PREM 19/1001

MT

PART 10 49.41

CONFIDENTIAL FILING

PUBLIC SECTOR PAY POLICY

TREASURY MONITORING REPORTS.

ECONOMIC POLICY

PART 1: JULY 1979

PART 10: APRIL 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~18.4.83~~							
~~22.4.83~~							
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← Pt Ends →

PART 10 ends:-

PSP(O)(83) 22

PART 11 begins:-

PSP(O)(83) 24

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
PSP(O)(83)10	18.04.83
E(PSP)(83) 8	22.04.83
E(PSP)(83) 9	13.05.83
E(PSP)(83) 13	13.07.83
PSP(O)(83) 15	15.07.83
E(PSP)(83) 14	05.08.83
PSP(O)(83) 19	11.08.83
E(PSP)(83) 15	09.09.83
C(83) 31	09.09.83
PSP(O)(83) 21	12.09.83
CC (83) 27th Conclusions, Minute 5	15.09.83
E(PSP)(83) 16	16.09.83
PSP(O)(83) 22	16.09.83

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

Signed M Wayland Date 25 March 2013

PREM Records Team

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PRIME MINISTER

PUBLIC SERVICE PAY AND PUBLIC EXPENDITURE IN 1984-85

FLAG A

I have seen the Chief Secretary's paper (C(83)31) about the pay assumption to be used for 1984-85 in settling our public expenditure plans for that year. As I will not be present at that discussion may I put a few thoughts to you. They essentially revolve around the second paragraph of the Chief Secretary's paper which says that "we have to make an explicit assumption about increases in pay rates" as part of the public expenditure discussion.

This assumption is questionable. It is true that up to a few years back we had to make an autumn assumption about pay in order to settle rate support grant. It is also true that in the period of our major, and successful, efforts to reduce the rate of inflation there was also a very strong case for publicly demonstrating our will to reduce the level of pay settlements generally and for giving a lead. The RSG argument no longer applies and the "lead" argument is a good deal less strong than it was - not least because the private sector is much more market responsive in terms of pay and is unlikely to be influenced by what happens to civil servants or NHS ancilliaries. Moreover everyone will know that the pay of two major groups of our direct employees - the armed forces and the nurses - will be effectively determined by the reports of their respective review bodies and not by percentage figures issued now.

In short while a 3% pay factor might somewhat simplify the administrative processes of public expenditure control it is likely to have little other practical effect. Moreover on the other side of the medal it carries two penalties:-

(a) it tips our hand to the unions who will not begin seriously to negotiate next year until they have at least 3% on the table.

(b) if the final settlement next year is anywhere within striking distance of the likely private sector outcome we will be told that "our pay policy has been defeated".

I do therefore wonder whether setting a pay factor at this stage does not carry penalties which outweigh the benefits. There are other ways of handling this situation eg a zero pay factor and whatever sum of money we judge sensible to be tucked away secretly in the contingency reserve. We would then retain full freedom

to decide at the time how we would meet the cost of any settlement as between supplementary estimates and cost savings. In short we would get much closer to private sector practice while avoiding a good deal of unnecessary hassle and offering political hostages to fortune.

I am sending a copy of this minute to Sir Robert Armstrong.

LORD GOWRIE

14 September 1983

4

SECRET

P.01095

Prime Minister

Please see X

MCS 14/9

MR SCHOLAR

PUBLIC SERVICE PAY AND PUBLIC EXPENDITURE: NHS ASPECTS

With reference to tomorrow's discussion of the public service pay factor, we have just heard that the Secretary of State for Social Services may argue that there is a difficulty in reducing the public expenditure provision for the NHS to reflect a 3 per cent pay factor, arising from what the Prime Minister said during the General Election campaign about maintaining the levels of expenditure on the Health Service set out in the Public Expenditure White Paper.

2. The Prime Minister may receive a minute from the Chief Secretary, Treasury warning her of this and saying that the Treasury view is that adjustment of the pay increase assumption from 5 per cent to 3 per cent is not inconsistent with maintaining planned levels of expenditure on the Health Service. The Treasury accept that particular difficulties could arise over applying the 3 per cent factor to NHS expenditure, and they would be prepared to pursue these as part of the Chief Secretary's bilateral discussions with the Secretary of State for Social Services.

3. If this point is raised in Cabinet, the Prime Minister may wish to take the line that any particular points arising over NHS expenditure should be pursued as part of the bilateral public expenditure discussions in the first instance.

PG

P L GREGSON

14 September 1983

SECRET

FROM: THE CHIEF SECRETARY
DATE: 14 September 1983

3

PRIME MINISTER

MT

C(83): PUBLIC SECTOR PAY - IMPLICATION FOR THE NHS

FMAGA Before my paper on the pay assumption for public service pay is discussed in Cabinet, I think you should be aware of a difficulty as regards its application to the NHS.

2. The paper proposes that the 3% assumption should apply to the NHS, and that the excess in the current provision should be clawed back. It may be argued, against this, that it will be politically difficult for us to reduce the total public expenditure provision for the NHS in this way in the light of our commitments (such as in your Edinburgh speech during the Election campaign) to maintain expenditure at the levels in this year's Public Expenditure White Paper. This kind of commitment was, I am sure, intended to provide a reassurance that we would not be reducing the level of services in the NHS; a cash reduction to reflect the changing prospects on pay settlements should not affect the level of service at all.

3. Although I am willing to discuss the issue in my bilateral with the Secretary of State for Social Services, I am sure that there is no basis for any other pay assumption than 3% for the NHS. If the total cash provision for the NHS is left at its current level there may appear to be funds for extra increases in services, and there will be the risk that the health authorities will commit themselves to such increases. Then if the eventual pay settlements were to turn out above 3% (the new nurses' pay review body is relevant here) we would have a difficult choice between either funding the extra cost from the Contingency Reserve or enforcing reductions in services on the health authorities, which would mean a re-run of the argument that is still going on about the 7 July reduction.

4. By contrast, treating the NHS in line with the whole of the rest of the public service will be consistent and readily defensible. It would not give the health authorities an excuse to undertake commitments that they could not finance. There is of course still the question how to meet any overrun if NHS pay settlements go beyond 3%, and whether any provision for this needs to be made in advance; but I suggest that the right place to discuss this is in the bilateral on NHS spending which I am due to have with Norman Fowler shortly.

5. I am sending a copy of this minute to Sir Robert Armstrong.

PR

PETER REES

010

2

Ref. A083/2589

PRIME MINISTER

Public Service Pay and Public Expenditure in 1984-85
(C(83) 31)

BACKGROUND

For several years the Government has distinguished in its public expenditure planning between increases in pay and increases in the prices of other inputs, and has set an explicit separate "pay assumption" or "pay factor". It is necessary, whatever the system of public expenditure planning, to promulgate to Departments by about December pay assumptions for the preparation of the subsequent year's Supply Estimates. Under cash planning it has been the practice to decide and announce the assumption in about September.

2. The pay assumptions in recent years have been as follows:

1981-82: 6 per cent
1982-83: 4 per cent
1983-84: 3½ per cent

In each year public service pay settlements have typically been about 1-2 per cent higher than these figures. The extra cost has been found by such measures as administrative economies and staff reductions greater than previously planned.

3. The pay assumption normally applies to all central government pay, including the Civil Service, Armed Forces, and the National Health Service (it has been the practice in recent years later to adjust the Defence cash limit to accommodate the recommendations of the Armed Forces Pay Review Body).

FLAG A

4. In his memorandum C(83) 31, the Chief Secretary, Treasury proposes to follow this broad pattern. Specifically, he proposes that there should be a separate pay assumption for 1984-85; that it should be set at 3 per cent; and that it should be announced forthwith.

5. Existing public expenditure provision for 1984-85 is implicitly based on provision for inflation of 5 per cent, not differentiated between pay and prices. The Chief Secretary proposes that if a pay assumption of 3 per cent is adopted, the planning baseline should be reduced accordingly. This would produce a saving, compared with published plans, of about £400 million.

6. The Official Committee on Public Sector Pay (PSP(0)) has prepared a note on aspects of the current pay round. This has been circulated to Ministers as E(PSP)(83) 15. It points out, among other things, that each year since 1979-80 both settlements and increases in earnings have been lower on average in the public services than in either the public trading sector or the economy as a whole. It suggests that the cumulative effect of this will have increased the pressure on the public service unions not to accept settlements below the average in the coming pay round. It is, however, too soon to assess how the current pay round will turn out in either the public or private sector.

FLAG B

MAIN ISSUES

7. The main issues before the Cabinet are as follows:

i. Should there be a separate pay assumption?

ii. What should it be?

iii. Should it be announced?

£400m Prom

A Separate Pay Assumption

8. Although they are logically separable, in practice questions i. and ii. are likely to be discussed together. If it is accepted that there should be a separate pay assumption, it is not easy to see an alternative to the proposed 3 per cent. A lower figure, as the Chief Secretary says, would risk being neither credible nor sustainable: the slightly easier economic climate may induce some private sector employers to concede larger pay increases than in the recent past; and there is a limit to the extent to which the public services can be expected to continue to conclude pay settlements below the private sector average. It might be possible to use 3½ per cent again, stressing that the Government expected settlements to be

closer to that figure than they were last year. But when a similar approach was suggested last year it attracted little support from the Cabinet (CC(82) 42nd Conclusions, Minute 6).

FLAG C

9. Conversely, any Ministers who may consider 3 per cent unrealistic are likely to argue that this points against setting a separate pay assumption, at least at this early stage of the pay round, rather than to argue for a different figure.

The Case Against a Separate Assumption

10. The following main points may be made against a separate pay assumption:

a. The logic of cash planning is that managers are given a budget which they are free to spend to the best advantage, in the light, among other things, of movements in relative prices. There is no more reason to distinguish between the prices of labour and of other inputs than to distinguish between any other categories of goods and services.

b. A separate pay assumption shows the employers' negotiating hand and may "paint the Government into a corner" because the pressure in successive years is always to reduce it. The aim should be to dispense with it.

c. The proposals on public sector pensions in C(83) 30 may create a particular difficulty. The Government may seem to be offering a pay increase of 3 per cent with one hand and to be taking most of it away with the other.

d. It may be necessary eventually to have a separate pay assumption for the purpose of the 1984-85 Estimates (paragraph 1 above). But that will not be for a few months. It will be possible then to reach a more informed judgment in the light of settlements in the early months of the current pay round than it is now.

The Case For a Separate Assumption

11. The following points may be made in favour of a separate pay assumption:

a. There is a difference between labour and other inputs. For example, in practice it is usually more difficult to vary staff numbers than the use of other factors of production.

b. The existing expenditure plans in effect provide for pay increases of 5 per cent in 1984-85. This generates excess provision in comparison with the level of pay settlements which seems reasonable and attainable. Especially given the likely difficulties of the current public expenditure survey it would be wrong to forgo the savings that would result from a lower pay assumption.

c. It would also be assumed that the Government expected pay increases to run at about 5 per cent in the current pay round. This would give the wrong signals.

d. An explicit assumption will have to be set for the Estimates. It is unlikely that the figure chosen in December would differ from the figure chosen now, and the opportunity would be lost to exert some influence on the formative stages of the pay round.

Announcements

12. If it is decided to set a separate pay assumption now, the Cabinet is likely readily to agree that it should be announced as soon as possible. The decision would have to be made known widely in Departments because of its importance for the public expenditure survey; it would therefore be certain to leak. The Government should take the initiative and get its own presentation into the media.

Public Expenditure Consequentials

13. If a separate pay assumption is set, it is logical to reflect it in the public expenditure planning totals as the Chief Secretary proposes. So far as we know, no Department is likely to question this.

HANDLING

14. You will wish to ask the Chief Secretary, Treasury to introduce his memorandum. The Chancellor of the Exchequer may wish to amplify it by outlining the economic background and prospects for the current pay round. The Home Secretary and the Secretaries of State for Education and Science, Defence, Scotland, Environment and Social Services will have views on the implications for pay negotiations in the services for which they are responsible. The Secretary of State for Employment will wish to comment more generally. Any of your colleagues may wish to speak, either from the standpoint of their departmental programme or more generally.

CONCLUSIONS

15. You will wish the Cabinet to reach conclusions on the proposals in paragraph 11 of C(83) 31, ie:

i. The assumption for increases in pay rates affecting 1984-85 for all public services apart from the local authorities should be 3 per cent.

ii. This should be announced immediately.

iii. The public expenditure baseline for all affected programmes should be reduced accordingly.

RTA

ROBERT ARMSTRONG

13 September 1983

cc No. 10
Prime Minister (2)

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

MCS 11/7

8 July 1983

cc BI

The Rt. Hon. Norman Tebbit MP
Secretary of State for Employment

Dear Norman

You wrote to me on 4 July about the prospects for the next pay round and the general approach which we should adopt.

I share your concern that average pay settlement rates should continue to decline. This has a critical role to play in our general economic strategy if we are to get the revival of economic growth for which we are hoping. I am in no doubt, therefore, that we must seek the best means we can to secure low settlements for those groups for which we are directly responsible as employer, or where we have some control of the outcome. Example matters more than precept. The CBI and employers generally in the private sector will be looking to see what we do.

We must also set the right fiscal climate. We shall soon be starting our discussions on the expenditure plans for 1984-85 and beyond, and we must ensure that cash limits affecting the public services sector and the EFLs for nationalised industries, are tightly drawn and leave no room for extravagance in pay negotiations.

However, I am sceptical about the extent to which we can influence the level of private sector pay settlements through exhortation. Actions will speak much louder than words. Nor do I think it is desirable to set "norms" which, as you say, are liable to be counter-productive if exceeded; and tend to be treated by trades unions as targets to be broken. I gather than the figure of 2-3 per cent was not put about by the CBI, but was a construction put by the press on the CBI's general approach. In any case it would not be profitable for us to try to modify it to some other figure.

The CBI will shortly be discussing with their members the approach to be adopted towards the coming pay round, and they have invited me to view the presentation they have prepared later this month. I shall, of course, encourage them to put their message across convincingly and firmly. I think the best support we can give them in our public speeches is the more general one of continuing to stress the key links between the level of pay increases, competitiveness and jobs. We should also bring out the point you mention about the recent increases in the standard of living of those in employment; and we should discourage any idea that a temporary rise in the rate of increase of the RPI may signal a new trend.

Gen Pol: Stanley PTO

I am arranging for the circulation of some general guidance notes on these points which colleagues might use in their speeches during the coming months. On the whole, I doubt whether a collective discussion of the general subject in E Committee is needed just at the moment. There will be a number of specific issues which are likely to call for collective discussion in any event, such as NHS staff and police pay and, as you point out, we shall also need to discuss the pay assumptions for public expenditure in the not too distant future. These should provide adequate opportunities for colleagues to discuss the general approach.

I am copying this letter to the Prime Minister.

