubt the Chancellor will be sending her a report of his discussions with the Nationalised Industries Chairmen's Group yesterday; and I have already sent you a separate note about the prospects for the pay round as a whole.



JOHN VEREKER

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Prime Minister (1)

PRIME MINISTER

W

Do you wish to discuss these
two points at dinner ^{on} Tuesday?

Agree we send a copy of this
note to the Chancellor?

Prospects for the Next Pay Round

MCS 29/7

You are dining with the Chancellor next Tuesday evening, and I understand from Michael Scholar that you have no other meeting with him planned before the summer holidays. I would like to suggest that you and he take this opportunity for a word about two particular aspects of our preparation for the next pay round.

We have been successful so far in setting the right background. The Chancellor's 6 July speech - "substantially lower pay rises than last year ... very low pay rises indeed" - opened the debate; and it has since been followed up usefully in Mr. Heseltine's statement on the RSG - the reference to "low single figures if rates are not to increase disproportionately" was inserted at our request, and attracted a lot of attention, particularly on TV - and in the CBI's booklet, "Pay 1982-83", published today.

But one important ingredient has not yet been added to this recipe for lowering expectations. That is the announcement, normally made in September, of a pay factor for public service pay. In the past that was required for cash limit planning purposes, to move from one year's prices to the next; and a pay factor for the Rate Support Grant, in particular, had to be made known early in the autumn. There is no doubt at all that the announcements of the 6% pay factor in 1980, and 4% last year, had an important effect on the expectations of both employers and employees. However, the move to cash planning means that separate pay and price factors are no longer strictly necessary - 6% is already built into the cash figures - and the Treasury are at present undecided whether to announce a pay factor for the public services at all. The Chancellor has said he will bring this to Cabinet on 30 September.

We think we should announce a pay factor, and a low one. If we do not, local authority employers will have only Mr. Heseltine's announcement to go on, and most of them will I believe read it as

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/broadly

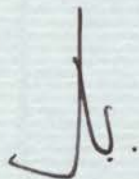
CONFIDENTIAL - 2 -

broadly endorsing a 5% pay assumption. 5% is therefore likely to become the floor for the public service pay round. As you know from my note briefing for the recent E discussion, we do not believe that even 4% settlements - implying an overall earnings growth of about 6% - would be consistent with the Government's objective of a pay round low enough to make a significant contribution to employment. Ideally a pay factor should be announced before Mr. Heseltine sees LACSAB (the local authority employers) in mid-September, to get them to lower their sights; but the actual negotiations with the manual workers will not begin until early October, so a decision on 30 September would just about do.

The other key aspect of the next pay round in the public services will be our handling of the Megaw report. You already know of our doubts about the proposed Megaw system, from our note of 9 July, which the Chancellor has also seen. Briefly, it seems to us likely to offer scope for a new pay agreement only at the price of continued comparability, and therefore of higher pay increases than would be produced by a system genuinely rooted in market factors, job security and affordability. The Chancellor's group (MISC 83) has broadly endorsed the Megaw recommendations, as he will be reporting to you separately.

Much rests on these two decisions - whether to announce a low pay factor, and whether to offer the unions a Megaw-type system. You and the Chancellor may not want to make them now. But I am sure you would find it helpful to agree how hard you are prepared to push for the Government's declared objectives for the next pay round, and at what cost in terms of difficulty with the public service unions, to avert what I fear may otherwise become a pay round no lower - and possibly higher - than the one now finishing.

If you do agree to discuss this with the Chancellor, I think it would be helpful for him to have a copy of this note.



29 July 1982

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Prime Minister ① cc JV

MS ✓ Please see John Venker's note (attached)
✓ Agree to the course
of action proposed in para 3 ?

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

Mes 30/7

Yes.

PRIME MINISTER

PUBLIC TRADING SECTOR PAY IN 1982-83: POTENTIAL TROUBLE SPOTS

At E(82)17th meeting it was agreed that officials should prepare a preliminary report on where there seemed most risk of trouble over public trading sector pay in the next 12 months. I now attach accordingly a note prepared in consultation with the main Departments concerned.

2. It is early days for exact prediction, and much depends on how tough managements intend to be. It is however already clear that the miners, who come early, are bound to be crucial - because of their power; because they set the trend for several others; and because Mr Scargill is clearly determined to have a fight. As the note brings out, complex tactical issues arise on how best to deal with the coal problem, and I endorse the suggestion in paragraph 25 of the note that it would be valuable to consider this soon. I am glad that the Secretary of State for Energy intends to give us an early report of how he and the NCB see matters.

3. No immediate action is needed on other industries. I endorse the suggestion in paragraph 24 of the note that we should review progress in the latter half of September, taking

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into account what we shall have learned in the EFL dialogue about the latest intentions of Boards. If you and colleagues agree I will ask my officials to co-ordinate this with Departments concerned.

4. I am sending copies of this minute to members of E Committee and the Scottish and Welsh Secretaries, and also to Mr Sparrow and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a dot and a horizontal line.

(G.H.)
29 July 1982

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PUBLIC TRADING SECTOR PAY 1982-83 : RISKS OF INDUSTRIAL ACTION

Introduction

1. This paper seeks to identify the main potential areas of industrial conflict in the public trading sector in the next twelve months. It does not discuss specific objectives for nationalised industry pay settlements; the industries' latest assumptions about these will emerge in the discussions and scrutiny leading to the setting and publication of EFLs in the autumn. The likelihood of conflict is bound to depend largely on how tough managements are in going for affordable and market-related settlements.
2. The Annex lists the traditional pay settlement dates for major groups. Industrial action on pay would tend to follow rather than precede these dates. But conflict could arise from issues other than pay.
3. As background, five broad considerations might be noted:
 - (a) Some political voices and union leaders now proclaim a wider argument for industrial action (albeit taken on specific industrial issues) as a means of seeking changes to the Government's economic and industrial policies. The TUC Congress in early September might give impetus to such opinions, and parts of the public trading sector provide fertile ground. However, in spite of widespread discontent, it is not clear that militant union leaders could carry their members with them in plainly 'political' strikes - most trade unionists, in the NUM and elsewhere, are chiefly concerned with their own pay and conditions.
 - (b) Although the re-established Triple Alliance (NUM, NUR and ISTC) continues in existence and there are suggestions that its links should be strengthened and possibly extended, it is unlikely that any of the unions concerned could command more than normal traditional support from the others on a pay issue. The closure of a major steel plant might however prompt collective action.
 - (c) Although a joint meeting is to be held this month between the TUC's Nationalised Industries and Public Services Committees to discuss for the first time the possibility of mutual support on pay, and the TUC Congress in September might endorse this (including the possibility of industrial action), it is unlikely to come to anything much in practice.

