



PRIME MINISTER

UKAEA INDUSTRIAL PAY SETTLEMENT

1 E(EA) Sub-Committee today considered papers from the Secretary of State for Energy (E(EA)(80)48) and the CPRS (E(EA)(80)49) discussing the line that the Government should adopt in relation to the wage negotiations which the UKAEA will be conducting with their industrial employees.

2 This would be the first public sector settlement in the new pay round, and in helping to set the tone for the round colleagues were all agreed that a low settlement, probably well into single figures, was desirable.

3 But the staff concerned have traditionally looked over their shoulders to the civil service and BNFL settlements at the end of the previous pay round. BNFL industrials, who work alongside UKAEA industrials, recently obtained 15%. The UKAEA were therefore thinking originally in terms of a settlement at about the 14% level. As a result of pressure by Department of Energy they have revised this to the idea of a 11% settlement - but then envisage that this would run for only 8 months, with a further settlement in June next year. Such a change of settlement date would have some possible advantages, since it would put them near the end of the wage round and closer to other comparable groups, and would coincide better with the "cash-limit year". But it would obviously have serious disadvantages too.

Prime Minister

1. Content that this pay issue should now come to E?
2. We will need to watch this when you go to Harwell.

Yes mb

MA 26/IX



4 Unfortunately David Howell was unable to attend E(EA) personally because of a prior engagement, but was represented by John Moore. The Sub-Committee agreed (with John Moore reserving his position) that the UKAEA proposals were not acceptable, and that every effort should be made to persuade them to a different course. The change in settlement date by bringing it forward to June would set a very damaging precedent, and should not be proceeded with. A longer term settlement, for say 18 months, would result in a very high percentage figure and so would be presentationally difficult. The UKAEA should therefore be told that this was not the right time to consider a change in settlement date.

5 The percentage increase that the UKAEA envisage is conditioned partly by the fact that for the next six months they would have the benefit of the 14% increase in salary levels included when cash limits were set in the different economic circumstances of last year. Although they expect that a lower figure will be included when cash limits are set for next year, they believe that by taking half of the current year and half of next year they can afford a double figure offer now. The Sub-Committee were agreed that the UKAEA, and through them the unions, should be told that the cash limits represent a ceiling rather than an entitled level of expenditure, and that they include many elements as well as wages, which must be set to reflect current economic reality. The UKAEA should be strongly exhorted to seek a settlement in line with the Government's intentions for the public sector as a whole in the new wage round. Since there would be the danger of industrial action, any initial offer should of course be set rather lower than an acceptable settlement level.



6. It seems that industrial action by these staff would not impinge directly on the public or on vital areas of the economy or defence. Although it would reduce income to UKAEA, and so have cash-limit repercussions, the Sub-Committee felt that these were outweighed by the presentational advantage of obtaining a low settlement in this case.

7 Although the Sub-Committee were thus in agreement on the action required, they felt that in the absence of David Howell, and in view of the wider presentational aspects if Government is seen to intervene even indirectly, it would be desirable to look at the case again in E Committee, and I undertook to recommend that to you.

8 I am copying this to members of E Committee, Francis Pym, George Younger, Nicholas Edwards and Sir Robert Armstrong.

14

K J
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