Yours ever
Nigel

NIGEL LAWSON

11 JUL 1983

Surely this will come up on our big public expenditure Cabinet. MT

10 DOWNING STREET

Prime Minister

flag A flag B

Norman Tebbit and Ferdie Mount argue for a E(S) or E(A) discussion on pay. I think this a good idea provided it is focussed on specific decisions – e.g. what should the public service pay factor be.

The Chancellor is, I am told, against, believing that general monetary conditions will have the most effect on pay, and that the discussion is unlikely to be useful.

Do you want a discussion?

P.T.O.

Or will you mention to the Chancellor on Wednesday?

MCS 8/7

CONFIDENTIAL

610

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Prime Minister

MCS 4/7

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON
SW1

4 July 1983

D Nigel,

PAY

I would very much welcome a discussion with colleagues before the Recess of the prospects for pay settlements over the next year and on the approach we should now begin to adopt, or contemplate, to influence the outcome.

The traditional pay round will begin with inflation rising slightly, a slowing in the increase of unemployment, increasing output and some easing of the financial pressures on companies. There is also a general - but false - impression that the standards of living of employees have been lowered. There is therefore a real danger that the downward pressures on expectations for pay, of both employers and unions, will be weakened.

Although it is not necessary to decide before the Autumn the question of a pay factor in the establishment of cash limits for the public services or decide the external financing limits for the public trading sector, I nevertheless believe that we cannot wait until then to review the prospects for pay and to decide on the message we should be seeking to get across. Somewhat fortuitously the CBI is seen as advocating that settlements should be at a level of not more than 2-3%. As private sector settlements emerge - as they quickly will - exceeding that level, there is an added risk that it will be thought that attempts to restrain pay increases are proving ineffectual.

I very much hope therefore that you agree that we should have an early discussion, I suggest on the basis of a paper which you would circulate.

I am copying this letter to the Prime Minister.

Yours
Norman

SECRET

5 July 1983 B

Policy Unit

PRIME MINISTER

PAY

Norman Tebbit is surely right in arguing that "we cannot wait until the autumn to review the prospects for pay and to decide on the message we should be seeking to get across". We ought to be building now on the impression that we are thinking of settlements of 2-3 per cent in the public sector. The Chancellor, I understand, believes that the Government's leverage on private sector settlements is negligible. This, I am sure, is true once the "going rate" has been established. But the anticipated level of public sector settlements is one factor in determining the going rate, both in the nationalised industries and in private industry. Already Arthur Scargill is seizing on any settlements that he can find in double figures as arguments for comparable pay rises for the miners. We surely ought to be helping to create the climate of expectations rather than responding to it. Nobody pretends that our influence will be more than marginal, but if it is to be marginally in the direction of greater realism - and lower unemployment - we ought to make our intentions plain before the summer holidays.

Norman argues quite correctly that there is a false impression going around that people in work have made sacrifices and deserve compensation as soon as the economy begins to grow again. Pay settlements in the private sector may already be drifting upwards, and delay can only be damaging. We must maintain a year-by-year momentum downwards.

When you see the Chancellor tomorrow, you may wish to discuss how the Government is to apply a coherent set of pressures in this direction.

FM

FERDINAND MOUNT

SECRET

10 DOWNING STREET

PA

Prime Minister

Meeting with the Chancellor : 1745 30 June

Agenda

(1) July measures? Minute of 29/6, flag A

(2) Public expenditure 1984-5 and beyond
Minute of 27/6 flag B

(3) Brazil Minute from Alan, flag C

(4) Regional Policy Minute from Nick Owen, flag D

(5) Pay Minute from Nick Owen, flag E

(6) IMF Minute from Alan flag F

We will probably need a spill-over meeting for all this

MCS 29/6

F E R Butler Esq

Mr. Scholar

NBPM

MS21/6

CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone 01-233 8319

CONFIDENTIAL

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

Secretary of the Cabinet and Permanent Secretary to the Management and Personnel Office

Sir Robert Armstrong GCB CVO

Ref. A083/1766 21 June 1983

Monitoring Report on Public Service Pay

Pending reconstitution of Cabinet Committees on the economic side, I am sending to you and the Private Secretaries of the other Ministers primarily concerned with public service pay matters the attached copy of the latest monthly Monitoring Report prepared by officials.

R. HATFIELD

(R P Hatfield)
Private Secretary

J O Kerr Esq

CONFIDENTIAL

MONITORING REPORT ON PUBLIC SERVICE PAY

Note by the Chairman of the
Official Committee on Public Service Pay (PSP(O))

The latest Monitoring Report prepared by officials on public service pay is attached.

Police

2. The Edmund-Davies formula for updating police pay rates by linking them with the increase in the May figure of the Department of Employment's Average Earnings Index is likely this year to result in an increase of about $7\frac{3}{4}$ to $8\frac{1}{4}$ per cent in rates. That would mean an unhelpfully large settlement at the very outset of the next pay round. (The settlement date is 1 September; negotiations begin on 21 July). It will be necessary to consider how to handle police pay so as to minimise the impact on the pay round as a whole. The Home Secretary will be considering this: when he has done so he will no doubt wish to consult colleagues.

Industrial Civil Service

3. The Chancellor of the Exchequer will shortly be considering next steps towards a pay settlement for the industrial Civil Service, the most significant public service group with whom negotiations are currently in progress. He will no doubt wish to inform colleagues how he proposes to proceed.

Signed P L GREGSON

Cabinet Office
20 June 1983

PUBLIC SERVICE GROUPS

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   (b) Forestry Workers.
   (c) Scottish Chemist Contractors.
   (d) Bank of England Printing Works Staff.
   (e) Probation and After-Care Service, Probation Officers.
   (f) New Towns Staff.
   (g) Local Authority Designated Chief Officers and Deputies and Chief Executives.
   (h) University Clinical Teachers.
   (i) University Computer Operating Staff.

1983/84 Pay Round

8. Police

Long-Term Pay Arrangements

9. Non-Industrial Civil Service.
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PART II: SETTLEMENTS CONCLUDED SINCE LAST REPORT

1982/83 Pay Round

Education

1. Part-time Tutors in Extra-Mural Departments.
2. Further Education Teachers.
3. University Non-Clinical Academic Staff.
4. Youth Leaders and Community Centre Wardens.
5. Local Authority Inspectors and Advisers.

National Health Service

6. NHS Maintenance Workers - Engineering Craftsmen and Semi-skilled Engineers.
7. NHS Maintenance Workers - Building Operatives.
8. NHS Doctors and Dentists.

Armed Forces

9. Armed Forces.

Broadcasting

10. British Broadcasting Corporation.

Civil Service

11. Non-Industrial Civil Service.
12. Government Teachers.
13. Forestry Commission Non-Industrials.

Local Authorities

14. Local Authority Administrative, Professional, Technical and Clerical Grades.

PUBLIC SERVICE GROUPS

PART I: CURRENT AND FORTHCOMING NEGOTIATIONS

1982/83 Pay Round

Review Bodies

1. Top Salaries Review Body

An announcement on the two reports by the Top Salaries Review Body was made on 12 May. The report dealing with senior civil servants, senior officers in the armed forces and the higher judiciary recommended increases to salaries of about 12%, comprising new average increases of 6.9% plus the shortfall of nearly 5% from last year's recommendations. The other report dealing with the salaries of Members of Parliament and of Ministers recommended increases of up to 47% for Ministers and 30% for MPs. Decisions on both reports were deferred until after the election, although the Prime Minister made it clear in a written answer that as far as Cabinet Ministers were concerned, the increases proposed were of a magnitude which they could not possibly accept, and hoped that Members of Parliament would take a similar view about the recommendations affecting their own salaries.

Comment

The Ministers immediately concerned will be considering what proposals should now be made on both reports. The Government's proposals on MPs' and Ministers' pay will need to be debated in Parliament.

Education

2. University Groups

(a) University Manual Workers (11,000)

Settlement date: 1 April

Unions: NUPE, TGWU, GMBATU, AUEW, CSEU, UCATT

On 17 March, the unions submitted an advance claim for a substantial flat rate increase, a shorter working week and improved conditions of service. This claim was formally presented at a meeting of the Central Council of Non-Teaching Staffs (CCNS) on 30 March. Although it was not quantified, it is estimated to be worth about 15%. At a meeting on 3 June the employers offered a flat-rate increase of £3.30 per week on all scales, worth 4.7% on the paybill, and some restructuring which would add a further 0.1% to the paybill. The effect on average earnings is likely to be similar. The unions are to put the offer to their membership without a recommendation.

(b) University Clerical Consortium (20,000)

Settlement date: 1 July

Unions: NALGO, NUPE, ASTMS

On 17 March the unions submitted an advance claim for a 14% increase on all salary points with a minimum rate of £93 per week; a 5 day increase in holidays; a shorter working week (36½ hours to 35) and grade restructuring. This claim, which is estimated to be worth over 20% on average earnings, was formally presented at a meeting of the CCNS on 28 April. At a further meeting on 9 June an offer was made of 4.6% on salary to those in the lower and top grades and 5.4% to those in the middle grades. The offer is worth 4.95% on average earnings. The unions have accepted the offer and are to put it to their membership without a recommendation.

Local Authorities

3. Local Authority Building and Civil Engineering Employees (Scotland) (10,734)

Settlement date: 1 July

Unions: FTATU, UCATT, TGWU, GMBATU

The unions have presented a claim for a substantial increase, a reduced working week, increased leave entitlement and other improvements. Although it has not been quantified, the claim is estimated to be worth about 10%. The next meeting has been arranged for 22 June.

Comment

This group is liable to be influenced by the English local authority building trade operatives' settlement at 4.87%.

4. Greater London Council/Inner London Education Authority - Administrative, Professional, Technical, Executive and Clerical Grades (19,000)

Settlement date: 1 July

Unions: GLCSA, NALGO, NUPE

The unions have submitted a claim for a substantial increase, a change in settlement date to 1 April, a reduction in the working week and some structural changes. Negotiations are expected to continue in mid-June.

Comment

The non-industrial civil service settlement at 4.86% and the settlement at 4.9% for local authority non-manuals are liable to influence the forthcoming negotiations.

Civil Service

5. Industrial Civil Service (135,200)

Settlement date: 1 July

Unions: AUEW, GMBATU, TGWU, UCATT, EETPU, ASBSBSW, APAC, NUSMW, FTATU

The unions have submitted a claim for:-

(a) a substantial increase in basic rates and an examination of the present pay banding structure;

(b) an increase in payments under the Special Efficiency Scheme and an examination of the possibility of consolidating bonus into basic pay;

(c) a minimum of five weeks' annual holiday and the abolition of management discretion over the timing of the two days leave conceded in 1980;

(d) alignment of the working week with non-industrials (from 39 hours) as a move towards the 35 hour week; and

(e) a review of all allowances.

A meeting of the pay sub-committee of the Joint Co-ordinating Committee took place on 21 April at which the detail of the claim was considered and the trade unions' priorities were assessed. A further meeting has not yet been arranged. The Chancellor wrote to colleagues on 13 May setting out his view that the negotiations should wait until after the election.

Comment

The settlement concluded for the non-industrial Civil Service will influence these negotiations.

Bank of England

6. Bank of England Banking Staff, Technical and Services Staff (4,430)

Settlement date: 1 July

Union: BESO

The Staff Side has put in a claim for a 7.8% increase in salary, extra leave, reduced working hours and other improvements. The Bank has offered 5% on average earnings, in line with the settlement at this level by the clearing banks, and do not intend to make any improvement in this offer.

7. Minor Groups

(a) Scottish Local Authority Electricians (1,430; SD: 1 January)

This group submitted a claim for a basic rate increase in line with the electrical contracting industry basic rate (requiring an 8% increase). An offer of 4.5% made at a meeting on 2 February was rejected. At a further meeting on 31 March an improved offer of 4.89% was also rejected. The union, which has a unilateral right of access to arbitration, said it wanted to take its claim to arbitration. ACAS suggested that conciliation should be attempted before arbitration was resorted to, and a meeting with ACAS took place on 14 April. No agreement was reached, and the process of formal arbitration has now begun. The hearing was to take place on 17 June.

Comment

This group usually follows the settlement for electricians in England and Wales (who follow other craft groups and not the ECI rate). Electricians in England and Wales have already settled for 4.87%.

(b) Forestry Workers (4,500; SD: 2 February)

A claim for a 7.4% increase on basic rates was submitted, based on the average of the increases awarded to agricultural workers in England and Wales (7.1%) and in Scotland (7.8%). The Forestry Commission was authorised to make an offer of 4%, and this was presented at a meeting on 16 May. The offer was rejected, and no further meeting has yet been arranged.

Comment

Pay is normally settled in line with the recommendations of the Agricultural Wages Boards, although last year 3% was withheld to take account of forestry workers' more favourable superannuation arrangements for which no pay adjustment had previously been made. This was intended as a first step towards bringing forestry workers into line with industrial and non-industrial groups in the Civil Service to whom a pay adjustment is already applied in recognition of superannuation benefits. A similar adjustment is being sought this year. The Agricultural Wages Board in England and Wales has provisionally agreed an extra 5% on basic rates for agricultural workers to come into effect from September on top of the previous increase awarded in January. The new rise will last until the end of next May, and in future the settlement date for agricultural workers' pay will be 1 June instead of 1 January. These changes will have repercussions on the current pay negotiations for forestry workers.

(c) Scottish Chemist Contractors (1,200; SD: 1 April)

The Scottish Home and Health Department distributed a letter to chemists at the end of March, informing them that for 1983/84 it planned to update labour costs and the notional salary of working proprietors by 3.5%. No response has yet been made.

(d) Bank of England Printing Works Staff (1,200; SD: 24 April)

An offer of 4.6% on rates has been accepted by the majority of staff and it is expected that the rest will follow suit.

(e) Probation and After-Care Service, Probation Officers (5,397; SD: 1 July)

Negotiations for probation officers' pay have begun with the presentation of a claim for flat rate increases for all grades together with a restructuring of scales, the formal implementation of the 37 hour week (previously agreed in principle), and an increase in London weighting. The probation service Joint Negotiating Committee met on 10 May to consider the claim, which is estimated to amount to about 18% on average earnings. The employers' side said that they needed more time to consider their reply, but that they intended to make an offer in line with other relevant public service settlements which, they noted, were running at varying percentage points over 4 per cent. The JNC met again on 13 June when an offer of 4.9% on average earnings was made. The unions are recommending acceptance of the offer, and the Home Secretary will be consulting colleagues on it.

(f) New Towns Staff (7,800; SD: 1 July)

On 11 March the claim was presented for a general increase to recompense staff for the rise in living costs and to recoup for the erosion of real wages in the interval since the report of the Standing Commission on Pay Comparability, the distribution to give special protection to the low paid, a reduction in the working week to 35 hours and structural changes. At a meeting on 13 May an offer was made of a 4.85% increase to salary across the board with a further 0.1% on the pay bill for restructuring. The offer was accepted by the Staff Side at the annual group meeting on 13 June, and the approval of DoE Ministers is now being sought.