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(d) In some disputes, unions (and militant activists) could well court the possibility of legal action under industrial relations legislation, both to demonstrate their opposition to it and to foster wider conflict.

(e) The failure of the ASLEF strike may weaken militancy in forthcoming negotiations, particularly if the further railway issues outstanding are settled on satisfactory terms.

4. The following paragraphs review possible difficulties in individual industries.

Main Industries

Coal

5. Coal provides the starkest problems. The pay claim (a £27.20 increase for all manuals - that is, 23 per cent for face workers and 31 per cent for surface workers) is established and the full claim (including early retirement terms for surface workers, and protection of earnings) has just been put to the NCB. If agreement is not reached by 1 November, the NUM is committed to call a national delegate conference, and if the NCB's last offer is there rejected a national overtime ban will be imposed immediately. The NUM is then committed to recommend a strike to a coalfield ballot.

6. For his first negotiation, Mr Scargill is determined to secure a victory. He would plainly welcome a strike and has stressed the need for a campaign over the coming months to persuade his members of the need for one. Following the decisions of this month's NUM conference there is no possibility of the Executive's concluding any agreement without reference to the delegate conference, and little or no possibility of the Executive's recommending for acceptance any offer significantly below the claim. Given its likely composition, the delegate conference can therefore be expected to agree an immediate overtime ban early in November. The balance of probability is that ^apithead ballot will be called soon after the delegate conference rejects the NCB's offer. It is, however, possible that Mr Scargill might favour delaying a strike ballot for some weeks, particularly if he were uncertain of its outcome - in 1972 and 1974 overtime bans led miners increasingly to accept that a strike was the better and sharper option. It might however be difficult to delay a ballot for more than, say, a month against

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both militant and moderate pressures. In addition, the incentive scheme and earnings from overtime are likely to result in a significant number of miners having reservations about the imposition of a lengthy overtime ban. The possibilities therefore might be a ballot in mid-November with an immediate strike threat, or a ballot then or later for strike at the beginning of January.

7. It is also conceivable that this whole timetable could be speeded up. This might occur if, as in 1973, the NUM Executive rejected any offer the board made in September and Mr Scargill took the line that negotiations were precluded. In these circumstances both the delegate conference and a ballot might be brought forward by several weeks.

8. On either timing, the above analysis suggests that only the ballot itself provides a means of avoiding an eventual strike.

9. It must be expected that in a strike unlawful action (such as picketing at power stations) would be deliberately taken, to tempt the use of the law against the union or individuals.

10. There is no sign of any strong general grievance among miners over pay, but there are other issues - the most immediately important being that of pit closures - on which feeling might be more readily aroused.

Water

11. Pay negotiations for water are close in time to those for coal. Two main considerations are likely to influence negotiations: the unions' attempt to establish comparability with manual workers generally as a standard for pay determination (quoted as entailing a special rise of 15 per cent), which must plainly be opposed; and union demands for assurances from the employers that national negotiations will continue following the announcement of the abolition of the National Water Council next year. Until the dust from that announcement has settled, it is hard to predict its effect on the employers' resolve in what will be the last negotiation led by the NWC.

12. On past form the employers are likely to feel that a "not ungenerous" settlement will be needed to preserve the peace. The normally moderate GMWU has in this industry shifted towards militancy. The possibility of industrial action (local or national) cannot be discounted, particularly if there is major trouble at the same time over coal.

British Airways

13. BA have made major reductions in manpower in 1981-82, and plan more in 1982-83. They have had a nine-month pay freeze from January 1982, and now envisage a settlement from October 1982 running to January 1984 and representing in all about 6½ per cent per year on basic rates for the calendar years 1982 and 1983. If this is confirmed, industrial action either over pay or over redundancies (assuming these remain voluntary) is unlikely.

British Rail

14. No useful assessment of the 1982-83 prospect can be made at this stage, with the issues of productivity and current pay still undecided. Workshop closures are a further unresolved complication.

Gas and Electricity

15. The miners' settlement will be a key influence. Gas and electricity will be likely to be looking for "fair and reasonable" (i.e. high) settlements. They have powerful leverage and management may not be keen to fight hard. Non-pay issues (e.g. the selling off of gas showrooms) may complicate the pay negotiations.

London Transport

16. Underground pay for 1981-82 has still to be settled. In addition, the level of services is a continuing issue which could lead to threats of further industrial action. For the first time, albeit briefly, simultaneous action on the tubes and buses was recently mounted, and militants may seek to contrive this again. Problems could also arise from the broader conflict between the Government and the GLC on London Transport policy.

BSC

17. BSC have succeeded over the last three years in shifting the main emphasis in pay bargaining from the national to the local level, and in 1981-82 pay increases have depended entirely on local productivity improvements. In 1982-83 at the national level BSC can be expected to concede some consolidation of productivity increases into basic pay rates, and to agree to implement from January 1983 a reduction in the working week to 39 hours, originally promised in the Lever inquiry into the 1980 steel strike. But the main emphasis over the next year will continue to be on local productivity deals. BSC say they do not

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expect any serious industrial action either on pay or on the prospects of further closures and redundancies; but there must be room for doubt about this if another spectacular closure were proposed.

British Telecom

18. Past experience of high settlements may lead to an expectation of continuing high settlements, though high pay levels and the lack of a serious threat of industrial action ought in theory to suggest a low settlement. Privatisation might also be the subject of union complaint, though it would hardly on its own provoke serious industrial action.

British Shipbuilders

19. The Department of Industry has told BS that Ministers will be looking for a settlement lower than that achieved last April (6.5 per cent), which gave rise to Ministerial concern. Attitudes on both sides of BS will no doubt be strongly influenced by development on pay elsewhere; but this is an area where management ought not to regard a high settlement as affordable, nor need Government regard strike action as a grave threat.

