

Prime Minister 2



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01-233 3000

To note - too big  
a settlement by the  
Bank, though part  
of it will be  
staged.

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20/6

PRIME MINISTER

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PAY OF BANK OF ENGLAND STAFF

I think you should know of a substantial pay settlement which the Bank of England have just reached, affecting the bulk of their staff, and involving total increases of the order of 25 per cent.  
The main details are:-

- an across-the-board increase of 10.3 per cent from the normal 1st July annual settlement date;
- a very large up-dating of London Allowances (£410 - £735) and a few adjustments to differentials, again payable from 1st July;
- a further general increase to reflect a privately conducted comparability study, aimed particularly at the recruitment levels but to be extended across-the board. It has however been negotiated that this will be payable in two stages, about one-third on 1st November and the remainder on 1st March 1980. The total increase is agreed as 16 per cent, but since it does not apply to all aspects of pay, the effect on the pay bill will be lower.

2. The Bank made this settlement, as they no doubt thought right, without prior consultation with the Treasury. Indeed I understand that they reached agreement very rapidly, having discovered that the Staff Association were anxious for a quick settlement and prepared to give some ground in negotiation in order to get one. For their



part, the Bank of England management consider that they have done well in the negotiation, against a troublesome background of relatively generous settlements in the last year or two by clearing banks and other City institutions, and some unfortunate obiter dicta about the relative position of Bank of England staff in an arbitration judgment last year.

3. There has been no publicity about the settlement, and I understand that neither the Bank nor their staff association are seeking publicity.

4. It is unfortunate that an institution so closely connected with our objectives on inflation should be associated with a settlement of this magnitude just now.

5. Two other points arise. The first is that the settlement can apparently be contained within the Bank of England cash limit for the current financial year (in their case ending in February 1980), but this is in large measure due to the staging of the settlement and also to some largely fortuitous saving of cost in Bank of England expenditures this year. When the cash limit for next year is negotiated - this autumn - the Treasury will be looking to the Bank of England for the strictest economy to offset as far as possible the costs of the settlement which in that year will have their full impact.

6. The second problem is a more general one - that of prior consultation, to which you will remember that we referred in relation to nationalised industries as a whole at the end of our discussion in the Economic Strategy Committee on 1st June. We asked on that occasion that Ministers with responsibilities for nationalised industries should ensure that colleagues are kept informed of pay developments. If we are to have prior indications of negotiations and settlements, I think we need to go a little further, and that it may well be necessary for me or individual colleagues to write to the Chairmen of nationalised industries (I would include the Bank of England among their number) to ensure that they take the initial steps

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to keep us informed. There is some awkwardness, because we do not want to get involved in the detail of all the negotiations. I shall be considering this matter during the next few days, along with other matters we are to discuss in relation to pay when E Committee meets after the Summit.

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

(G.H.)

20 June, 1979

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Econ Pol.

10 DOWNING STREET

*From the Private Secretary*

21 June 1979

The Prime Minister has read the Chancellor of the Exchequer's minute of 20 June on the pay of Bank of England staff. She has noted that the Bank have settled on increases amounting to about 25 per cent, though part of this will be staged; that the Treasury will be looking to the Bank for the strictest economy next year to offset as far as possible the cost of the settlement; and that the Chancellor will be considering further the question of prior consultation on pay settlements by the nationalised industries.

T. P. LANKESTER

A. M. W. Battishill, Esq.,  
H.M. Treasury.

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← JUN 1979

*Handwritten mark or signature.*

CONDUCIOR