(g) Local Authority Designated Chief Officers and Deputies and Chief Executives (3,609; SD: 1 July)

On 6 April the new Joint Negotiating Committee was established to cover all chief officers and deputy chief officers. The first meeting of the new JNC took place on 10 May, when a 13½% claim was presented. The JNC for Chief Executives also met on 10 May, and an unquantified but substantial claim was submitted. The next meeting is not expected to take place until the end of July.

Comment

The 1983 pay negotiations are likely to prove difficult in the light of the comments made by the arbitrator in his 1982 award about the unsatisfactory relative pay levels of some members of this group. The recommendations of 12% by the Top Salaries Review Body this year are also likely to have an influence on these negotiations.

(h) University Clinical Teachers (3,400; SD: 1 April)

At a meeting of the Staff Side on 27 May it was proposed that the increase which doctors and dentists are to receive should be applied to the salaries of University Clinical Teachers. A response is now awaited from management, who are asking the Government for the additional funds to finance an increase above cash limits.

Comment

Salaries have in the past been adjusted in the light of the recommendations of the Doctors' and Dentists' Review Body. The request by management for additional funds raises the difficult question of an adjustment to a cash limit retrospectively to accommodate a settlement rather than making savings elsewhere to provide for the increase. DES is pursuing this with the Treasury.

(i) University Computer Operating Staff (750; SD: 1 July)

On 4 May the unions presented a claim for a substantial increase on all salary points with the aim of restoring pay to the value set by the 1981 comparability award. A further meeting has been arranged for 1 July.

1983/84 Pay Round

8. Police (138,000)

Settlement date: 1 September

Main Union: Police Federation

Increases in police pay have since 1979 been determined by the updating formula recommended by the Edmund-Davies Committee, which links them with the increase in the May figure of the Department of Employment's Average Earnings Index. The actual figure for May (due to be published in July) is expected to be about 8% although the underlying rate is expected to be around 7%. The difference is due to special factors, mainly back pay and earlier settlements than in the 1981/82 pay round. If the present formula is applied an increase of around 8% would therefore result.

Comment

A high settlement for the police might be unhelpful at the start of a new pay round. Accordingly, consideration might be given to whether it is possible to secure some slight reduction in the likely level of the 1983 settlement without departing from current commitments to Edmund-Davies. The proposals which have been made for changes in rent allowances will also be relevant. Subsequently, consideration could be given to negotiating more radical changes, but these almost certainly could not be implemented before 1984.

Long-Term Pay Arrangements

9. Non-Industrial Civil Service (498,900)

Settlement date: 1 April

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

The Chancellor announced on 21 December that the Government approved the broad approach of the Megaw Committee and that it intended to start negotiations with the unions on long term pay arrangements. A procedural meeting took place on 27 January to launch discussions. The two sides have been meeting regularly.

Comment

A report to Ministers will be made shortly on progress in the discussions with the unions and to seek further instructions.

10. Industrial Civil Service (135,200)

Settlement date: 1 July

Unions: AUEW, GMBATU, TGWU, UCATT, EETPU, ASBSBSW, APAC, NUSMW, FTATU

Ministers have given assurances to the unions representing the industrial Civil Service that the Government would be ready to have full discussions with them about how the principles enunciated by the Megaw Inquiry might be applied to the industrial Civil Service. The unions are now pressing for these discussions to start and will expect an early response now that the election is out of the way.

Comment

A submission will shortly be made to Ministers on whether officials should begin exploratory discussions with the unions on longer-term pay arrangements, possibly along the line of the Megaw Report.

11. National Health Service

(a) Nurses, Midwives and Professions Allied to Medicine (519,000)

Settlement date: 1 April

Main representative bodies: COHSE, NUPE, RCN, NALGO, ASTMS

As part of the two year settlement with these groups the Government agreed to set up a review body to advise on pay from 1 April 1984 onwards. The Government proposes that the review body should be along the lines of the Doctors' and Dentists' Review Body and should cover all qualified and unqualified nursing staff and that the Whitley Councils for the relevant groups should be abolished. In future, negotiations on terms and conditions would be between the DHSS and the unions, without involving NHS managers in the negotiations themselves. A consultation document on the detailed arrangements (ie. the composition and membership of the body, the staff to be covered by its remit and its terms of reference), approved by the Prime Minister, was published on 22 February, following an announcement in Parliament. The deadline for comments was 6 April. The responses have shown a clear consensus for the principle of review body coverage, though there have been differences over which groups should be covered by it. The Royal College of Nursing with BMA support, objects to the proposal to include auxiliary nursing grades and has requested a meeting with the Prime Minister to discuss the matter. NUPE and COHSE, however, argue strongly for their inclusion. There is opposition from management and most unions to the suggestion that the Whitley Council negotiating machinery should be abolished, and concern has been expressed about the circumstances in which Government might reject the review's recommendations.

Comment

Although the Royal College of Nursing is pressing its objections to the inclusion of nursing auxiliaries strongly, few new arguments have been raised which might cause the Secretary of State for Social Services to recommend significant changes to the Government's proposals. Both the general principles governing the review body and the membership will need to be settled before the review body can be established and begin work. The review body is not likely to be established until the summer. In 1984 some interim arrangements might be necessary to settle the pay of the groups with which it would deal. An announcement on the latest position is expected to be made shortly after the new Parliament assembles. No doubt the Secretary of State for Social Services will be writing to colleagues in advance of any such announcement.

Recent press reports have suggested that COHSE, the largest health service union, is pressing for this year's pay negotiations to be re-opened for nurses and midwives in the light of the recommendations by the Doctors and Dentists Review Body. The Department of Health and Social Security doubts whether the other unions will join COHSE in its attempt to re-open talks, but affirms that, even if they do, the management side's response to any such demand will be a rejection.

(b) Non-Nursing Groups (414,410)

Settlement date: 1 April (mainly)

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

The Government has also agreed to discussions on long term arrangements (but not a review body) for non-nursing groups. Proposals from the Secretary of State for Social Services about the basis on which discussions with the unions should be opened were considered by E(PSP) on 12 April. However, views were divided on whether the Government's commitment required it to put forward specific proposals to the unions,

and no agreement was reached. The Secretary of State for Social Services was invited to submit further proposals to allow the Sub-Committee to assess the advantages and disadvantages of the course he was recommending and in particular to provide details of the system of constrained collective bargaining which he favoured. The preparation of this paper was on the understanding that it was without prejudice to the eventual resolution of the difference of view which had emerged in discussion.

The Secretary of State for Social Services wrote to the Chancellor on 29 April reporting that the TUC Health Services Committee intended to seek a meeting with DHSS officials to explore the Government's commitment to enter into discussions about improved pay arrangements for these groups. The Chancellor replied on 9 May suggesting the Secretary of State for Social Services write to colleagues setting out the proposed line to take. There have been no developments during the election period.

PART II: SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

1982/83 Pay Round

Education

1. Part-time Tutors in Extra-Mural Departments (3,000; SD: 1 October)

An increase of 5% in average earnings following the university non-clinical academic staff's settlement in April 1982.

2. Further Education Teachers (England and Wales) (80,000)

Settlement date: 1 April

Unions: NATFHE, APC, NSAE, AAES, APT

At a meeting on 6 May a settlement was reached providing an increase of 4.5% on all scales plus an across-the-board increase of £51, worth 4.953% on average earnings overall.

3. University Non-Clinical Academic Staff (40,000)

Settlement date: 1 April

Union: AUT

The agreement reached in Committee 'A' on 28 April for an increase of 4.6% on salary across the board with some adjustments to scales has now been approved by the Government. The deal is worth 4.7% on average earnings.

4. Youth Leaders and Community Centre Wardens (2,100; SD: 1 April)

A settlement has been reached providing an increase of 4.75% on all salary points (the same on average earnings).

5. Local Authority Inspectors and Advisers (3,000; SD: 1 April)

An agreement has now been reached that this group will follow the Burnham Primary and Secondary Teachers' settlement and receive an increase of 4.98% on average earnings.

National Health Service

6. NHS Maintenance Workers - Engineering Craftsmen (5,530) and Semi-skilled Engineers (3,655)

Settlement date: 1 January

Unions: CSEU, COHSE, TGWU, GMBATU, NUPE

The unions approved the offer, and a settlement was reached for a package, which is to last for 15 months, worth 6.07% on average earnings.

7. NHS Maintenance Workers - Building Operatives (9,300)

Settlement date: 1 January

Unions: UCATT, TGWU, GMBATU, FTATU

The unions have accepted the offer of a 15 month agreement which increases basic rates by 5.6% for craftsmen and 5.3% for labourers. The settlement also includes the payment of premium rates for the first hour of overtime and is worth 6.07% overall on average earnings.

8. NHS Doctors and Dentists (94,950)

Settlement date: 1 April

Unions: BMA, BDA

Following the Government's acceptance of the Doctors and Dentists Review Body's recommendations an offer was made of 6% on salaries from 1 April 1983 with a further 2.7% from 1 January 1984 to restore the abatement from last year's recommendations. In addition junior hospital doctors and dentists were offered higher supplementary payments amounting to a further 1% on the pay bill. The offer has now been formally accepted and will provide an increase in average earnings of 7.7% in the first year (9.7% in a full year).

Armed Forces

9. Armed Forces (334,000)

Settlement date: 1 April

Following the Government's acceptance of the Review Body's recommendations, increases ranging from 3.9% to 9.9% on salary will be paid to personnel up to and including brigadier. The award will increase the pay bill and average earnings by 7.2%.

Broadcasting

10. British Broadcasting Corporation (27,556)

Settlement date: 1 April

Unions: ABS, NUJ, EETPU, NATTKE, SOGAT

Agreement has been reached for an increase of 4.6% on basic salaries, a flat-rate payment of £50 across the board and an increase of £100 in London weighting. The settlement will increase the paybill and average earnings by 5.6%. It is understood that, although EETPU and NUJ have still to accept the offer formally, the BBC is to implement the offer for all staff.

Civil Service

11. Non-Industrial Civil Service (498,900)

Settlement date: 1 April

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

The settlement was formally agreed on 5 May for an increase of 4.86% on average earnings. This provides 4% for staff on the maximum of their salary scale and 3.5% for others, with in addition an across the board increase of £70 for all adult staff. Inner London weighting is to be increased by £30 to £1250 (2.5%), and a new intermediate zone is to be established from 1 October 1983; the rate for this will be £700. There will be no difference to the rate in the remainder of the existing Outer London zone. Proficiency and responsibility allowances are to be increased by 4.5%.

12. Government Teachers (1,740; SD: 1 April)

An increase of 4.98% on average earnings following the Burnham Primary and Secondary Teachers' settlement.

13. Forestry Commission Non-Industrials (2,400; SD: 1 April)

An average increase of 4.86% on earnings following the non-industrial civil service settlement.

Local Authorities

14. Local Authority Administrative, Professional, Technical and Clerical Grades (672,805)

Settlement date: 1 July

Unions: NALGO, GMBATU, NUPE, TGWU, COHSE

On 26 January the unions submitted a claim for an increase of £15 per week plus 3% together with a 35 hour week, certain structural changes and a change of settlement date to 1 April. It is estimated that the effect of this claim on average earnings could be as much as 25%. At a meeting on 26 April the employers rejected the claim to reduce the working week and the proposed change of settlement date, and made an opening offer of 4.25% on basic rates plus 0.15% for structural changes (4.4% on the paybill overall). The unions rejected the offer, and at a further meeting on 18 May an improved offer was made of increases in basic rates ranging from 4.64% to 5.47% (4.819% on the pay bill) and a restructuring of the salary scale which would add a further 0.075% to the pay bill. The overall effect of the offer on average earnings is estimated to be about 4.9%. The offer was accepted by the main union, NALGO, at its annual delegate conference on 13 June.

ANNEX 1

PUBLIC SECTOR SETTLEMENT DATES IN THE NEXT FIVE MONTHS

SETTLEMENT DATE	NEGOTIATING GROUP
1 July 1983	Greater London Council/ILEA - APTEC grades (19,000)
1 July 1983	Local Authority - APT & C grades (672,805)
1 July 1983	University Clerical Consortium (20,000)
1 July 1983	Civil Service - Industrials (135,200)
1 July 1983	Bank of England - Banking, Technical and Services Staff (4,430)
1 July 1983	British Nuclear Fuels - Industrials (9,190)
1 July 1983	Post Office - CPSA, Clerical, Typing, Secretarial and Data Processing grades (5,200)
1 July 1983	Post Office - SCPS, HCO, EO, HEO, Programming and Information grades (900)
1 July 1983	Post Office - UCW, Catering grades (1,700)
1 July 1983	British Telecom - POEU grades (130,000)
1 July 1983	British Telecom - UCW grades (36,000)
1 July 1983	British Telecom - SPOE grades (22,500)
1 July 1983	British Telecom - SCPS grades (7,000)
1 July 1983	British Telecom - CPSA grades (35,000)
1 July 1983	British Telecom - CMA grades (6,107)
1 July 1983	Water Service - staff (35,300)
21 July 1983	British Waterways Board - Staff (830)
1 September 1983	Police (138,000)
1 October 1983	UK Atomic Energy Authority - manuals (4,760)
1 November 1983	Coalmining - manuals (198,000)
1 November 1983	Greater Manchester PTE - platform staff (5,595)

ANNEX 2

KEY TO ABBREVIATIONS

AAES	Association of Agricultural Education Staffs.
ABS	Association of Broadcasting Staff.
ACTSS	Association of Clerical Technical and Scientific Staff
APAC	Association of Patternmakers and Allied Craftsmen
APC	Association of Principals in Colleges
APT	Association of Polytechnic Teachers
ASLEF	Associated Society of Locomotive Engineers and Firemen
ASBSBSW	Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers
ASTMS	Association of Supervisory, Technical and Management Staff
AUEW	Amalgamated Union of Engineering Workers
AUT	Association of University Teachers
BESO	Bank of England Staff Organization
BDA	British Dental Association
BMA	British Medical Association
CMA	Communication Managers Association
COHSE	Confederation of Health Service Employees
CPSA	Civil and Public Servants Association
CSEU	Confederation of Shipbuilding and Engineering Unions
CSU	Civil Service Union
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
FDA	First Division Association
FTATU	Furniture, Timber and Allied Trades Union
GLCSA	Greater London Council Staff Association
GMBATU	General, Municipal, Boilermakers and Allied Trade Union
IPCS	Institute of Professional Civil Servants
ISTC	Iron and Steel Trades Confederation
LACSAB	Local Authorities' Conditions of Service Advisory Board
MATSA	Managerial, Administrative, Technical and Supervisory Association

NALGO	National and Local Government Officers Association
NATFHE	National Association of Teachers in Further and Higher Education
NATTKE	National Association of Theatrical, Television and Kine Employees
NCCC	National Craftsmen's Co-ordinating Committee
NSAE	National Society for Art Education
NUB	National Union of Blastfurnacemen
NUJ	National Union of Journalists
NUPE	National Union of Public Employees
NUR	National Union of Railwaymen
NUSMW	National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
POEU	Post Office Engineering Union
RCN	Royal College of Nursing
SAIMA	Shipbuilding and Allied Trades Management Association
SCPS	Society of Civil and Public Servants
SOGAT	Society of Graphical and Allied Trades 1982
SIMA	Steel Industry Management Association
STE	Society of Telecom Executives
TGWU	Transport and General Workers Union
TSSA	Transport and Salaried Staffs Association
TWSA	Thames Water Staff Association
UCATT	Union of Construction, Allied Trades and Technicians
UCW	Union of Communication Workers

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

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. A number of the main negotations still outstanding are now drawing to a conclusion. As reported in the DOE letter of 6 June, a 5.6 per cent settlement has been reached with water industry staff grades, which is a lot lower than the settlement with the manuals earlier this year. The Electricity Council's 5.6 per cent settlement with their clerical and administrative grades has now been ratified by the union side. British Telecom are probably on the point of settling with their engineers on the lines indicated in the Department of Industry letter of 20 May. The effect of the offer on rates is around 6 per cent in a full year, but I also understand that a lower rate of bonus is to be paid this year than last.