Post Office

20. Although the 1981-82 agreement was criticised at the UCW Conference, it is expected to stick. There is no great militancy in this area, and unless management presses uncharacteristically for a very low settlement the risks of industrial action do not seem high, nor would its consequences be acute.

Overview

21. Coal is clearly the central problem, of key importance both in its own right and as setting the scene for other industries. It is unlikely that any other major group will be ready to settle on pay until the outcome on the miners is clear. Some other unions might see advantage in threatening industrial action themselves in the atmosphere created by the miners, on the view that the Government would not welcome conflict on different important fronts simultaneously and that after two years of "pay restraint" a breakthrough on pay is necessary and achievable; but their more sensible and probable tactic could be to threaten rather than act. Much would depend on how long a miners' strike lasted. The

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NCE/NUM settlement will inevitably establish a target for the rest. The higher that settlement is (whether achieved by strike action or not) the greater the difficulties for other industries.

22. Particularly with the miners, it seems important to distance pay as far as possible from other, more emotive, issues such as pit closures. It should presumably be an important objective of Government and NCB policy to reduce to a minimum during the negotiations the salience of these other issues which would strengthen Mr Scargill's ability to get the miners out on strike. But the NUM's (and other unions') tactics are naturally likely to be precisely the opposite, and isolation of the pay issue may prove to be difficult.

23. The successful outcome of the ASLEF dispute may have a moderating influence on the general climate for forthcoming negotiations. But the progress of the NHS dispute will also be of wider relevance. There may also be increasing pressure among militants to exploit specific grievances in support of wider aims on economic policy and industrial relations legislation.

24. Plainly enough, the prospects in all the industries surveyed will depend very much on what settlement levels managements go for and how hard they are prepared to fight. Difficult choices will arise, in the exercise of Government influence, among the risks of damaging outcomes on pay and those of major industrial strife in key fields. Ministers may wish to commission a report in the latter half of September summarising the latest pay assumptions of nationalised industry managements as disclosed in discussions leading up to the setting of EFLS, though these assumptions will not necessarily reflect industries' final negotiating strategies, which will no doubt develop progressively through the autumn.

25. There is a case for special and perhaps earlier consideration^{of} the prospect and tactics in relation to the miners. The Secretary of State for Energy is understood to be planning to minute his colleagues before the summer recess about the outcome of his initial meeting with the NCB Chairman on 27 July on miners' pay.

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over taken
MUS 29/7
MR. SCHOLAR

cc Mr. Mount
Mr. Walters
Mr. Ingham

Public Expenditure: Public Service Pay

In his letter of 26 July to Sir Robert Armstrong's office, copied to you, the Chancellor's Private Secretary explains that the Chancellor will seek a decision from Cabinet on 30 September on the treatment of public service pay in 1983/84 for the purposes of the public expenditure survey. The main decision required is whether there should be an announced pay factor, and if so what.

This timetable, and the decisions which are taken, are central to the handling of the pay negotiations with the local authority manuals, which may be expected to set the pace for the whole of the public service pay round. Hitherto, it has been necessary to announce a pay factor for the Rate Support Grant in the course of September, which has had a considerable impact on the local authority employers' attitude to their negotiations. But the move to cash planning means that a separate pay factor is no longer absolutely necessary, and it would be perfectly feasible for the local authority employers to proceed on the basis of Mr. Heseltine's statement yesterday. I was grateful to you for arranging for that statement to incorporate the passage I suggested on pay; nonetheless, DOE have confirmed to me that, as I suspected, most local authorities will read the statement as broadly endorsing a 5% pay assumption. If there is no other pay factor announced, 5% is therefore likely to become the floor for the public service pay round.

It is not absolutely essential for any separate pay factor to be announced in the course of September, because the negotiations with the local authority manuals are unlikely to begin until early October; but I understand Mr. Heseltine is seeking a meeting with LACSAB (the employers) around 15/16 September, with a view to encouraging them to lower their sights: from that point of view, it would be helpful to have a decision on a separate pay factor before then.

As the Prime Minister already knows from my note of 24 June briefing for the E discussion on the next pay round, we do not

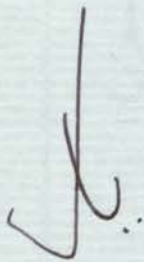
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- 2 -

believe that public service settlements even as low as 4% - implying an overall earnings growth of 6% - would be consistent with the Government's objective of a low pay round which would make a significant contribution to employment. We think therefore that there should be a separate pay factor, well below the 5% on which the local authorities are likely to be working; and that it should be announced as early as possible in the autumn. The recent decision by MISC 83, which the Chancellor will be reporting to the Prime Minister shortly, broadly to endorse the recommendations of the Megaw Inquiry, make it all the more important to set strict limits at the beginning of the pay round if public service pay is not to drift back up into double figures. I know from a brief exchange with him that the Chancellor's own mind is not yet made up on the need for a pay factor this time round; I wonder if the Prime Minister might feel that this is a suitable issue for discussion with the Chancellor at her next regular meeting with him?

A handwritten signature in dark ink, appearing to be 'J.' with a vertical line extending upwards from the top of the 'J'.

28 July 1982

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Ref. A09070

PRIME MINISTER

Industrial Affairs

There are two main items:

- a. British Rail;
- b. National Health Service.

British Rail

2. The next important development affecting British Rail is the ASLEF Delegate Conference. However, even if the Delegate Conference rejects the recommendations of the Executive and ASLEF fails to negotiate an agreement on flexible rostering by the deadline of 2 August, the BRB will be able from that date to introduce rosters at the remaining depots. The present judgement is that ASLEF would be unlikely to try and call their members out on strike again in those circumstances.
3. There remain two difficult issues:
 - i. the outstanding productivity commitments (which concerns the NUR at least as much as ASLEF), and this year's pay offer;
 - ii. the Government's stance on investment in the railways.

