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Original returned

PRIME MINISTER

Public Sector Pay: Fortnightly Monitoring Report

The second Report by the official Group monitoring pay negotiations is attached. The Chancellor has seen it, and his Private Secretary's covering letter indicates the action the Chancellor will be taking on some of the issues.

There are two important matters on which I think you should intervene:

i) The index linking of firemen's pay. The employers have decided not to try and change the formula for indexation; if it stands we will have a 20 per cent pay rise in the public sector early in the pay round (the settlement date is 1 November). The Report refers to the similar arrangement for police pay; but the firemen do not have to get the same special treatment already given to the policemen. The Chancellor is consulting the Home Secretary; you may want to indicate your own concern, and ask the Chancellor to keep you informed.

ii) University teachers. Here there is a danger of a 13 per cent settlement, again in the public sector and early in the pay round (the settlement date was 1 October). This is not mentioned in the covering letter. You may want to suggest that the Chancellor takes this up with Mr. Carlisle.

Would you be content for Tim to make these points in his reply to the Chancellor's Private Secretary?

Prime Minister

I do not think that the Chancellor will need much prompting on university teachers' pay. He - and Mr. Carlisle - knows your views. But there could be no harm in mentioning it in the reply to the Treasury.

J M M Vereker
16 October 1980

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They came to discuss our Thursday discussion
I have been in meeting with
2 points in writing
not

cc Vaycken



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

15 October 1980

C.A. Whitmore Esq.
Private Secretary
10 Downing Street
LONDON
SW1

Dear Clive,

PUBLIC SECTOR PAY: FORTNIGHTLY MONITORING REPORT

... I attach a note by Treasury Officials on pay negotiations in the public sector. It identifies three important issues for which no arrangements have yet been made for Ministerial consideration in addition to a number of other important issues which Ministers will be considering collectively.

In order to ensure that outstanding settlements from the 1979-80 pay round are presented as favourably as possible, we propose to write at official level to the Departments concerned reminding them of the importance of careful presentation of the settlement in order to minimise their repercussive impact.

The Chancellor will be writing to Mr Heseltine about the negotiations with the water workers and local authority manuals, and asking his views on the timing of the settlements. The Chancellor will also be consulting the Home Secretary about firemen's pay. He is disappointed that the original prospect of breaking away from index-linking is not (apparently) to be taken further, particularly as it seems likely to lead to a very high settlement (22 per cent). He understood that the Home Secretary hoped to be able to overturn the index-linking arrangement for firemen, which was established two years ago as a result of the firemen's strike in 1977.

/As regards



As regards the nationalised industries, the Chancellor had a discussion with the sponsor Ministers on 13 October about the prospects for the nationalised industry pay round and the attitude and tactics to be adopted by sponsor Ministers towards it. He discussed this general question with the Prime Minister yesterday and it was agreed that the Treasury should act as the focal point in co-ordinating advice to sponsor Ministers about their negotiations and in monitoring developments.

Yours ever,

Peter

P.S. JENKINS
Private Secretary

PUBLIC SECTOR PAY: NEGOTIATIONS AND ISSUESNOTE BY TREASURY OFFICIALSIntroduction

This report has been prepared with the assistance of officials in the Department of Employment, Civil Service Department, Cabinet Office, CPRS and No 10. Current and prospective pay negotiations in the public services and public trading sector are set out respectively in Annexes A and B. The issues which officials consider to be important enough, either in themselves or because of the general issues which they raise, to bring to the attention of Ministers, are set out below:

1. Issues for which no arrangements have yet been made for Ministerial consideration:

(i) The presentation of outstanding settlements from the 1979-80 pay round

Such settlements are likely to be significantly higher than Ministers intend to achieve in the current round. For example, in the case of local authority Administrative, Professional, Technical and Clerical grades, the settlement for which is still outstanding, will there be a role for the Government (as well as the local authorities) in seeking to minimise the repercussive impact? Probation Officers have taken the same route as the APT&C grades; but in this case the Home Secretary is legally bound either to authorise implementation of the award or withhold approval. Another problem, where the Government cannot avoid becoming involved, may arise with the outstanding Clegg references on three main groups.

(ii) The timing of negotiations with the water manuals, local authority manuals and NHS ancillaries

Should Ministers seek to influence the timing of the negotiations with the powerful waterworker so that it is after the settlements with the other two groups?

(iii) Index linking

Since the local authorities are most unlikely to do so on their own

initiative, Ministers might wish to consider encouraging the employers to break the fireman's index-linking. This could of course lead to a firemen's strike, and also to questions about the Government's attitude to police index-linking. (This suggestion was not put forward at Mr Heseltine's recent meeting with LACSAB).

II. Issues which Ministers will be considering collectively:

- (i) The impact of settlements in the public services early in the round (university teachers, Atomic Energy Authority, local authority manuals).