3. Settlements have also been reached for both bus and underground staff of London Transport, at about 6 and 5¼ per cent respectively, and at similar or lower levels in a number of Passenger Transport Executives.

4. There is greater uncertainty about British Rail, where the unions are considering an offer around 4 per cent, and about the British Gas Corporation staff grades, where the unions are considering a 4½ to 5 per cent offer.

/5. Apart from the

5. Apart from the remaining British Telecom and Post Office groups, the other major outstanding settlement is at British Shipbuilders where, as earlier at British Steel, management are resisting any national increase.

6. I am in touch separately with Employment Ministers about the 8 per cent Remploy settlement mentioned in the Report.

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

N.L.

N.L.
20 June 1983

PUBLIC TRADING SECTOR

PART 1: CURRENT NEGOTIATIONS

1. BRITISH RAIL: Clerical and conciliation grades (136,000)

Settlement date: 18 April

Unions: NUR, ASLEF, TSSA

At a meeting on 12 April the unions presented their 1983 pay claims which include a substantial increase, a 35 hour week and one week's additional holiday (the overall average earnings effect of the claim is not known but reports suggest 30% plus). At a meeting on 1 June the BR Board made an initial offer of either a 3.75% increase on basic rates from the annual settlement date or 4.25% on rates from the first Monday following a settlement which, if accepted in June, is equivalent to 3.75% on average earnings in the settlement year. The unions were to consider the offer on 16 June.

Comment: The 1982 pay claim was only settled in March by reference to the Railway Staffs National Tribunal following lengthy argument about linking pay increases to productivity. The Secretary of State for Transport wrote to colleagues on 26 May about BR pay negotiations. The BR Board has judged that there was a possibility of a low settlement if they moved quickly and they now await the unions' response. No doubt the Secretary of State for Transport will write again if there are any major developments.

2. BRITISH SHIPBUILDERS: Staff and manual grades (64,000)

Settlement date: 1 April

Unions: CSEU/SAIMA

On 11 January the CSEU submitted the following claim for staff and manual grades:

(a) a substantial increase in wages and salaries to be paid on the basic rate and not as supplements

(b) consolidation of supplements into basic rates

(c) a substantial increase in the Minimum Earnings Levels

(d) a reduction in the working week from 39 to 35 hours

(e) guaranteed minimum earnings for unskilled and semi-skilled grades based on a percentage of the skilled MEL

(f) increased holiday entitlements and holiday pay

(g) phased reduction in working hours prior to normal retirement.

Other minor improvements relating specifically to staff or manual grades are also sought.

SAIMA, who negotiate in parallel to the CSEU, have submitted a separate claim for substantial increases.

Management has advised the unions that the company cannot afford a national pay increase although there is scope for local productivity bargaining. A union delegate conference on 4 May mandated their negotiators to oppose the wage freeze and to resist job cuts. Almost unanimous support was given to a resolution calling for a mass occupation of BS yards if plans to cut 9,000 jobs are not withdrawn. Further negotiating meetings were postponed until after the election.

3. POST OFFICE: Postal supervisors, executives and supervisory catering grades (14,800)

Settlement date: 1 April

Union: CMA

The union has presented an unquantified claim for a substantial increase. Negotiations have been continuing on the basis of an offer below the recent settlement for UCW grades (which was equivalent to 5.5% on average earnings in the settlement year; 6.25% in a full year). The Department of Industry does

not have the precise details of the offer. The Post Office are resisting pressure to improve the offer above the settlement for the UCW grades.

4. NATIONAL GIROBANK: Clerical, Typing, Secretarial and Data Processing grades (4,500)

Settlement date: 1 July

Union: CPSA

The Post Office is hoping to achieve a settlement with its Girobank employees at around 5% on salaries. The effect of such a settlement on average earnings is not known.

The Post Office is also seeking improvements to the existing self-financing productivity scheme by reducing the consolidated element of bonus payments. Overall savings from productivity improvements are currently divided 60:40 between the Post Office and its Girobank employees and the whole of the employees share is consolidated into basic salaries. The Post Office is aiming to obtain agreement that in future only half of bonus payments will be consolidated and then only up to a maximum of 1½% of earnings.

Negotiations are continuing.

5. BRITISH TELECOM

Settlement date: 1 July

(a) Engineers, technicians and inspectors (145,000)

Unions: POEU, STE

The unions had submitted claims for a substantial increase in pay and other improvements.

The POEU annual conference has accepted the following offer:

(a) 5% on current rates from 1 July;

(b) a further 1% on rates from 1 December 1983; and

(c) a lump sum, unconsolidated bonus of ½% payable in December

The basic rate increases will improve average earnings by about 5.1% in the pay year and by 6.1% in a full year (ie exclusive of the ½% lump sum unconsolidated bonus payable in December). In addition there is the possibility of locally negotiated productivity schemes and some grade restructuring.

The STE will consider the offer at their annual conference during week commencing 13 June and are likely to accept it.

(b) Radio officers, telephonists, telegraphists etc (42,392)

Union: UCW

The union is considering two offers of either a 4½% increase on basic rates from 1 July with a further 1% on rates from 1 December and a ½% lump sum, unconsolidated bonus payable on 1 December or 5½% on basic rates from 1 July. The effect of the offers on average earnings is not known. The next negotiating meeting has yet to be arranged.

(c) EO, HEO, Welfare, Nursing staff etc (7,000)

Union: SCPS

(d) Clerical, typing, and secretarial grades (33,000)

Union: CPSA

(e) Telephone Supervisors, Telegram and Radio Executives (6,107)

Union: CMA

The unions have received offers in line with those made to the UCW grades but reduced by ¼% (ie 4¼% from 1 July with additional increases in December or 5¼% from 1 July). The unions are considering the offers.

6. BRITISH GAS CORPORATION

Settlement date: 1 June

(a) Staff and senior officers (57,600)

Unions: NALGO, MATSA (part of GMBATU)

A claim for a 9.5% increase on salaries was presented on 31 March. The claim is based on an assumed RPI figure of 6.5% and the wish to make up lost ground in terms of real earnings. The first negotiating meeting took place on 6 May when BGC made an opening offer of 4½% on basic salaries (worth about the same on average earnings) which the unions rejected. At a further meeting on 25 May management improved their offer to 4.5% to 5% on basic salaries (about the same on average earnings) which NALGO negotiators will put to their annual delegate conference in June for consideration. Negotiators have indicated that it is likely to be rejected and have pointed to the offer made to electricity supply staff which is worth 5.6% on average earnings.

Comment: A settlement covering manual grades resulted in a 5.1% to 5.2% increase on average earnings.

(b) Higher management

Unions: NALGO

In response to a claim for a 9½ per cent increase in salaries presented on 28 April, BGC made a single offer of 5% on salaries (worth a similar amount on average earnings) at a meeting on 7 June. The unions made clear that this offer was unacceptable. Like the Gas Staff and Senior Officers' claim it was to be discussed at the NALGO conference in the week beginning on 13 June. The

two claims are separate but in practice they are likely to be considered in parallel. A further meeting has been arranged for 28 July.

7. BRITISH NUCLEAR FUELS LTD: Industrials (9,190)

Settlement date: 1 July

Unions: GMBATU, AUEW, TGWU, EETPU

BNFL have made an offer of 4¾% on wage rates (and roughly the same on earnings). A further meeting has been arranged for 16 June. If the offer is not accepted BNFL might make a final offer of just under 5%. BNFL management is confident that a settlement will be reached by 1 July.

8. BRITISH WATERWAYS BOARD

(a) Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

The unions are expected to present a claim on 15 June. The first negotiating meeting has been scheduled for 20 July.

(b) Staff (830)

Settlement date: 21 July

Unions: NJC - NALGO, TSSA, ACTSS

The unions presented an unquantified claim on 23 May for increases in salaries, a phased reduction in hours from 37 to 35 and additional holidays. No offer was made. The next meeting will take place on 11 July.

PART 2: SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

9. BRITISH STEEL CORPORATION: All grades (81,100)

Settlement date: 1 January

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

Union negotiators representing process workers have agreed to withdraw claims for a national increase and have agreed in principle to negotiate local productivity deals. These have already been negotiated at some plants, including Llanwern, Ravenscraig and Port Talbot. Details are not known.

The main union representing middle management grades (SIMA) has reached agreement on local productivity deals which include the consolidation from 1.1.83 of 1% of the productivity bonus generated in 1982 by locally negotiated schemes, a guarantee of a further 3% payable from 15 February from locally negotiated schemes (providing agreement had been reached by 24 April) and for this 3% to be consolidated from 1 July providing all localities have agreed schemes by 31 May.

10. LONDON TRANSPORT EXECUTIVE

(a) Buses: Drivers and Conductors (19,420)

Settlement date: 28 March

Union: TGWU

The union has submitted an unquantified claim for substantial increases. An offer of 5.3% on basic rates, the consolidation of £1 per week flat rate bonus and improvements to hourly related payments was made on 16 May and was recommended for acceptance to a union delegate conference. Delegates were

split 50:50. The offer was then referred to garage level where it was accepted. LT say that the overall effect on average earnings will be slightly less than 6%.

(b) Underground: Supervisory, Booking Office and Conciliation Wages Grades (14,152)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

The unions submitted an unquantified claim for an increase in excess of the Retail Price Index, additional holidays and a reduction in working hours; broadly in line with claims submitted on behalf of British Rail employees. At a meeting on 29 April management offered 4.6% on basic rates (equivalent to about the same on average earnings) which the unions rejected. A further meeting took place on 16 May when management offered 5.2%; worth the same on average earnings. However, LT linked the 1983 pay award and the completion of a restoration of relativities excercise, which formed part of the 1982 pay award, to the unions' agreement to implement driver - only operation (DOO) on the Hammersmith and City (Metropolitan) and Circle lines and its subsequent extension to the District and remainder of the Metropolitan lines. This change incurs some offsetting costs to the Executive. Under an agreement dating from 1979, all train operating staff will benefit from a 7.5% flat rate increase once DOO is implemented. LT report that the offer has now been accepted.

Comment: Implementation of the award will mean that London Transport DOO drivers will receive higher earnings than their BR counterparts. Reference to this may be made in BR pay negotiations, although LT drivers in general have historically received more than BR drivers.

11. PASSENGER TRANSPORT EXECUTIVES

Settlements have been agreed as follows:

(a) Tyne and Wear PTE: Platform Staff (1,597)

Settlement date: 1 March Unions: TGWU, GMBATU

4.3% on basic rates and one additional day's holiday plus a productivity scheme which will yield a further 0.7% on average earnings. Equivalent to 5.4% on average earnings overall.

(b) West Yorkshire PTE: Platform staff (2,812)

Settlement date: 1 May Union: TGWU

5% on basic rates from 14 May, one additional day's holiday and marginally improved sick pay arrangements. Equivalent to 5.2% overall on average earnings in the settlement year; 5.4% in a full year.

(c) Strathclyde PTE: Platform Staff (1,847)

Settlement date: 18 April Union: TGWU

4.75% on basic rates; the same on average earnings.

(d) South Yorkshire PTE: Platform staff (3,177)

Settlement date: 1 April Union: TGWU

The union submitted an unquantified claim for a substantial increase. Management's final offer included the consolidation of 3 hours overtime pay, increasing basic rates by about 8%. However, because premium rate would not be paid for the first 3 hours of overtime and thereafter would be based on the

old rate at time and a half, the increase in average earnings would be 5.25%. The union balloted its members on 9 June, who voted 2:1 to accept.

12. UNITED KINGDOM ATOMIC ENERGY AUTHORITY: Staff (9,700)

Settlement date: 1 April

Unions: IPCS, SCPS, CPSA, AGSRO

The settlement is in line with that for the non-industrial Civil Service, ie 4.86% on average earnings.

13. WATER SUPPLY: Staff (35,500)

Settlement date: 1 July

Unions: NALGO, GMBATU, NUPE, GLCSA, TWSA

An offer of a 5.6% increase on basic salaries and improvements to standby and call-out allowances (worth 5.6% on average earnings overall) has been accepted.

14. ELECTRICITY SUPPLY: Clericals (45,000)

Settlement date: 1 May

Unions: NALGO

A formal claim for a substantial increase (not quantified) was presented at a meeting with management on 15 April. At a meeting on 17 May an offer of 3.5% to 5.8% on basic salaries (equivalent to 5.6% on average earnings) was made. NALGO formally recommended acceptance at a meeting on 13 June and the trade union side have now ratified the settlement.

15. REMPLOY:

(a) manual (shopfloor) workers (8,750)

Settlement date: 1 February

Unions: GMBATU, TGWU, EETPU, AUEW

Disabled shopfloor workers have received a 4.88% increase in basic rates and improvements to job rates, bonus, guaranteed pay, overtime and life assurance benefits giving an overall increase in average earnings of between 5.1% and 5.2%. In addition, one extra day's holiday will be applied from 1 January 1983 and a reduction of working hours from 39 to 38 per week will take place from 1 October 1983. The effect of the total settlement on average earnings is 6.45% in the settlement year and 8.16% in a full year.

(b) managerial, supervisory and technical staff (1180)

Settlement date: 1 February

Union: ASTMS

(c) administrative and clerical staff (685)

Settlement date:

Union: APEX

Both groups have received a 5% increase on basic salaries. In addition, group (b) will benefit from a reduction of 1 hour in the working week and group (c) by a reduction of ½ hour.