4. On i. the present position is that these matters have been referred by the unions to Lord McCarthy's Railway Staff National Tribunal (RSNT). Lord McCarthy is due to have a meeting on 3 August and to report in September. The BRB are considering whether it would be advantageous to try and reach a quick deal with the unions on outstanding productivity commitments and pay, in preference to letting the RSNT machinery run its course. The Chancellor of the Exchequer's Group (MISC 80), at its meeting today, thought that the BRB should be encouraged to pursue this option, although they were not optimistic that the unions would forgo the opportunities for delay and compromise afforded by the RSNT machinery. The Group agreed that it would have to be made clear to the BRB that the Government would wish to have the opportunity to comment on the proposed terms for such a deal, and particularly on the level of the pay offer.

5. On ii. the Secretary of State for Transport accepted, following discussion in MISC 80, that pressure, whether from the unions or from the unions and the BRB jointly, for the Government to approve more investment in the railways, and particularly the electrification of the East Coast line, would have to be held off until the productivity issues were settled and Sir David Serpell's Committee had reported. The position would have to continue to be that worthwhile investment proposals could be considered in due course on their merits in the light of evidence that the investment was likely to be put to efficient use and about the size of railway which could be afforded.

National Health Service

6. Information available so far about the first two days of the NHS

strike taking place from Monday to Wednesday of this week suggests that the action has not been as effective or as well supported as during the one-day strike in June. Sympathetic action by Civil Servants appears to have been much less, involving about 110 staff, mainly in the DHSS, on Monday (compared with 550 in June) and only 4 on Tuesday. There are unlikely to be any new developments in the near future. The Royal College of Nursing will not complete its ballot on the revised offer to the nurses until 20 August. Meanwhile the Secretary of State for Social Services will be arranging for paid advertisements to put across the facts relating to the offer to the nurses in particular, subject to agreement with the No 10 Press Office as to exactly how this should be done.

7. There is also the question of the longer term pay arrangements for nurses and other NHS groups. The Chancellor of the Exchequer reminded the Secretary of State for Social Services in MISC 80 today that it would be undesirable for the Government to be drawn into more specific ideas at this stage, especially since Ministers had not yet agreed collectively on their attitude to the Megaw Report. When the Chancellor of the Exchequer has the first meeting of his new Group on the Megaw Report (MISC 83) next week, it will consider not only the initial line which the Government should take with the Civil Service unions, but also the line which should be adopted towards the Megaw recommendations in dealings with other public service groups, such as those in the NHS, who may have an indirect interest.

HANDLING

8. You will wish to invite brief progress reports from the Secretaries of State for Transport and for Social Services. It should not be

necessary on this occasion to seek a report from the Home Secretary on contingency plans. The Chancellor of the Exchequer may wish to add some comments arising from the discussions in MISC 80, and he and the Lord Privy Seal may wish to say something about the extent of sympathetic industrial action by Civil Servants.

ROBERT ARMSTRONG

21 July 1982

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(2)

Prime Minister

To note

MUS 20/7



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

PRIME MINISTER

MS

MONITORING REPORT : PUBLIC TRADING SECTOR

.....

I attach the latest monitoring report on the public trading sector.

2. The British Rail situation is being dealt with separately, and has changed since the note was prepared.

3. I would draw attention to a common feature of the current negotiations of two groups: clerical workers in the electricity supply industry and gas industry non-manuals. The former group appear to have been offered an increase which is based entirely on the recent settlements for electricity manuals and power engineers (both worth 7.4 per cent on average earnings). And in the case of gas non-manuals, it seems clear that the recent arbitration award for manuals (worth 7.9 per cent on average earnings) is influencing negotiations even though that figure has not yet been reached.

4. There is no rationale for the non-manuals in these two industries being offered the same as the manuals, unless it is justified on grounds of staff shortages, or other market considerations; on the contrary it is likely to make things more difficult for other employers of non-manual labour, including the public services. I can understand the considerations of industrial relations which give rise to this pattern; but it seems to indicate some management weakness. There may be little to be done at this stage about the offers which have already been

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been made, but I hope that Nigel Lawson will be willing to indicate some concern at this pattern and, at the least, do what he can to ensure that the non-manuals' settlements do not in either case ultimately exceed those for the manuals. This is a general question which officials might like to look at further in connection with the next round.

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

G.H.

19 July 1982

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PUBLIC TRADING SECTOR

PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS

A 1981/82 PAY ROUND

- 1 British Rail: Clerical and Conciliation grades (150,000)
Settlement date: 20 April
Unions: NUR, ASLEF, TSSA

BR offered a 5% increase on national rates from 6 September (not backdated to the April annual settlement date) providing negotiations on productivity items, outstanding from the 1981 pay round, were completed by 30 July. The offer was also conditional upon no further industrial action being taken.

The offer was rejected by the NUR, ASLEF and TSSA.

The NUR executive called an all out strike from 28 June against the 5% offer and the fact that it was inextricably linked to productivity. Although some NUR members defied the strike call, the national rail network was near to a standstill on 28 and 29 June. As a result of this action, BR withdrew their offer. On 29 June delegates at the union's annual conference voted to suspend strike action and unilaterally refer the pay and productivity issues, as they affect the NUR, to the Railway Staffs National Tribunal. ASLEF and the TSSA have also referred to the RSNT. The BR negotiating machinery provides two avenues of access to arbitration. A joint reference may be made where both parties agree in advance that the award will be binding. If the parties do not agree to be bound by the decision of the RSNT they may still proceed either on jointly agreed terms of reference or individually to the Tribunal in the hope that the recommendations may provide a basis for settlement but on the clear understanding that the recommendations are not binding. The present NUR reference, like most of those to the RSNT, is under the latter procedure. ASLEF has continued to reaffirm its opposition to flexible rostering. At a meeting of the Railway Staff National Council on 22 June, ASLEF put forward ideas on how greater productivity could be achieved within the existing 8 hour day. The Board proposed limited introduction of flexible rostering in Scotland as a pilot scheme and submitted written details to ASLEF for consideration. ASLEF did not respond to the proposals and BR confirmed their intention to introduce new schedules based on flexible rostering for all employees from 4 July. ASLEF commenced an all out indefinite strike from midnight on 3 July.