Should any greater pressure be put upon employers than that exerted by cash limits and the Rate Support Grant? Are Ministers prepared to allow employers to use flexibility within their cash limits to finance excessive pay settlements (as might happen in the case of, for example, the Atomic Energy Authority)? Decisions will be taken at the end of October.

- (ii) The level of the pay factors to be included in cash limits for FY 1981-82

This will be coming up for decision at the end of October, with an announcement planned for November. It will cover most public services settlements in the 1980-81 pay round. Decisions will also be needed on External Financing Limits for nationalised industries. Some settlements in the 1980-81 pay round (university teachers, Atomic Energy Authority, local authority manuals, firemen and NHS ancillaries) are covered not only by the cash limits for FY 1981-82, but also the pay element in the FY 1980-81 cash limit, which was set at 14%.

- (iii) Arbitration Agreements

In a number of areas in the public sector (eg local authority Administrative, Professional, Technical and Clerical Staff, University Teachers) there is provision for unilateral access to binding arbitration. Mr Prior has submitted a paper to E Committee for discussion on 16 October on the general issues, as to whether the Government should change arbitration agreements where they are directly involved and seek to persuade the other employers concerned to renegotiate their arbitration agreements.

The situation in particular negotiations is discussed more fully in Annexes A and B as follows:

Annex A - Public Services

1. Local Authority Administrative, Professional, Technical and Clerical Grades.
2. Probation Service
3. University teachers
4. Fire Service
5. Local Authority Manuals

Annex B - Public Trading Sector

6. Water Manuals
7. Radiochemical Centre
8. Coal mining
9. UK Atomic Energy Authority Manuals.

PUBLIC SERVICES

1. Local Authority Administrative, Professional, Technical and Clerical (APT&C) Grades (650,000)

*Settlement Date : 1 July

Unions involved : Mainly NALGO.

The employers have stood firm on an offer of 13% in response to a claim of over 21%. They have conceded arbitration to which they are bound by a written agreement. This allows for unilateral access to binding arbitration. The hearing will be on 21 October and the award may be made by end-October.

Comment:

This is the last major LA settlement still outstanding from the previous round. A LA settlement above 14% would be particularly embarrassing. The outcome of the arbitration report is awkwardly timed for the LA manuals negotiation.

Issues:

- the presentation of outstanding settlements;
- unilateral access to binding arbitration (E Committee will meet on 16 October to take a paper by the Secretary of State for Employment covering this subject.)

2. Probation Service (5,300)

Settlement Date : 12 July

Unions : NAPO

This group traditionally follows APTC settlements closely. But this year the union has rejected an offer of 12 per cent claim. The arbitration agreement is similar to that for the APT&C group. But the Home Secretary must formally approve the new scales before they can be implemented. The expenditure is not cash limited.

Comments:

The Home Secretary's role involves the Government directly in approving or rejecting the arbitration award.

* Settlement date means the normal date of implementation; negotiations may be concluded before (or more often) after the settlement date.

Issues:

- what is the maximum award that the Home Secretary should approve?
- presentation of the award
- arbitration (see APT&C above).

3. University Teachers (38,000)

Settlement Date : 1 October

Unions : AUT

The university authorities and the dons (Committee A) have now submitted a proposal for a 13 per cent increase to the DES (Committee B) for consideration. The dons are likely to seek to restore their relativity with FE teachers, whose recent increases have exceeded theirs. This is an important settlement because it falls early in the pay round.

Comment:

It is important that the settlement is not reached before the cash limits for FY 1981-82 have been fixed.

Issues:

- there is a risk that cash limits for 1981-82 may not be settled in time to influence negotiations;
- the provision in the 1980-81 cash limit is sufficient to finance a higher award until the end of the financial year (DES officials are aware of the problems);
- it is for consideration whether the right of unilateral access to arbitration should be removed.

4. Fire Service (36,000)

Settlement Date : 1 November

Unions : FBU, NAFO

The employers' side of the joint council do not appear disposed to break a formula for indexation of pay agreed after a prolonged strike in 1977, which

is likely to indicate an increase of about 22 per cent.

Comment:

An attempt to break the index link after 2 years of its operation would be likely to provoke industrial action. Any decision to try to break the link would also raise the question of the Police indexation agreement.

Issues:

- Index linking: Given that they show no indication of breaking the link on their own initiative, should Ministers seek to encourage the local authority employers to break the index link? If so, and the local authority employers were persuaded to break the link, what support would they give the employers if they faced a strike?

5. LA Manuals (1,100,000)*

Settlement date: 4 November

Unions: Mainly GMWU, NUPE, and TGWU

A formal claim will be submitted on 24 October. It is likely to seek substantial increases (about 20%) and improvements in conditions of service (particularly shorter working hours). Negotiations are likely to start before announcement of RSG settlement. This is the first major settlement (excluding the police) due in the public services.