The overall settlement will increase average earnings over the whole workforce by 6.3% in the settlement year and by nearly 8% in a full year. It is intended that the cost of implementing the additional holiday and reduction in hours will be met by a revision of working practices.

dm

CONFIDENTIAL

(2)

Prime Minister

MCS 17/6

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON
SW1

17 June 1983

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

Felicity Everiss

MS F M EVERISS
Private Secretary

CONFIDENTIAL

PAY BRIEF: POSITION IN MID-JUNE 1983

SETTLEMENTS

1 Since the May pay brief 103 settlements covering 1,187,000 employees, with operative dates after 31 July 1982, have been recorded. In the private sector (90 settlements covering 300,000 employees) the weighted average level of settlements in the last month is just under 6%. The average in the public sector (13 settlements covering 887,000 employees) is just under 5½%. Important settlements in the private sector are Scottish Banks (25,000) arbitration award of 5.5%, Rowntree Mackintosh (11,500) at 7.5% and a proposal for a further 5% increase in rates from 1 September for Agriculture E & W (256,000) in addition to the 7.1% on rates from 20 January agreed earlier this year. The revised agreement is to last to 1 June 84 and increases the first year cost from 5.5% to 7.5% on earnings (10½% when fully implemented). The principal settlements in the public sector are Local Authority APT & C grades (672,800) at 4.9%, Water Service staffs (35,500) at 5.6%, BBC (27,500) at 5.6%, the Review Body award for Doctors and Dentists (94,950) giving 7.7% in the first year (9.7% when fully implemented) and a staged increase for Remploy (10,670) averaging 6.3% on earnings in the first year (just under 8% when fully implemented).

2 The cumulative average level of settlements for the whole economy this round (896 settlements covering 9,454,000 employees) is 5½%. About 4/5 of the employees about whom the Department expects to receive information have reached settlements.

3 In the private sector the cumulative average is just over 5½% (841 settlements covering 4,203,000 employees). The average for manufacturing is just under 5½% and for non-manufacturing is about 6%. On average, settlements are about 1½ percentage points below those agreed in the same period last year. Few settlements are above 8% or below 4%. About ½ of settlements and 7/10 of employees are in the range 5%-6%. So far this round about 1:5 of employees with settlements in both rounds have agreed higher increases than in the previous round; about 1:4 in manufacturing and 1:6 in non-manufacturing.

4 In the public sector (55 settlements covering 5,251,000 employees) the cumulative average is just under 5½%. The average in the public trading sector is 6% and in the services sector is just over 5%. Only the Armed Forces, Doctors and Dentists and Water Service manuals and craftsmen have been awarded increases

above those for last year.

5 Coverage: The limitations of the Department's coverage of settlements were explained in the April pay brief (para 5).

6 Twenty-four Wages Councils covering 2,587,000 employees 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 6%, with manufacturing at just under 5½% and non-manufacturing at just over 6%. If these are added to 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 remains unchanged at just under 6%, with both manufacturing and non-manufacturing also unchanged at just under 5½% and about 6% respectively.

NEGOTIATIONS

7 In the PUBLIC SECTOR, the unions representing British Rail, clerical and conciliation grades (17 April - 136,000) have rejected offers of 3.75% from 17 April or 4.25% from the date of the agreement. The claim is for a substantial increase, a 35 hour week and a further 1 week holiday. British Telecom, executive engineers, engineers, technicians (1 July - 149,200) are considering a revised offer of a staged increase on rates worth about 5% on earnings (6.1% in a full year) also ½% lump sum payment. An offer to Electricity Supply, clericals (1 May - 45,000) of 3.5% to 5.8% on rates according to grade (worth 5.6% on earnings), accepted by the union negotiators, has now been ratified. A 4.5% to 5.0% "final" offer to Gas Supply, staff (1 June - 57,600) has been rejected by a NALGO delegate conference. The claim is for a 9.5% increase on salaries. The management for British Shipbuilders (1 April - 64,000) maintain that the company cannot afford a national increase but there is scope for local productivity bargaining. The claim is for a substantial increase, 35 hour week, extra 1 week holiday and other benefits. The unions are threatening industrial action over proposed redundancies. Negotiations for Civil Service, industrials (1 July - 135,200) started on 21 April. No offer has been made. A decision has yet to be made on the Top Salaries (1 April - 1,800) Review Body recommendations for increases of about 12% (average) for top civil servants (including 5% withheld from a previous award), 30% for MP's and up to 47% for Ministers - except Cabinet Ministers in the Lords (71%).

8 In the PRIVATE SECTOR, union negotiators for Chemical Industries Association, process workers (1 May - 50,000) are recommending acceptance of an improved offer of 6% on rates. A decision is expected soon. The claim is for a substantial (unquantified) increase. ICI, manuals (1 June - 38,000) have rejected an offer of 5.1% on rates. A further meeting is being arranged. The claim is for a substantial increase and extra holidays. British Oxygen Corporation (Gases), manuals (1 June - 2,600) have presented a claim for a substantial increase, extra 3 days holiday and other benefits. An offer of 6% on rates has been rejected. A further meeting has been arranged for 16 June.

EARNINGS

9 In April the year on year increase in average earnings for the whole economy was 8.2% compared with 8.4% in March. The April increase was affected by temporary factors, mainly the timing of settlements and back pay. The underlying increase in April was 7¼% compared with 7½% in March and 10¼% in April 1982.

PRICES

10 In May the year on year increase in retail prices was 3.7 % compared with 4.0% in April.

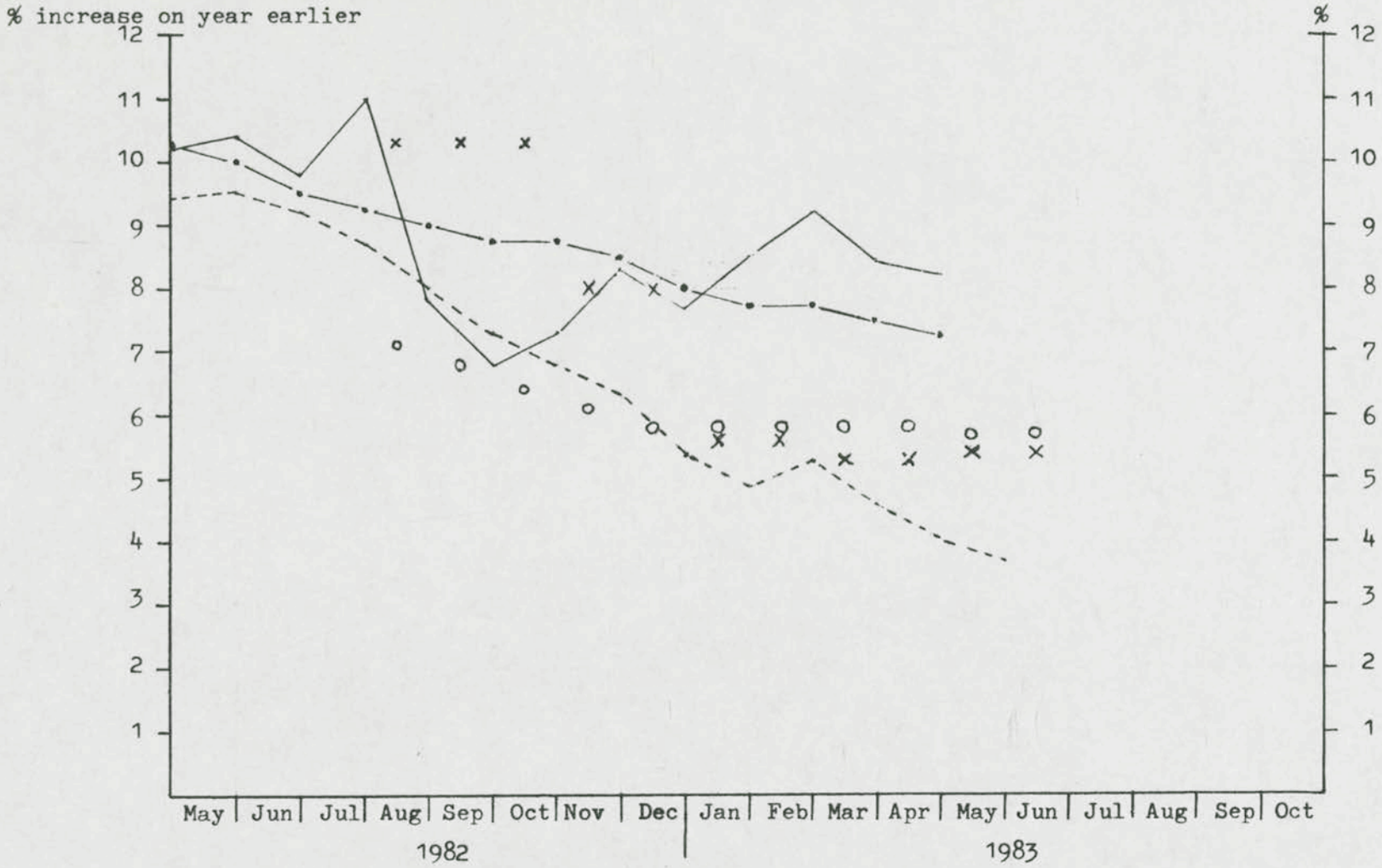
TAX AND PRICE INDEX

11 In May the year on year increase in the tax and price index was 3.2 % compared with 3.5% in April. The index measures the increase in gross taxable income needed to compensate taxpayers - whether working, unemployed or retired - for any increase in retail prices. It also takes account of any changes in direct taxes (including employee's National Insurance contributions).

REAL DISPOSABLE INCOME

12 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 by about 3% in the 3 month period ending April compared with the corresponding period a year earlier.

TRENDS IN EARNINGS AND PRICES



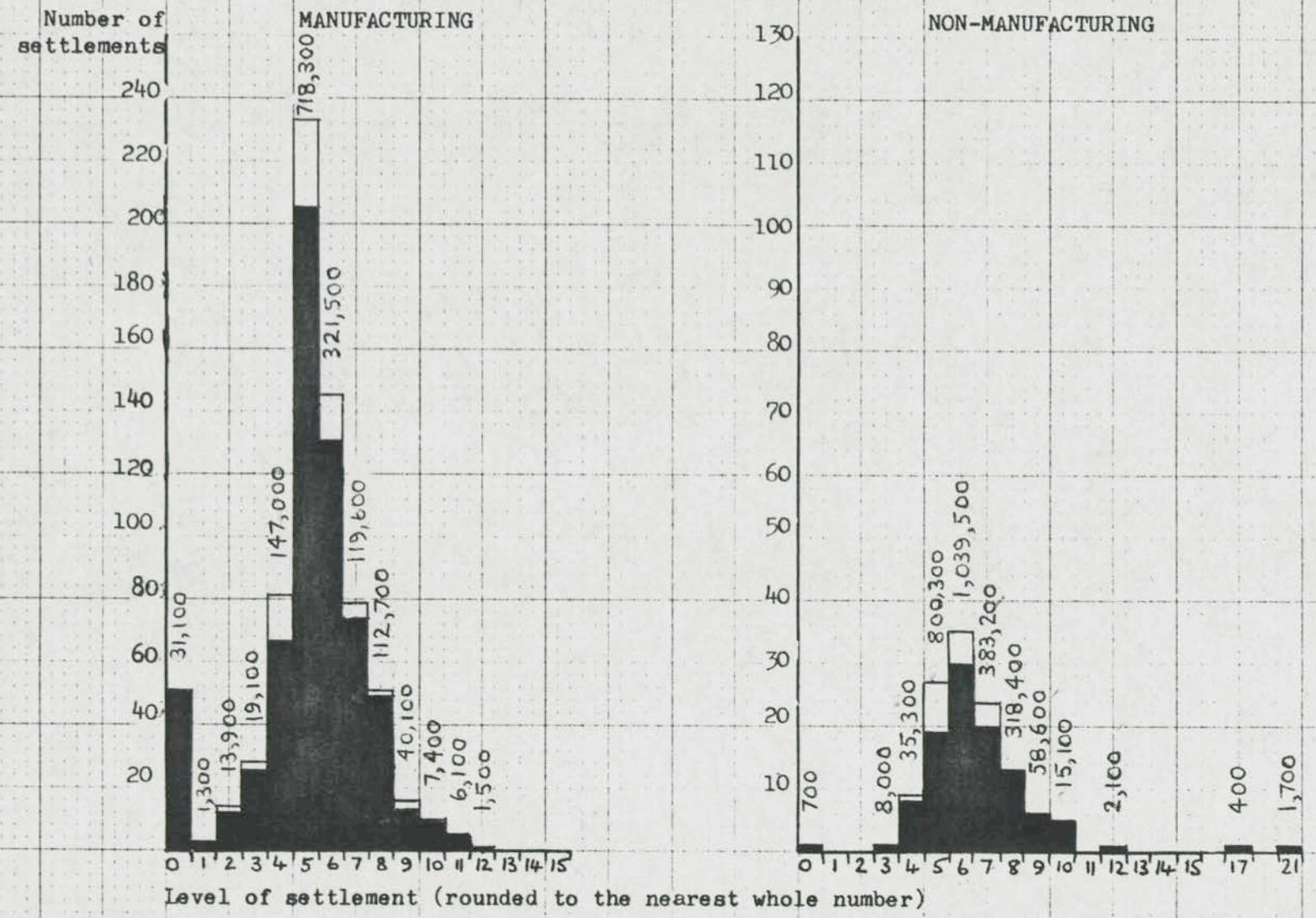
----- Retail Price Index
——— Average Earnings Index
•—• Underlying rate of increase in earnings

Cumulative Average Increase in Earnings
x Public Sector Settlements
o Private Sector Settlements

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

APPENDIX 2.

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



E.R.

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

Prime Minister (4)

C

For your next regular meeting with the Chancellor?

MCS 24/6

MR SCHOLAR

13 June 1983

cc Mr Mount
Sir Alan Walters
Mr Ingham

Yes - I'd like to see a long meeting

MT

THE NEXT PAY ROUND

The Prime Minister will wish to establish with the Chancellor the line which the Government should pursue in the next pay round. Agreement is needed at the earliest opportunity, certainly before therecess, in time to influence expectations in the run-up to the negotiating season. Pay expectations are already drifting upwards, threatening the Government's considerable achievements on the pay front: my note of 13 May sets out the background. If settlements increase in the first round after an election, who knows where they would end up by 1988?

Three aspects should be discussed with the Chancellor: tactics; pay targets; and presentation. As regards tactics, the Chancellor is due to present a paper to E Committee on 29 June. His officials may dissuade him (for fear it may provoke a premature, general discussion on economic policy) but we feel that he should present the paper, and that it should be a tough one, to marshall colleagues' efforts in support for the policy. There has been too much backsliding in the past: and there will be an understandable instinct to relax now.

A target figure will be needed. In order to secure public sector settlements of below 4% in the next round - a minimum achievement? - the Government should aim for settlements of 2 - 2½%. This is a realistic objective and the circumstances are favourable. Inflation is expected to continue to fall; the Government's policy has been resoundingly endorsed by an increased majority; and the Government's negotiators will not be encumbered yet awhile with Megaw-type arrangements.

Presentation requires an early reference in a key note speech (possibly by the Chancellor, in July) in order to condition negotiators'

thinking. The line to take is clear:

- large settlements are a matter of history;

- those in work have done well: falling inflation has allowed real increases in earnings, even with declining settlements;

- those in work have an obligation to the unemployed: low settlements create the means - a recovery in profitability and in competitiveness - to create new jobs.