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Although some ASLEF and NUR drivers have reported for work, the rail network has been near to a standstill. The union has indicated that it will call off the strike if BR withdraws the new rosters. BR have taken a very firm line and will withdraw the rosters only if flexible rostering is accepted for all drivers. On 14 July the Board announced that the rail network would be closed after midnight on Tuesday 20 July, and all employers taking industrial action that day would be dismissed.

Comment: Ministers have had separate briefing on the current BR situation.

2 London Transport - Rail

(a) Railway Supervisory, Booking Office, Conciliation grades (18,000)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

Management has offered 5% on basic rates and a further 1-2% on basic rates linked to improvements in productivity; ^{the effect of the offer on average earnings is not known.} In addition, management has undertaken to review relativities, consider 1 extra days holiday, reduce hours from 39 to 38 per week (providing this can be achieved at negligible cost) and to pay a lump sum bonus worth in total half of any undershoot of the 1982/83 budget.

As a result of new underground timetables being introduced from 21 June which reduced services and cut manning levels, services were greatly disrupted by an ASLEF all out strike and NUR "non co-operation". ASLEF subsequently decided to return to work but the NUR, the principal union, called an indefinite strike from 28 June which resulted in an almost total shutdown of the underground network. A delegate conference of the NUR voted to return to work on 30 June following agreement with the London Transport Executive that the introduction of the new timetables would be deferred until 8 August whilst a joint working party considered other ways of achieving economies. At the same time, the NUR voted to refer the pay issue unilaterally for arbitration by the Wages Board under the Chairmanship of Professor Buchanan. ASLEF and TSSA are also associated with the reference.

LT arbitration arrangements are based on those for British Rail. As the unions are proceeding on a unilateral reference, the recommendations of the award will not be binding although such awards have generally been accepted as a basis for settlement.

The Wages Board will begin hearing evidence from 29 July and are expected to

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report in mid-August.

Comment: Although the NUR has said that the old timetables should run indefinitely until an alternative way of producing economies has been negotiated, the LTE has made it clear that it is not prepared to accept an indefinite postponement. The pay settlement for LT underground employees traditionally follows that of British Rail and the arbitration machinery has therefore been little used. There are no constraints on the LTE to put their case in full.

(b) Rail workshop grades (3,550)

Settlement date: 22 April

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

Management have made a similar offer as that made to the main underground group. Negotiations are likely to await the outcome of the unilateral reference to arbitration.

3 London Transport - Buses

(a) Bus Platform staff (19,800)

Settlement date: 28 March

Union: TGWU

Following rejection by Branch Committees of a 7% offer/ or which 0.5% was associated on earnings with improvements in productivity, TGWU negotiators met with management on 6 July to explain that the reason for rejection had been the association of productivity improvements with the offer at a time when there were fears of job losses arising from cuts in services. Following further negotiations, the union is now recommending for acceptance an offer of 7% on average earnings from 19 July and a back payment of 6% on average earnings to 27 March. The overall offer is worth 6.7% on average earnings. In addition both sides have agreed to set up a Joint Standing Group to consider ways of achieving economies and examine current agreements and working practices. A delegate conference voted to accept the offer on 13 July.

Limited industrial action by some LT garages in the form of 24 hour stoppages took place against proposed cuts in services but normal working was resumed following management's decision to defer the cuts until August.

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(b) Road Operating Supervisory grades (2,500)

Settlement date: 28 March

Union: TGWU

Negotiations traditionally follow those of the bus platform staff.

(c) Road Workshon grades (3,300)

Settlement date: 22 April

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

Negotiations traditionally follow those of the bus platform staff.

4 British Transport Docks Board: Manual grades (3,120)

Settlement date: 22 April

Unions: NUR, CSEU, EETPU, UCATT, TGWU

The NUR has accepted management's improved offer of 7% on basic rates, an increase of 2.2% on the bonus and overtime calculators and 2 days additional holiday; worth 6% on average earnings. The CSEU has informally indicated acceptance of the offer and will do so in writing shortly. Agreement from the other unions (representing about 15% of the workforce) will follow.

5 Electricity Supply: Clericals (47,000)

Settlement date: 1 May

Union: NALGO

At a meeting on 22 June, the group was offered increases based on recent settlements for manuals and power engineers; 6.4% to 7.1% on basic rates - 7.4% on average earnings. The unions are pressing for a flat rate increase on all basic rates; the Electricity Council have said that this may be possible providing the overall amount of money for the increase remains the same. No further meetings have been arranged to date.

6a Gas Supply: Staff and Senior Officers (57,700)

Settlement date: 1 June

Unions: NJC - NALGO, GMWU, MATSA

On 17 June management made an improved offer of increases on basic salaries ranging

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from 5.5% (for junior staff) to 7.0% (for higher grades), an increase in average earnings of just over 6%. The offer has been rejected; the unions have requested a further meeting, but no date has been arranged.

Comment: The recent arbitration award for gas supply manuals worth 7.9% on average earnings in a full year will influence negotiations.

6b Gas Supply: Higher Management Group (3,600)

Settlement date: 1 June

Negotiations with this group will be influenced by the settlement for the above group. An uncosted claim has been submitted which includes increases of 12%, restoration of differentials over staff and senior officers, and grade restructuring. Management offered 7% on salaries on 24 June, and this was described as "unacceptable". No further meeting has been arranged.

7 Post Office and National Girobank

(a) Postal Supervisors, Executives and Supervisory Catering Grades (14,800)

Settlement date: 1 April

Union: CMA

The Post Office has made an opening offer worth 5½% on earnings. Negotiations are continuing. The CMA is unlikely to accept increases less than those recently awarded to members of the UCW (7.6% on average earnings).

(b) National Girobank, Clerical, Typing, Secretarial and Data Processing Grades (5,200)

Settlement date: 1 July

Unions: CPSA, SCPS

Management has offered 6% on basic salaries and a productivity scheme which, it is estimated, could provide a further 3% on earnings; the overall effect of the offer on average earnings is not known. Negotiations are continuing.

8 British Telecom

(a) Radio Officers, Telephonists, Telegraphists (36,000)

Settlement date: 1 July

Union: UCW

A 6.75% increase on rates has been discussed, the effect on average earnings is not known. The union are pressing for a 7% increase in line with the Post Office UCW settlement. British Telecom are resisting a higher offer.