Comment:

This is the key group in determining the tone of pay negotiations in local authorities and its influence is also felt elsewhere. Several important groups have settlement dates close to the LA manuals, and watch their negotiations closely - especially NHS Ancillaries (of whom there are more than 200,000) and LA craftsmen. It is important that negotiations for these 'followers' should not prejudice negotiations with LA manuals.

A relatively low increase last year may create pressure for a settlement close to the annual increase in the RPI. The RSG acts as a constraint on total expenditure but not on basic hourly rates, when hours are reduced.

Issues:

- co-ordination of the timing of negotiations for LA manuals, NHS ancillaries and water manuals' (see Annex B);
- the setting of the RSG and cash limits;
- reduction in working hours (this could be an important feature of public sector negotiations this winter).

PUBLIC TRADING SECTOR

1. Water Service Manuals (33,000)

Settlement Date : 7 December 1980

Unions : GMWU, TGWU, NUPE, NAAAW

A GMWU delegate conference has voted for a claim of 30% plus extra holidays and shorter hours. The GMWU, which is the predominant union, will confer with the other unions to agree a joint claim. On 24 September the FT reported that GMWU delegates wanted nothing less than the miners and powerworkers.

The claim will be presented to the National Water Council on 23 October. DOE think that there is a strong probability of industrial action during negotiations. No confident prediction can be made of how much notice might be given.

Comment:

DOE are not certain how the employers will respond on 23 October. Although it is unlikely they will make an offer, the possibility cannot be ruled out. If matters follow their customary course, the NWC will have prepared papers showing a range of options. These will be studied by the employers' side before the NJIC meets and a decision taken as to what line to adopt.

Mr King will be meeting the Regional Water Industry Chairman on 15 October and pay is on the agenda.

The external financing limit above is not an effective constraint on pay, since charges can be raised. The Monopolies and Merger Commission is currently examining the second-largest water authority - Severn-Trent.

Issues:

- should Ministers try to influence the employers' side either (a) to achieve an early settlement (with the problem of isolating this) or (b) to await the LA manuals' settlement first, at some risk of industrial action?
- the probability is that the settlement will prove high; an early settlement could have a damaging influence if it proves too generous;
- presentation.

2. Radiochemical Centre Non-industrial and Industrial (1,200)

Settlement Date : 1 November 1980

Unions : GMWU, TGWU, IPCS, SCPS, CPSA

Although the unions have not submitted a formal claim, they rejected an offer of 9% at a meeting on 25 September. The response to union demands and the question of whether the Government should intervene is to be considered at E(EA) on 13 October.

3. Coal Mining (223,000)

Settlement to operate from 1 January 1981 to 31 October 1981

Union : NUM

The claim has now been delivered. The NUM Conference resolution called for £100 minimum rate (a 35% increase, equal to about 29%-30% on earnings to be paid "on a salary basis".) The October issue of the Financial Times (page 10) reports that in addition the claim will seek an extension of the voluntary retirement scheme, and a lowering of the age limit from 60 to 55, a reduction in the working week to 4 days, higher productivity payments and improvements in holiday arrangements.

The claim will require detailed study and the NCB is expected to take time over the negotiations, but the initial offer is unlikely to be delayed beyond mid-November. The crucial period is likely to be late November or early December, with the possibility of a ballot just before Christmas.

Comment:

The Department of Energy expects to hear from the Board as soon as they have decided on their initial offer. The tactical and policy questions arising from the likely NUM claim, and the financial implications are already the subject of Ministerial correspondence. The Chancellor has suggested to colleagues that the matter should be discussed.

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

Settlement Date : 1 October 1980

Unions : GMWU, AUEW, TGWU, EETPU

The claim is for about 30% of the pay bill. Following ministerial correspondence Department of Energy advised the Authority on the Government's position on the negotiations and the desirability of settlements within single figures. At the NJIC on 26 September the employers offered 8½% on basic rates. This the unions rejected. No date has been fixed for the next negotiating meeting.

Although UKAEA is a semi-autonomous public sector fringe body funded off the face of the Vote, in this context its budget can be regarded as central Government expenditure. The Secretary of State for Energy has told the UKAEA that they must reach a settlement within single figures. The standard provision in the FY 1980-81 cash limit is sufficient to enable UKAEA to finance a higher award until the end of the current financial year because their settlement falls early in the new pay round. It is therefore important that the cash limit for 1981-82 should be settled in time to influence the negotiations. The possibility of a reduction in the cash limit for 1980-81 is under consideration.

13 October 1980

15 OCT 1980



↳ perhaps with

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in that respect

↳ help enterprise,
and community

make firms