NICHOLAS OWEN

MR OWEN

cc Mr Scholar

010

THE NEXT PAY ROUND

Thank you for a sight of the draft paper on the above and your comments.

As the paper is largely concerned with presentation, it may be helpful if I make some comments which I hope you will feed in.

My first point is that, for me, the draft paper lacks cutting edge, and strength of purpose.

The Government's objective is to get pay settlements down still further - and productivity simultaneously up to improve competitiveness, produce more profit and create more jobs. In these circumstances the paper should address itself in a more vigorous way to the achievement of this rather than to the problems involved.

To examine the issue logically:

The Government has made remarkable progress in reducing the level of pay settlements and improving competitiveness without, however, lowering living standards. The truth is that those in work have down well out of this Government. Thus the Government has nothing to apologise for to them. Indeed, it has demonstrated that living standards can rise even with what until recently would have been described as derisory pay settlements when, partly as a result of falling settlements, inflation is brought down dramatically, too.

So the platform on which the Government can legitimately build is:

- those in work have done very nicely because the country has taken the sting out of inflation;
- it is in their continuing interests to achieve low pay settlements;
- but it is also their obligation to the unemployed to continue to reach low pay settlements and to raise productivity in order to create the means, and competitivity, to create new jobs;

- there can be no letting up on wage settlements if the drive to hold down inflation and create new jobs is to be maintained.

But we have to do one more thing: specifically to destroy hopes, or expectations, of a return to big pay settlements.

The Government has got to state at the earliest possible opportunity that there can never be a return to big wage settlements regardless of the consequences; moderation in pay is in everyone's interest, and not the least that of the unemployed whose plight featured so strongly in the election.

This is the necessary - and the urgent - task of any incoming Government because of the inflationary tendencies in our society viz:

- the national tendency to revert to former less exacting habits;
- the national desire for people to claim a higher reward when things seem to be easing a bit;
- the institutional factors of a helpless (and hopeless) trade union movement; and the generality of companies who are largely incompetent in negotiation in protecting their trading interest; and
- the worrying tendency in the Civil Service, for example, to produce new and possibly flabby comparability formulae, regardless of the market.

It would be unrealistic to expect a Labour Government to grasp the nettle. It would be swamped by trade unions claiming reward. Nor could an Alliance Government, or coalition, expect to cope. The trade unions would simply put it to the sword test.

Only if this Government is re-elected will we have a Government which can be expected to do what is required - which is what I have outlined above - because only such a Government would have the required authority. This political analysis has got nothing to do with my personal views; it is harsh reality.

Thus contingency papers on the next pay round need to cater for different electoral outcomes.

However, on the assumption that the present Government is re-elected, the paper needs to:

- be sharp, tough and clear on what is required - and much less discursive and hand-wringing;

- emphasise, particularly, the need for swift Government action on pay [I shall be doing a separate paper for the Prime Minister on information/PR action required on her return and this will cover pay policy];

- offer no excuse for limpness or a tendency to relaxation; (don't overlook the tendency for returning Governments to try to have it easier or, when re-elected in June, to rush off on holiday without doing all that is required of them).

I hope this is helpful. You may care to discuss.

B. INGHAM
23 May 1983

CONFIDENTIAL

cc NO 2

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

23 May 1983

Prime Minister

23/5

Dear John

WATER PAY NEGOTIATIONS: STAFF

The Chancellor of the Exchequer drew attention in his letter of 17 May covering the Public Trading Sector Report to the negotiations for the water industry staff grades which resume on 26 May: the Report gives the background to the negotiations.

The Combined Employers Committee have set as the parameters for their negotiators, chaired by Sir Godfrey Taylor, that they are to seek to achieve a settlement as much below a ceiling of 6% as they can; it is to be a 12 month settlement based on a common percentage increase across the board; they are to focus exlusively on increases to basic rates except for a prior commitment on standby and call-out allowances which can be treated on its merits.

We have been in touch with Sir Godfrey Taylor and he is taking fully into account the settlements for comparable staff groups, such as the local authority APT&C (4.9%), and the latest developments in the gas and electricity staff negotiations. Although the negotiating team will not decide on its tactics and negotiating position until the morning of 26 May, he is determined that they should attempt to secure a settlement as close to 5% as possible and not to go beyond 5.6% which he considers is the 12 month equivalent of 7.3% increase on base rates awarded to the manuals.

Sir Godfrey's approach is reassuring and further involvement at this stage does not seem necessary.

I am copying this to the private secretaries to the Prime Minister, to members of E(NI), and to Sir Robert Armstrong.

Yours sincerely

D A EDMONDS
Private Secretary

John Kerr Esq
PS/Chancellor of the Exchequer

ECON Pol: Public Sector Pay

Pt 10

010

Prime Minister

MCS 20/5

Caxton House Tothill Street London SW1H 9NF

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

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

20 May 1983

MS

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

Felicity Everiss

MS F M EVERISS
Private Secretary

PAY BRIEF: POSITION IN MID-MAY 1983

SETTLEMENTS

1. Since the April pay brief 144 settlements covering 2,822,000 employees, with operative dates after 31 July 1982, have been recorded. In the private sector (132 settlements covering 1,623,000 employees) the weighted average level of settlements in the last month is just over 5½%. The average in the public sector (12 settlements covering 1,199,000 employees) is just over 5½%. Important settlements in the private sector are Retail Multiple Grocery (150,000) at 6.4%-7.2%, British Printing Industries Federation (130,000) at 5%-6%, London Clearing Banks (230,000) at 5%, Milk Distribution (90,000) at 6.14%, Building and Civil Engineering (450,000) at 5.5% and Building and Allied Trades (300,000) at 5.85%. The principal settlements in the public sector are Non-industrial Civil Servants (498,900) at 4.86%, Further Education Teachers E & W (80,000) at 4.95%, a staged increase of 5.5%-6.0% for Post Office UCW grades (156,000) - 6.25% in a full year-and a 7.2% Review Body award for Armed Forces (334,000).

2. The cumulative average level of settlements for the whole economy this round (793 settlements covering 8,267,000 employees) is 5½%. About ¾ of the employees about whom the Department expects to receive information have reached settlements.

3. In the private sector the cumulative average is just over 5½% (751 settlements covering 3,903,000 employees). The average for manufacturing is just under 5½% and for non-manufacturing is just under 6%. On average, settlements are about 1½% below those agreed in the same period last year. Few settlements are above 8% or below 4%. About ½ of settlements and ¾ of employees are in the range 5%-6%.

4. In the public sector (42 settlements covering 4,364,000 employees) the cumulative average is just under 5½%. The average in the public trading sector is just over 6% and in the services sector is just over 5%.

5. Coverage: The limitations of the Department's coverage of settlements were explained in the April pay brief (para 5).

6. Since April three Wages Councils covering 40,000 employees have made proposals for increases in minimum rates. Twenty-three Wages Councils covering 2,582,000 employees 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 6%, with manufacturing at just under 5½% and non-manufacturing at just over 6%. If these are added to 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 is only marginally increased and remains at just over 5½%, with both manufacturing and non-manufacturing unchanged at just under 5½% and just under 6% respectively.

NEGOTIATIONS

7. In the PUBLIC SECTOR, British Rail, clerical and conciliation grades (17 April - 136,000) have submitted a claim for a substantial increase, a 35 hour week and a further 1 week holiday. An offer is not expected to be made much before the end of May. Union negotiators for London Transport - Buses, drivers and conductors (28 March - 19,420) are to recommend acceptance of an offer worth just under 6%. Underground, railway grades (20 April - 14,150) are considering an offer of 5.2% on rates. British Telecom, employees (1 July - 145,000) have rejected a revised offer of a staged increase worth about 5% on earnings (about 5½% in a full year) and have given notice of possible arbitration. The claim is for a substantial increase. A 4.5% offer to Gas Supply staff (1 June - 57,600) has been rejected. The claim is for a 9.5% increase on salaries. No further meetings have yet been arranged. An offer to Electricity Supply, clericals (1 May - 45,000) of 3.5% to 5.5% according to grade has been rejected. The results of a further meeting on 17 May are awaited. The claim is for a substantial increase. Negotiations are to begin on 26 May for Water Supply, staff (1 July - 35,500). The claim is for an increase not less favourable than that agreed for manuals - a 16 month settlement estimated at 10.4% by employers and 11.5% by unions, but presented as an annual increase of 7.8%. Unions representing employees in the BBC (1 April - 27,560) have rejected an offer of 5.3% on earnings plus £100 London Weighting. Negotiations are continuing. The claim is for an increase to compensate for inflation, narrowing of differentials with ITV and other benefits. British Steel (1 January - 81,100) unions have withdrawn the claim for a national increase and have agreed in principle to negotiate local productivity deals. The management for British Shipbuilders (1 April - 64,000) maintain that the company cannot afford a national increase but there is scope

for local productivity bargaining. The claim is for a substantial increase, 35 hour week, extra 1 week holiday and other benefits. A meeting has been arranged for 25 May. The unions are threatening industrial action over proposed redundancies. The union negotiators for Local Authority, APT & C grades (1 July - 672,800) are to recommend acceptance of a 4.9% offer. Negotiations for Civil Service, industrials (1 July - 135,200) started on 21 April. No offer has been made. The Government has accepted the recommendations of the Review Body for Doctors and Dentists (1 April - 94,950) for a 6% increase plus a supplement for junior hospital doctors and dentists worth a further 1% overall. Also the payments from 1 January 1984 of the 2.7% by which pay has been abated. A formal offer will now be made. A decision on Top Salaries (1 April - 1,800) following recommendations for increases of from 12% for top civil servants to 47% for Ministers has been deferred until after the election.

8. In the PRIVATE SECTOR, Scottish Banks staff (1 April - 25,000) have rejected a revised offer of 4.86% on the paybill. The claim is for a 9% increase. Arbitration took place on 17 May - the result has not yet been announced. Chemical Industries Association process workers (1 May - 50,000) have rejected an improved offer of 5% on basic rates. The claim is for a substantial (unquantified) increase. Negotiations are expected to resume soon. ICI, manuals (1 June - 38,000) have rejected an offer of 5.1% on rates. The claim is for a substantial increase and extra holidays. A further meeting is expected in early June. Workers in Agriculture (E & W) (20 January - 256,000) and Agriculture (Scotland) (7 February - 41,600) are seeking to bring forward their settlement dates. Also, claims have been submitted for substantial increases, reduction in hours and other benefits. Meetings have been arranged for 27 May and 1 June respectively. British Oxygen Corporation (Gases), manuals (1 June - 2,600) have presented a claim for a substantial increase, extra 3 days holiday and other benefits. The unions are considering an offer of 6% on rates.

EARNINGS AND PRICES

EARNINGS

9. In March the year on year increase in average earnings for the whole economy was 8.2% compared with 9.3% for February. The March increase was affected by temporary factors, mainly back-pay for National Health Service employees and the timing of settlements. The underlying increase in March was 7½% compared

with 7¾% in February, having fallen steadily from 11% in January 1982.

PRICES

10. In April the year on year increase in retail prices was 4.0 % compared with 4.6% in March.

TAX AND PRICE INDEX

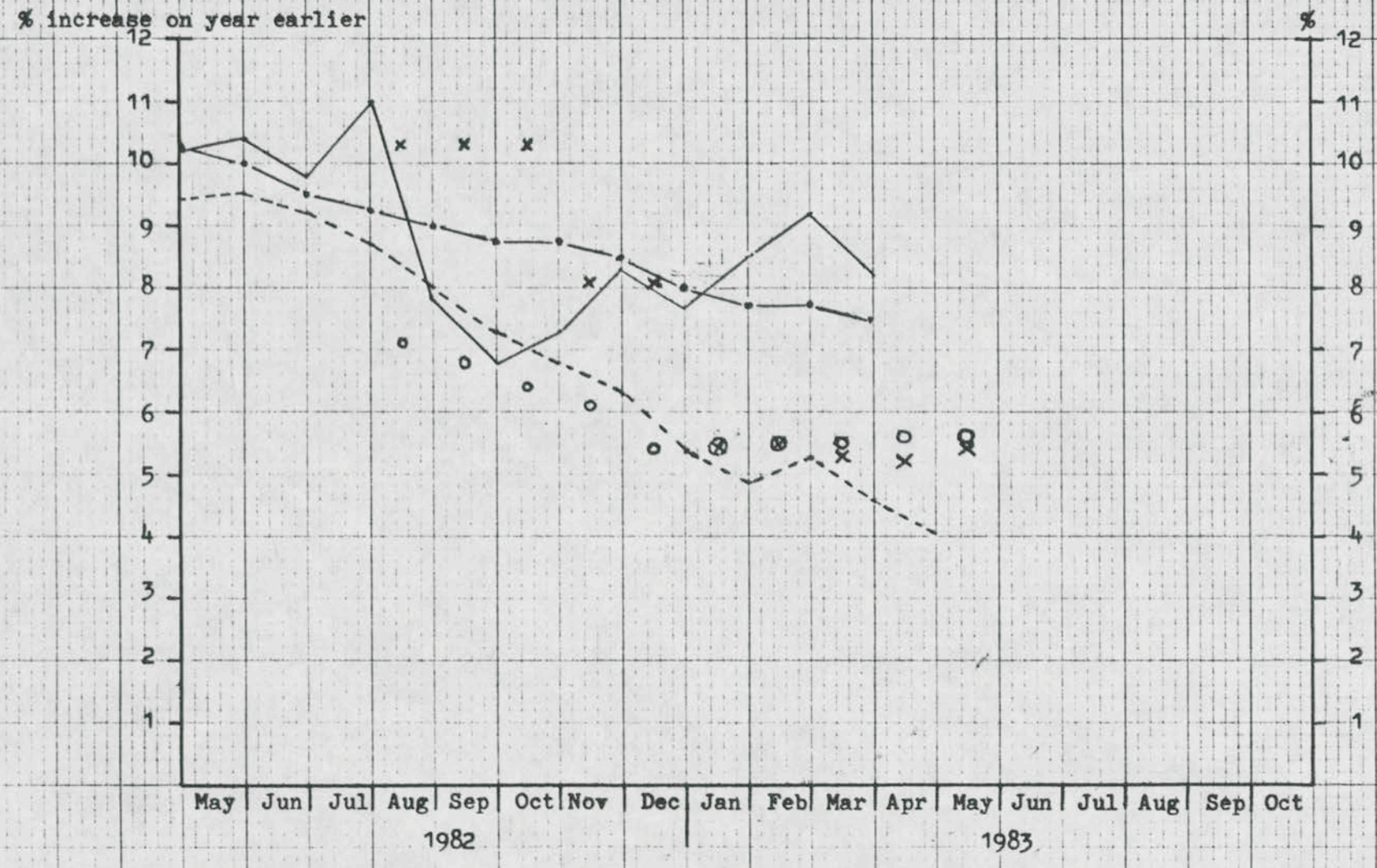
11. In April the year on year increase in the tax and price index was 3.5 % compared with 4.8% in February. The index measures the increase in gross taxable income needed to compensate taxpayers - whether working, unemployed or retired - for any increase in retail prices. It also takes account of any changes in direct taxes (including employee's National Insurance contributions).