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(b) Clerical, Typing, Secretarial and Data Processing grades (35,000)

Union: CPSA

(c) HCO, EO, HEO, Welfare, Information grades etc (6,300)

Union: SCPS

(d) Telephone, Telegraph and Radio Supervisors (6,000)

Union: CMA

Settlement date: 1 July

Offers of 5.5% on basic rates have been made to groups (b) (c) and (d), and are under discussion. The effect of the offers on average earnings is not known.

9. British Nuclear Fuels Ltd : Industrials 9,190

Settlement date : 1 July

Unions : GMWU, AUEW, TGWU, EETPU

The unions balloted their members on an offer worth 7½% on average earnings. The craft unions rejected the offer; the non-craft unions accepted. At a meeting on 14 July the management were asked to reconsider their offer, but refused. The unions are now considering their next moves which they have said could involve industrial action. The next meeting is on 7 August.

10. Water Service : Staff 35,300

Settlement date : 1 July

Unions : NALGO, GMWU, NUPE, GLCSA, TWSA

At a meeting on 10 June, management improved their offer to 7% on salaries and marginally increased holiday entitlement (the effect of the total offer on average earnings is not known). The offer was rejected at NALGO's annual staff water group meeting on 14 June. At^a further negotiating meeting on 22 June, management did not improve their offer. It is understood that NALGO were to reconvene the annual staff water group on 14 July and to arrange subsequent discussions with the other unions. No further information is available.

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Comment : Negotiations are influenced by the manual's settlement effective from December 1981 when increases worth 8.8% on average earnings were awarded. Staff consider the restoration of differentials to be a main issue in their claim. The Water Combined Employer's Committee have advised their negotiators that an offer of up to 7½% may be made. If the unions decide to take industrial action to support their claim, indications are that it will be low key including withdrawal of co-operation from planned reorganisations within some Water Authorities and the NWC.

11. British Waterways Board: Manuals (2,370)

Settlement date : 18 July

Unions : NJC - TGWU, NUR, CSEU

The unions have made an uncosted claim for an increase of 12% to 15% on basic rates, a shorter working week and additional holidays.

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B 1982/83 PAY ROUND

12 British Airways: All grades (excluding pilots) 40,000

Normal settlement date: 1 January

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

On 10 September 1981, British Airways announced a "rescue plan" aimed at stemming large financial losses. The plan included a reduction of 9000 jobs by June 1982, the reorganisation of many working practices and a pay freeze at least until 1 October 1982.

For the purpose of negotiation on pay and conditions of employment, staff are divided into 11 functional groups called National Sectional Panels on which all unions are represented. Although postponement of the annual settlement was accepted, 3 panels (Engineering and maintenance, Ramp and Ground Service Staff) submitted claims for substantial increases although there was no immediate pressure to open negotiations.

Staff in the Engineering and Ground Service groups employed at Terminal 3^{have} pressed hard for a 1982 pay increase to take effect before 1 October. Lightning stoppages were called off after management's agreement to commence pay talks on 5 July.

On 5 July management agreed to update London Weighting and shift allowances from 1 July according to a predetermined formula. In addition, they offered an increase of 4½% on basic rates from 1 October (the effect of the offer on average earnings has not been estimated). It is not known whether the increase offered is to run for 12 months from 1 October. Negotiations are still in progress.

Management are arranging meetings with other negotiating groups in the near future.

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13 Water Service: Manuals (35,300)

Settlement date : 7 December 1982

Unions : GMWU, NUPE, TGWU, NUAAW

The 1981/82 pay settlement included a collateral agreement that the employers would, without commitment, give careful consideration to representations by the unions on the position of manual water workers in relation to the earnings of manual workers in the economy generally. The agreement was made "on the clear understanding that the employers will wish to ensure that corresponding benefits of equal value are obtained for management and customers". Representations for increases based on the upper quartile of published earnings figures for manual workers generally were made by the unions at an informal meeting of the Chairman of both sides of the NJIC. Management made it clear to the unions that comparison with upper quartile figures was unacceptable and that management's aims are toward improving performance and efficiency and, possibly, for a change to an April annual settlement date for the group.

At a meeting on 30 June both sides reiterated their positions. Management said it would, however, consider ways of improving performance and efficiency as a way of improving earnings and it was agreed that management would submit written proposals to the unions for consideration. No further meetings have been arranged.

Comment: Following the announcement of the abolition of the NWC the Minister for Local Government and Environmental Services is now considering the options available to bring any influence to bear on these negotiations should he consider it necessary. At a meeting of the National Economic Development Council on 7 July the General Secretary of the GMWU was reported to have said that any attempt by Government to intervene in negotiations in the water, gas and electricity industries would inevitably lead to confrontation and that the unions would be forced to seek maximum wage claims if union leaders were not more closely involved in government economic planning.

14 Coalmining: Settlement date: November 1982

The National union of Mineworkers conference began on 5 July. Delegates are reported to have overwhelmingly passed a resolution to seek wage increases averaging 31%. Unions negotiators are to draw up a detailed claim for immediate submission to the National Coal Board. There has been a call for an immediate overtime ban and ballot recommending strike action if negotiations are not completed by 1 November.

The President of the NUM is reported to have also threatened industrial action over any proposals by the NCB to close pits.

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SETTLEMENT CONCLUDED SINCE THE LAST REPORT

15 Electricity Supply: Power Engineers 29,300

Settlement date : 1 February

Unions EPEA/EMA

A settlement providing increases ranging from 7.3% on basic salaries in lower grades to 7.6% in the higher grades was agreed on 18 June. The increase in average earnings arising from the settlement will be 7.4% (in line with the increase arising from the earlier settlement with manual grades).

16 West Yorkshire Passenger Transport Executive: Platform Staff (2,751)

Settlement date : 1 May

Union : TGWU

The union has accepted an increase of 6.6% on basic rates and 2 additional days holiday. In addition management has agreed to minor improvements to holiday rates which will be paid for by amendment to sick pay arrangements. The settlement will provide a 7.4% increase in average earnings.