REAL DISPOSABLE INCOME

12. 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 by about 3% in the 3 month period ending March compared with the corresponding period a year earlier.

APPENDIX I

TRENDS IN EARNINGS AND PRICES



----- Retail Price Index
——— Average Earnings Index
•—• Underlying rate of increase in earnings

Cumulative Average Increase in Earnings
x Public Sector Settlements
o Private Sector Settlements

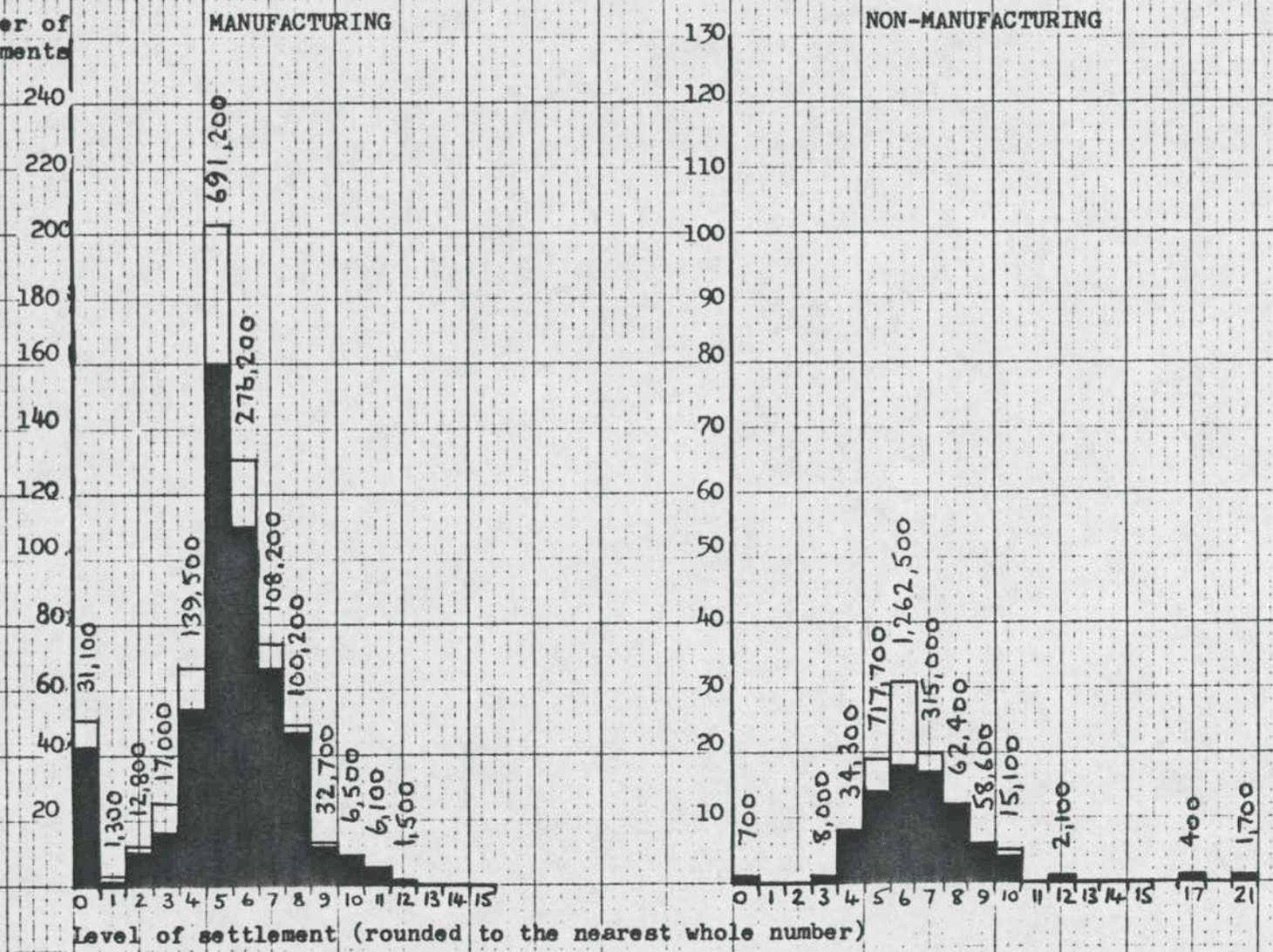
E.R.

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

APPENDI[illegible]

KEY ■ SETTLEMENTS UP TO THE LAST PAY BRIEF

□ SETTLEMENTS SINCE THE LAST PAY BRIEF



E.R.

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

4.40 CONFIDENTIAL Econ. Pol. c/c n/s

(2)

Prime Minister

MCS 18/5

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

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. You will have seen from Patrick Jenkin's letter of 9 May that the Post Office have now reached a settlement at the offer of over 6 per cent on which I commented in my letter of 20 April. British Telecom have restructured their offer but still seem to be keeping it around the 5 per cent mark. (It looks more than this, but the proposed rate of unconsolidated bonus is lower than was agreed last year.) The agreement giving unilateral access to arbitration at British Telecom has just expired, but before it did so the staff kept the option open by registering an intention to go to arbitration, which therefore remains a real risk (though not one which would justify a substantial increase in the present offer).

3. British Rail are likely to make an offer around the end of the month. This is an important negotiation. I hope that David Howell will be able to keep in touch with developments and make arrangements to see that we are forewarned. Much the same applies to the water industry staff grades. An offer may be made on 26 May, and particularly against the background of the recent strike by manual workers in the industry, I hope that Tom King will ensure that we are not taken unware by developments.

4. Offers have now been made to both the gas and electricity manuals, at 4½ per cent and 3½ to 5½ per cent respectively. In the light of the letter of 13 May from Nigel Lawson's office, it seems likely that the eventual settlements will at worst be no greater than those for the manuals, which were well below 6 per cent. If so, developments over the coming weeks should not cause any serious concern.

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

(G.H.)
17 May 1983

PUBLIC TRADING SECTOR

PART 1: CURRENT NEGOTIATIONS

TRANSPORT

1. PASSENGER TRANSPORT EXECUTIVES

(a) Tyne & Wear PTE - Platform staff (1,597)

Settlement date: 1 March

Unions: TGWU, GMBATU

Platform staff (who achieved parity with metro staff in the last pay round) initially submitted a claim for a £5 differential over metro rates. Management has offered an increase of 4.3% on basic rates (worth about the same on average earnings). The metro staff have recently concluded a settlement of 5% on basic rates (inclusive of 0.7% in respect of productivity), one additional days holiday and the possibility of a one hour reduction in the working week from 5 June providing agreement can be reached on implementation at no cost to the Executive. The settlement is worth just over 5% on average earnings. Union negotiators for platform grades have agreed to put a similar offer worth 5% on average earnings and including 0.7 per cent for productivity to a ballot within the next week or so.

(b) South Yorkshire PTE - Platform staff (3,177)

Settlement date: 1 April

Union: TGWU

The union has submitted an unquantified claim for a substantial increase. At a meeting on 28 March management improved their first offer worth 4.6% on average earnings to the equivalent of 5.0% on average earnings. The offer was

rejected in a union ballot by 4:1. A marginally improved offer was also rejected in a ballot on 5 May. Negotiations are now thought to be concentrating on specific productivity improvements to achieve a further increase in pay.

(c) West Yorkshire PTE - Platform staff (2,812)

Settlement date: 30 April

Union: TGWU

An offer of 4.5% on basic rates plus one additional day's holiday to be taken at Christmas was rejected in a membership ballot. At a meeting on 26 April management improved their offer to 4.6% on rates, one additional day's holiday and improved sick pay arrangements worth around 5% on average earnings. The offer was rejected in a ballot (without recommendation) on 5 May. Negotiations resume on 13 May.

(d) Strathclyde PTE - Platform staff (1,847)

Settlement date: 18 April

Union: TGWU

The union has submitted an unquantified claim for a substantial increase. Negotiations opened on 6 May, when an offer of 4.25% (both on basic rates and average earnings) was made. This has since been rejected and talks resume on 17 May. Craft unions are taking limited industrial action (one day strikes) in support of their claim.

2. LONDON TRANSPORT EXECUTIVE

(a) Buses: Drivers and Conductors (19,420)

Settlement date: 28 March

Union: TGWU

The union has submitted an unquantified claim for substantial increases. The first negotiating meeting took place on 7 April. Management offered 4% on basic rates (worth about the same on average earnings) which was rejected. Negotiations resumed on 28 April when management offered 4.6% on basic rates and slightly improved sick pay arrangements (to be met from the 4.6% increase). The offer is worth about the same on average earnings. The union has stated that as the opportunities for shift working and overtime have been reduced, actual earnings have fallen by 7%. They want this 7% restored and the 4.6% offer applied in addition plus improved sick pay arrangements. The union has also argued that if LT can afford to reduce fares, they can afford a higher offer. The TGWU has said that it is looking for an increase comparable to the highest settlement in the Passenger Transport Executives and has cited the Greater Manchester settlement which gave an overall increase of 7% on average earnings. At present management are standing firm on their offer. Negotiations resume on 16 May.

(b) Railway supervisory, booking office and conciliation wages grades (14,152)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

The unions have submitted an unquantified claim for an increase in excess of the Retail Price Index, additional holidays and a reduction in working hours; broadly in line with claims submitted on behalf of British Rail employees. The first negotiating meeting took place on 23 March. LT management made no response to the unions' claims. A further meeting took place on 29 April when management offered 4.6% on basic rates (equivalent to about the same on average earnings) which the unions rejected. A further meeting has been arranged for 16 May.

Comment: Negotiations will be influenced by any progress on the BR claim.

3. BRITISH RAIL: CLERICAL AND CONCILIATION GRADES (136,000)

Settlement date: 17 April

Unions: NUR, ASLEF, TSSA

At a meeting on 12 April the unions presented their 1983 pay claims which include a substantial increase, a 35 hour week and one week's additional holiday (overall average earnings effect unknown but reports suggest 30% plus). The Board did not make an offer and are considering inter alia the scope for a pay deal to last for more than 12 months. It is unlikely that BR will be in a position to make an offer until about the end of May. The Secretary of State for Transport is expected to meet the Chairman of the BR Board shortly to discuss the 1983 pay negotiations.

STEEL/SHIPBUILDING

4. BRITISH STEEL CORPORATION: All grades (81,100)

Settlement date: 1 January

Leaders of the twelve unions comprising the Joint Negotiating Committee are reported in the Financial Times (4.5.83) to have withdrawn their claims for a national increase and agreed in principle to negotiate local productivity deals. Details of the proposed deals are not known at present. In withdrawing their claim for a national increase the JNC unions have presumably withdrawn their insistence on unilateral access to arbitration on the issue. It is not clear whether they may still pursue arbitration in relation to local deals.

The main union representing middle management grades (SIMA) has reached an agreement with BSC to negotiate local productivity deals. The agreement provides for the consolidation from 1 January 1983 of 1% of the productivity bonuses generated in 1982 by locally negotiated schemes, a guarantee of a further 3% payable from 15 February from locally negotiated schemes (providing

these are agreed by 24 April) and for this 3% to be consolidated from 1 July providing all localities have agreed schemes by 31 May. In accepting local productivity deals the union has withdrawn its unilateral claim for a national increase to be determined by arbitration.

5. BRITISH SHIPBUILDERS: Staff and manual grades (64,000)

Settlement date: 1 April

Unions: CSEU/SAIMA

On 11 January the CSEU submitted the following claim for staff and manual grades:

(a) a substantial increase in wages and salaries to be paid on the basic rate and not as supplements
(b) consolidation of supplements into basic rates
(c) a substantial increase in the Minimum Earnings Levels
(d) a reduction in the working week to 35 hours
(e) guaranteed minimum earnings for unskilled and semi-skilled grades based on a percentage of the skilled MEL
(f) increased holiday entitlements and holiday pay
(g) phased reduction in working hours prior to normal retirement.

Other minor improvements relating specifically to staff or manual grades are also sought.

SAIMA, who negotiate in parallel to the CSEU, have submitted a separate claim for substantial increases.

Management has advised the unions that the company cannot afford a national pay increase although there is scope for local productivity bargaining. A union conference rejected management's call for a nil increase on 17 February. Negotiations commenced on 2 March but little progress was made. A further meeting took place on 18 March when the Chairman told the unions of the serious market position faced by the Corporation, and warned that up to 9,000

more redundancies were in prospect. The unions maintained their opposition to a national wage freeze, but asked management for a full presentation (on 31 March) of the workload position and effect on employment prospects. A delegate conference on 4 May mandated their negotiators to oppose the wage freeze and to resist the job cuts. Almost unanimous support was given to a resolution calling for a mass occupation of BS yards if the plans to cut 9,000 jobs were not withdrawn. The next meeting between the two sides was provisionally arranged to take place during week commencing 9 May.

POST/TELECOMMUNICATIONS

6. (a) POST OFFICE: Postal officers, postal assistants, postmen, cleaners and doorkeepers (156,000)

Settlement date: 1 April

Union: UCW

The union submitted an unquantified claim for a cost of living increase in basic rates, a restoration of differentials within grades, 2 additional days holiday and a reduction of 3 hours in the working week. The claim was worth in excess of 20% on earnings. Management offered 5.0% on basic rates from 1 April, a further 1% on rates from 1 August and one additional day's holiday. The effect of the overall offer on average earnings and on the paybill has yet to be precisely calculated, but is expected to be between 5.5% and 6.0% in the settlement year and around 6.25% in a full year. The UCW Executive recommended acceptance of the offer to union branches, and it has now been accepted by an 8 to 5 majority in a ballot.

In separate consultations the UCW has recently approved the extension of the existing "Improved Working Methods Scheme" to more employees. The scheme could yield an initial one-off bonus payment of £150 for some with further payments based on targeted cost savings.

The Chancellor of the Exchequer wrote to the Secretary of State for Industry on 20 April expressing concern about the way in which negotiations had proceeded in the Post Office.

(b) Postal supervisors, executives and supervisory catering grades (14,800)

Settlement date: 1 April

Union: CMA

The union has presented an unquantified claim for a substantial increase. The first negotiating meeting was to have taken place on 22 April but the Department of Industry has no information about the meeting.

Comment: Negotiations will be influenced by any settlement reached with UCW grades (see item 6a).

7. NATIONAL GIROBANK: Clerical, Typing, Secretarial and Data Processing grades (4,500)

Settlement date: 1 July

Union: CPSA

The Secretary of State for Industry wrote to colleagues on 22 April to inform them that negotiations would commence shortly between Post Office/National Girobank and it's clerical employees. The Post Office Chairman has indicated to the Secretary of State that he hopes to reach a settlement of 4½% on the basic rate. In addition up to a further 1½% of earnings from a funded productivity scheme could be consolidated. The Minister of State for Industry has advised the Chairman that he considers a maximum settlement of 5½% in line with that proposed for the main Post Office group (see item 6a) to be reasonable. The Chancellor of the Exchequer wrote to the Secretary of State for Industry on 27 April expressing concern about how the negotiations for National Girobank were expected to proceed. The Secretary of State for

Employment also wrote to the Secretary of State for Industry on 28 April expressing his anxiety that the negotiations could lead to an excessive settlement.

Comment

A settlement worth around 6¼% on average earnings in a full year as proposed for other PO groups would be above the general level of settlements in the public services and in the private financial sector.

8. BRITISH TELECOM: Engineers, technicians and inspectors (145,000)

Settlement date: 1 July

Unions: POEU, STE

In response to a claim for a substantial increase in pay and other improvements, BT made an opening offer averaging 4.25% on basic rates (inclusive of productivity payments) at a meeting on 15 March. The effect of the offer on average earnings was not known. At a meeting on 28 March the unions rejected the offer. At a further meeting on 21 April the offer was increased to 4½% for labourers and 5% for engineers, but was again rejected by the unions. On 25 April management made their latest offer of a 5.2% increase on basic rates. The offer is equivalent to a 5% increase on average earnings ignoring the possibility of any future grade restructuring and London Weighting. The offer does not include any productivity payments for 1983/84.

The unions have stated that they are seeking a 7.5% increase on rates and are dismayed that management has not offered any increase in respect of productivity improvements.

Management were to meet union negotiators on 12 May and were expected to offer a restructured package consisting of:

(a) 4½ per cent on current rates from 1 July;
(b) 1 per cent on current rates from 1 January 1984;
(c) ½ per cent unconsolidated bonus on 1 April 1984.

The procedural agreement providing unilateral access to arbitration expired on 30 April, but before it did so, the unions registered an intention to go to arbitration under the agreement in order to keep open the option of unilateral arbitration.

ENERGY

9. UNITED KINGDOM ATOMIC ENERGY AUTHORITY: Staff (9,700)

Settlement date: 1 April

Unions: IPCS, SCPS, CPSA, AGSRO

The group traditionally follow the settlement for the non-industrial Civil Service.

10. ELECTRICITY SUPPLY: Clericals (45,000)

Settlement date: 1 May

Unions: NALGO

A formal claim for a substantial increase (not quantified) was presented at a meeting with management on 15 April. At a meeting on 10 May the Electricity Council offered increases to clerical grades ranging from 3.5% on the bottom of the scale to 5.5% at the top and a 5.5% increase to professional and administrative staff. The offer was rejected. A further meeting will take place on 17 May when a slightly improved offer is likely to be made but not in excess of the settlement for power engineers ie 5.8% on basic salaries.

11. GAS SUPPLY: Staff and senior officers (57,600)

Settlement date: 1 June

Unions: NALGO, MATSA (part of GMBATU)

A claim for a 9.5% increase on salaries was presented on 31 March. The claim is based on an assumed RPI figure of 6.5% and the wish to make up lost ground in terms of real earnings. The first negotiating meeting took place on 6 May when BGC made an opening offer of 4½% on basic salaries (worth about the same on average earnings) which the unions rejected. A further meeting has yet to be arranged.

Comment: A settlement covering manual grades which will result in a 5.1% to 5.2% increase on average earnings is likely to influence negotiations.

WATER

12. WATER SUPPLY: Staff (35,500)

Settlement date: 1 July

Unions: NALGO, GMBATU, NUPE, GLCSA, TWSA

The unions submitted a claim on 21 April for a substantial increase in salaries, the overall terms to be not less favourable than that agreed for manual staff and have referred to the estimates of the value of the settlement of 10.4% by the employers and 11.5% by the unions. (The manuals settlement, because it ran for 16 months, was presented as being worth 7.8%). The claim is reported to favour the lower paid. The first negotiating meeting is due to take place on 26 May. The settlement for manual grades is likely to have considerable influence for staff grades who will be anxious to preserve their internal relativities. (The difficulty of maintaining differentials between supervisors and manuals might be alleviated by an existing earnings agreement which enables Regions to pay an additional amount to supervisors if

necessary). Negotiations will also be influenced by Local Authority non-manual grades and Civil Service non-industrials. The employers have told negotiators for the staff grades that the considerations which apply to the manual grades do not necessarily apply to non-manual staff and that the claim must be considered on its merits.

Comment: These negotiations are likely to prove difficult. The main issue is whether the staff should receive a broadly equivalent increase to the manuals taking into account on the one hand the obvious desirability of keeping settlements as low as possible but on the other hand that the staff group continued to work during the manuals strike. Secondly, if it were to be thought that they should have broadly the same as the manuals, how is the manual's settlement to be interpreted given that the pay structure is different, the settlement date is different and the manual's settlement was for 16 months? The staff settlement will influence the settlement for senior staff (470) and Chief Officers (44).

13. BRITISH WATERWAYS BOARD

(a) Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

The unions are expected to present a claim on 15 June. The first negotiating meeting has been scheduled for 20 July.

(b) Staff (830)

Settlement date: 21 July

Unions: NJC - NALGO, TSSA, ACTSS

The unions are expected to present a claim on 23 May. The first negotiating meeting has been scheduled for 11 July.

PART 2: SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

14. TRINITY HOUSE AND NORTHERN LIGHTHOUSE BOARD: Lightkeepers (728)

Settlement date: 1 July 1982

Union: TGWU

The union's claim for the 1 July 1982 settlement was for a 12% increase in pay and an increase in the differential between assistant and principal lightkeepers. Trinity House offered 6% on salaries. The claim was referred unilaterally to arbitration as provided for in the procedural agreement. The employers agreed to accept the award. The arbitrator awarded a 12% increase in salaries (effect on average earnings not known) with effect from 1 July 1982 and improved differentials between the pay of assistant and principal lightkeepers.

Comment: This arbitration award is extremely high and illustrates the dangers of agreements which provide for unilateral access to arbitration.

15. MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE: Platform staff (2,537)

Settlement date: 1 January 1983

Unions: TGWU, GMBATU

A settlement has been reached for an overall 6% increase on basic rates to be distributed according to separate garage negotiations. The effect on average earnings is thought to be about 6% also.

(2)

Prime Minister

PRIME MINISTER

13 May 1983

Thoughtful piece — worth getting out again after June 9th.

MCS 13/5

cc Mr Mount
Mr Walters
Mr Ingham

MT

THIS PAY ROUND, AND THE NEXT

Now that this pay round is virtually concluded it is a good time to take stock and prepare for the next.

The table below shows that the progress towards lower settlements has been steady, and general. The expected average for 1982/83 is 5½%: the public services sector settlements will average ½% below this, the public trading sector settlements ½% above. The water industry's settlement of 7.8% on an annual basis did not upset the trend; electricity and gas manuals subsequently settled at 5.7% and 5.2% respectively; other public services (teachers, non-industrial civil servants) at less than 5%.

AVERAGE SETTLEMENTS

	1979-80	1980-81	1981-82	percent 1982-83 (Expected outcome)
Whole economy average settlements	17	8½	7	5½
Public sector	15½	8½	6½	5½
- public trading sector	18½	9½	7	6
- public services sector	14½	8	6½	5
Private sector	18	9	7	5½
- manufacturing	16½	8½	6½	5½
- non-manufacturing	19	9	7½	6

Source: Department of Employment

I detect signs within Whitehall and outside that the drive to sustain this progress might now relax. It would be a natural response but must be avoided, otherwise the benefits of the recovery will be pre-empted by those in work, and denied to those who are not. Public sector expenditure will be even more difficult to reign back as a percentage of GDP. More specifically, I sense that:

(i) Forecastors may repeat the mistake of previous rounds of over-estimating inflation. The expected blip to 6% later this year may influence settlements even though there must be reasonable grounds for predicting that inflation could fall and remain at traditional German levels (4% or less). As inflation reaches the lowest level for decades there is, understandably, disbelief that it can go even lower;

(ii) As unemployment flattens out, and profitability improves, union negotiators may seek to make good the "sacrifices" which they think they have made in previous rounds;

(iii) "Creeping comparability" could hook up public sector pay to these higher private sector settlements.

In handling the next pay round I think that the Government needs to concentrate on four points:

(i) Those in work have not, on average, made "sacrifices". In reality, their pre-tax real earnings grew in the three previous rounds by 5½%, 0% and 1%. In the current round they are expected to rise by 2%. No signs of sacrifices there;

(ii) Take a firm line with employers and the CBI. Private sector employers were the Foolish Virgins in 1979/80. They offered 19% increases in the expectation that inflation and a depreciating pound would cover them. They are paying real increases of 2% this year - a year when the budget has provided their employees with benefits equivalent to an increase of another 1½%. Recruitment is no problem for

most types of labour. Industry still needs to double its real rate of return to achieve the 1960s average level consistent with sustainable growth. Why, then were employers so generous? They should not ask for Government help to reduce their costs and simply pass the benefits straight through when there is no economic need to do so. Indeed, their priority must be to recover competitiveness and real profitability;

(iii) Squeeze the public sector industries' EFLs on the assumption of low pay factors;

(iv) Be in no hurry to accept the creeping comparability in the public sector, institutionalised by Megaw-type arrangements. The more the Government accepts "comparability" the more it weakens its strongest argument, namely, that so long as it is reducing Civil Service numbers it will not need to match outside settlements. This point will become more important when the private sector begins to recruit additional staff.

NICHOLAS OWEN

CONFIDENTIAL

010

Prime Minister 2

MLS 22/4

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JF3280
Secretary of State for Industry

22 April 1983

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

Dear Geoffrey,

NATIONAL GIROBANK - PAY

The pay review date for the National Girobank is 1 July.

2 I have just heard from the Chairman of the Post Office that serious negotiations on this year's pay round for clerical staff, representing 80% of the Girobank's employees, are likely to begin in about a week's time. Mr Dearing has in mind that the limit to which he should go for these grades, and I stress this is not his opening bid, is for an increase of almost 4½% on the basic rate, plus a further contribution of 1½% maximum from a funded productivity deal. Kenneth Baker has seen Ron Dearing and Sam Wainwright, Managing Director of Girobank, and made it clear that although he appreciated that the opening offer would be a lot lower, he saw no reason why the final overall settlement should exceed the main Post Office settlement agreed last week of 5½%. He said that he thought the Giro proposal high in view of Giro's general rates for the grades concerned.

3 Mr Wainwright said that he could foresee major difficulty in settling at this figure, but Mr Baker underlined the need for a low final settlement and the parallels in the Civil Service settlement of 4.85%. He also sought, and received, assurances that the productivity deal would only result in payment if actually earned.

4 Copies of this letter go to the Prime Minister, members of E Committee, George Younger, Sir Robert Armstrong and John Sparrow.

Yours ever

Patrick

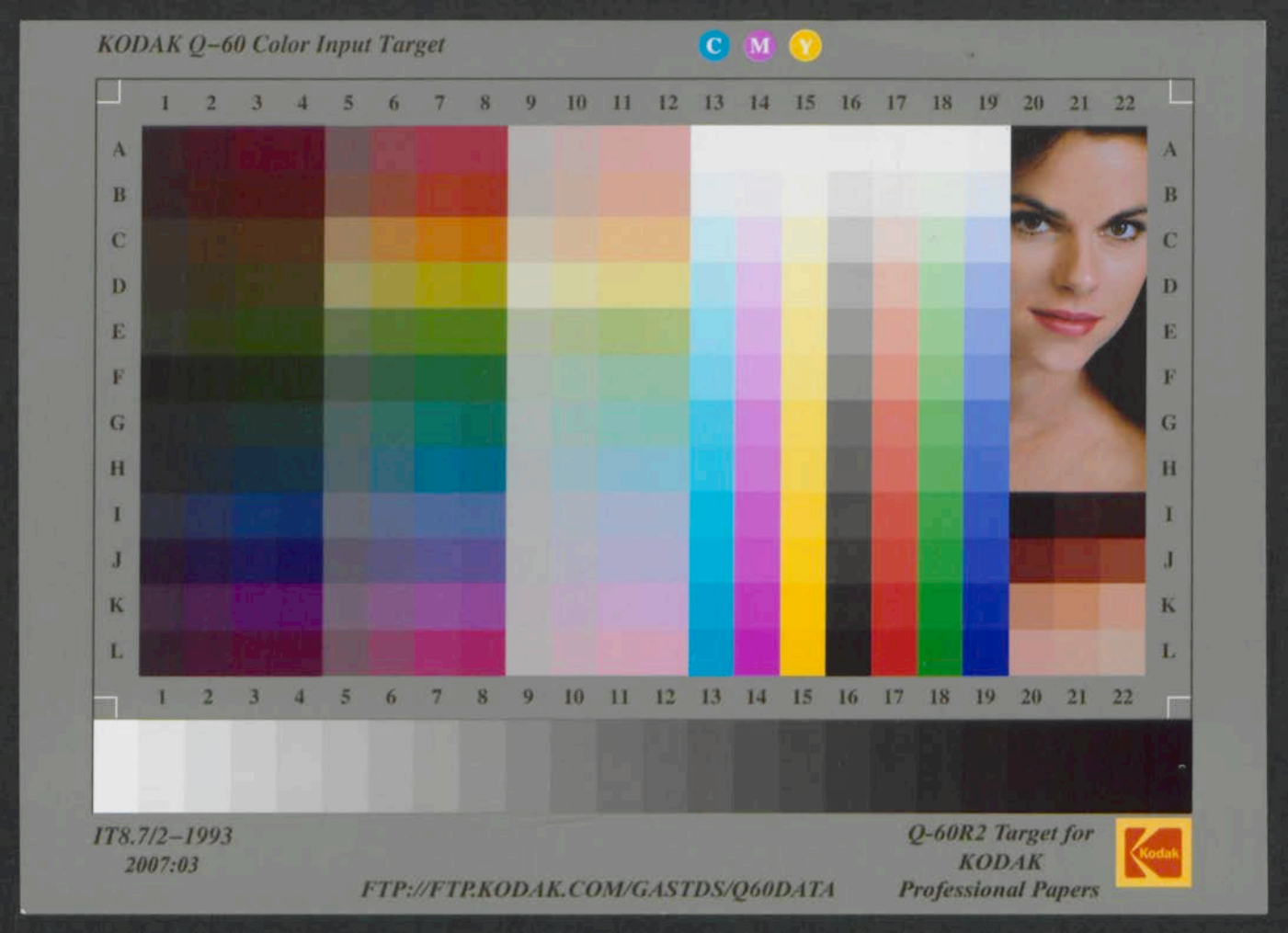
Econ Pol
Public Sector Pay

PART 9 ends:-

Energy to HMT 6.4.83

PART 10 begins:-

PSP(O)(83)10 18.4.83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