20 JUL 1982

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MR. MOUNT

cc: Mr. Scholar —
Mr. Walters

PAY IN THE PUBLIC TRADING SECTOR

As you know, I attended Michael Quinlan's meeting this morning to discuss the Department of Employment paper, which you have seen, on the risks of industrial action in the public trading sector next year.

I asked, and it was agreed, that the paper - which at present places considerable emphasis on the likely claim in each industry - should at some point list the pay assumption being made by each nationalised industry management, because that is possibly the most important indicator of the likelihood of trouble in a particular industry.

The rest of the discussion was dominated by the prospects for the coal industry. Douglas Smith warned that in his view Scargill was more likely to be able to carry his members with him over pit closures, and might even do so before November, than over pay: it was therefore particularly important that the NCB should not attempt to bring about any further closures carrying the same likely degree of opposition as Snowdown. Ivor Manley, the Deputy Secretary responsible in the Department of Energy, reported what the NCB management have told Mr. Lawson they thought could be achieved this year (I should be glad to know if this differs at all from what Mr. Lawson told you). He said that the principal management assumptions were:

- (a) that (as the paper says) a strike can only be averted by means of a pithead ballot overturning the recommendations of the NUM Executive, and
- (b) such an outcome could be achieved only if the final offer put to the ballot was perceived by the miners as being comparable to the RPI, i.e. around 8-9 per cent. That would not preclude the possibility of the offer actually being worth less on average earnings, as in the case of the last two years.

/ On this

On this analysis, the best outcome in the coal industry, and therefore in the other public utility monopolies, is quite incompatible with our wider objectives for the next pay round as a whole. It is of course necessary, as I pointed out, to reach some judgement of the extent to which the minimum acceptable offer would become lower if the miners saw the Government "win" the ASLEF dispute, and that there were some four months' supply of coal in the power stations. And the NCB's judgement probably does allow some room for manoeuvre, because the new management will not have wished to have set its targets unrealistically low, and therefore to risk failing to meet them, in the first year.

The paper is now being revised, and the Chancellor of the Exchequer will eventually circulate it to E. But there is no meeting of E planned to discuss it, and the intention is that the Chancellor will be guided by it when he meets the Nationalised Industries Chairmen's Group on 29 July. We ought therefore to be ready to advise the Prime Minister to respond to the paper before 29 July, and although experience shows that it is exceedingly difficult to persuade the nationalised industries to build in lower pay assumptions, I am sure that we should make the effort, on the grounds that we are better prepared than ever before against the power of the monopolies, and that there is no reason at all why the weaker nationalised industries (in general, those sponsored by the Department of Industry) should be contemplating significant pay rises at all.

J. M. M. VEREKER

16 July 1982

CONFIDENTIAL

cc Mr. Mount
Mr. Ingham
Mr. Rickett

MR. SCHOLAR

NHS DISPUTE

Pay NAT

Two points arising from MISC 80 this morning:

i. Mr. Fowler stressed, as he did in his earlier note to the Prime Minister, the importance of getting it understood that the Government's offer really was final. He said how much he had welcomed the Prime Minister saying so in Questions on Tuesday, but reported that Pat Lowry had told him that Spanswick and other union leaders still believed there was more money available. He therefore asked the Chancellor to add his voice to those who had said there was not; and the Chancellor agreed to look for an opportunity to do so. If this comes up in Questions again today, I hope the Prime Minister can re-affirm the point. What she said on Tuesday was:

"What has been offered is a final offer."

She can perhaps say today, if asked:

"I hope that the unions are in absolutely no doubt that the Government has made its final offer. The sooner they believe this, the sooner they can come back to the negotiating table and settle the details, and the sooner this wretched dispute can be ended."

ii. Mr. Fowler announced that he intended to discuss with the Chancellor before long the possibility of setting up "a Megaw-type enquiry" into future arrangements for determining nurses' pay. To my astonishment the Chancellor did not react adversely, although I have no doubt he will do so before long. Mr. Fowler explained that

/Mr. Clarke

Mr. Clarke was not making much progress, and he feared that without an enquiry, no new arrangement would be ready by next year. I need hardly go into the drawbacks: it is no skin off our nose if the nurses are dragging their heels; an enquiry will delay matters rather than bring them forward; an enquiry is even less controllable than Mr. Clarke; and an enquiry would be difficult to confine to the nurses rather than the whole of the NHS.

J.

15 July 1982

JOHN VEREKER

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Secretary of State for Industry

Prime Minister (4) q/csv
 REC 8/7
 DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB

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

7 July 1982

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

Dear Geoffrey,

MONITORING REPORT: PUBLIC TRADING SECTOR

In paragraph 6 of your minute of 29 June to the Prime Minister you referred to the pay negotiations in the National Girobank and expressed the hope that I might find ways of monitoring performance so as to ensure that the proposed productivity scheme would not automatically give the staff what would in total be a large pay increase.

2 Officials from this Department have emphasised to the National Girobank management the importance of ensuring that payments under the scheme will be made in arrears, and in respect of actual productivity achieved. I have, nonetheless, asked them in their regular monitoring of Girobank to continue to keep progress in increasing productivity under review and to pay particular attention to the outcome of the productivity scheme and payments made under it.

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

You are
 Tate

8-10-1962

11 121 W
9 8 7 6 5 4 3 2 1



Prime Minister

M

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Michael Scholar Esq
Private Secretary
10 Downing Street

2 July 1982

Dear Michael

NHS PAY DISPUTE : BACKGROUND INFORMATION

I thought you might find it helpful to have figures on the total costs of the various pay offers and, separately, on the offers made to nurses. I enclose a table giving these for England and Great Britain.

I also enclose for your information a fact sheet which is being sent out to the press today.

*Yours ever
Mary McVerry*

MARY McVERRY (MRS)
Private Secretary

ENC

NHS - COST OF PAY OFFERS AND CLAIMS

£m

	ENGLAND		GREAT BRITAIN	
		<u>Of which nurses account for</u>		<u>Of which nurses account for</u>
4%	233	100.5	282.5	123.7
Additional cost of 4-6.4% offer	67.1	60.3	81.9	74.2
Additional cost of 6-7.5% offer	74.5	27.5	89.9	33.9
Cost (above 4%) of DDRB (hospital and community doctors and dentists)	18.2		22.0	
Total cost of all offers	392.8	188.3	476.4	231.8
Total cost of 12% claim	700	301.4	850	371.0

*includes
doctors*

- 2 JUL 1982

1. PAY CLAIM

The health service unions are claiming a 12 per cent increase in NHS staff pay which would cost £700 million in England (£850 million in Britain). The other improvements claimed - longer holidays and reduced hours - would increase the value of the claim to 20 per cent.

2. PAY OFFER

Last December the Government concluded that Departments' spending plans should provide for increases of four per cent in the money available for the pay of public servants in the forthcoming pay round (ie from April 1982 in respect of the NHS).

Since then improved pay offers have been made. The offers are as follows and represent the average for each category:

Nurses and midwives	7.5 per cent
Physiotherapists and members of other professions supplementary to medicine	7.5 per cent
Ambulancemen and hospital pharmacists	6.5 per cent
Ancillaries and other groups	6.0 per cent

(Fuller details of the offers and their cost are given in the Appendix to this Paper)

Other recent pay awards in the public sector are as follows:

Civil Servants	5.9 per cent
Teachers	6.0 per cent
Members of the armed services	6.1 per cent

In addition, the Government has launched discussions aimed at developing new permanent arrangements for determining the pay of nurses and midwives. The aim is for the new arrangements to be in place by April 1983 (ie. the next pay round), and similar arrangements will be sought for members of the professions supplementary to medicine, such as physiotherapists and radiographers; and the Government has indicated its willingness to hold discussions with other health workers about more satisfactory pay arrangements.

3. GOVERNMENT POLICY TOWARDS THE NHS

(a) Resources In cash terms expenditure on the NHS will have virtually doubled in 1982-3 compared with 1978-79.

	<u>England</u>	<u>Britain</u>
1978-79	£ 6,500 million	£7,700 million
1982-83	£12,100 million*	£14,500 million*

*including latest pay offer

Since May 1979 there has been real growth of about 5%.

(b) Employment The number of staff in the NHS (whole-time equivalent) has risen in England by 47,400, with the bulk of the increase being concentrated among nurses and midwives who provide direct patient care.

Whole-time Equivalents

	<u>England</u>		Increase*
	1979	1981	
Nursing & midwifery staff All directly employed staff	358,400	392,200	33,800
	773,400	820,700	47,400
General Medical & Dental Practitioners	35,200	37,200	2000
	<u>Britain</u>		
Nursing & midwifery staff All directly employed staff	437,600	478,800	41,200
	939,600	996,600	57,000
General Medical & Dental Practitioners	41,700	44,000	2,300

(c) Earnings The earnings of staff in the Health Service have risen during this time. For example, a staff nurse on basic salary maximum will have had her average weekly earnings raised from £82.50 in 1978-79 to £121.53 in 1981-2. If the present offer is applied to staff nurses this will go up to £131.10 in 1982-3.

(Details of weekly pay among nurses, ancillaries, ambulancemen and the professions supplementary to medicine are given in the Appendix.)

(d) Hours of Work In 1980-81 the working week was reduced for nurses and midwives from 40 hours to 37½ hours.

(e) Waiting Lists Since 1979 hospital waiting lists have been reduced as follows:

	March 1979	September 1981
England	752,000	620,000 (provisional)

Hospital Turnover

	<u>England</u>		<u>Britain</u>	
	1979	1980	1979	1980
Discharges and deaths	5,400,000	5,670,000	6,485,000	6,810,000
Day cases	592,000	671,000	705,000	798,000
New out-patient attendances	16,911,000	17,164,000	19,834,000	20,145,000

*calculated on unrounded figures.

APPENDIX

THE NHS: BASIC FACTS

What is being offered in Britain

	<u>Average offer</u>
Nurses and midwives	7.5%
Physiotherapists and other members of the professions supplementary to medicine	7.5%
Ambulancemen and hospital pharmacists	6.5%
Hospital doctors and dentists	6.0%
Other groups of staff (e.g. ancillaries)	6.0%
Average increase	6.75%

(Note: the above offers refer to directly employed NHS staff and therefore exclude General Medical and Dental Practitioners).

Value of Pay Offers to Directly Employed NHS Staff

	<u>England</u>	<u>Britain</u>
	£m	£m
Pay bill 1982-3	5820	7060
Offers 1982-3	393	476
TOTAL	6213	7536

Expenditure on NHS since 1978-79

	<u>England</u>	<u>Britain</u>
	£m	£m
1978-9	6,500	7,700
1982-3	12,100*	14,500

*Includes pay offers

THE RISE IN SALARIES AND EARNINGS IN BRITAIN

The tables below show the increase in salaries since 1978-9. In discussing ancillaries, it is usual to refer to average earnings, which are considerably higher than their basic rate of pay.

	1978-79		1981-82		Effect of present offer if basic % increase given to all staff within a group	
	Basic rate	Average earnings	Basic rate	Average earnings	Basic rate	Average earnings
	£	£	£	£	£	£
<u>Nursing & Midwifery</u>						
Staff nurse						
(min)	57.92	67.65	85.34	99.67	91.75	107.15
(max)	70.63	82.50	104.06	121.53	111.87	131.10
Ward sister						
(min)	66.24	75.51	107.93	123.04	116.03	132.27
(max)	92.42	107.95	138.37	157.93	148.75	169.77
<u>Ancillaries (average rates)</u>						
Full time men	44.57	68.63	64.89	104.17	68.78	110.42
Full time women	43.29	55.81	61.83	84.02	65.54	89.06
All staff	-	-	63.30	93.73	67.10	99.35
<u>Ambulancemen (maximum rates)</u>						
Leading Ambulancemen	55.80	106.02	89.40	169.81	95.21	180.85
Qualified Ambulancemen	53.04	91.76	82.54	142.62	87.88	151.89
<u>Para-medical professions (p.a.)</u>						
Physiotherapists						
Basic grade maximum	3588	3875	5409	5842	5815	6280
Radiographers						
Basic grade maximum	3588	4126	5409	6220	5815	6687



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PART 7 ends:-

1st July 1982.

PART 8 begins:-

2nd July 1982

