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*de A David 2*

*Prime Minister*

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*Forecast rather for earnings for the current pay-round: pretty worrying.*

Rt Hon Sir Keith Joseph Bt MP  
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Department of Industry  
Ashdown House  
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LONDON SW1

*Need but doubt in accuracy out*

24 April 1980

*De .. 24/4*

*Jan 1980*

MONTHLY PAY BRIEF

Since no early meeting of E(EA) has been arranged, I am sending copies of the April Pay Brief to colleagues for information.

This gives the customary review of current pay negotiations and statistical information about settlements. I would draw your attention in particular to paragraph 3 which attempts a forecast of the outturn of the current pay round.

The forecast is for an underlying increase in average earnings of about 22% to 24%. This reflects first the level of current round pay settlements, which cannot be expected to fall in the remaining months of the round. Although there are signs at the margin that monetary pressure is beginning to bite on negotiations, it has yet to be reflected in the general level of settlements. Secondly the increase in earnings will reflect the pressures of pay drift which are likely to increase average earnings about 3% more than new settlements would suggest. Thirdly, in the public sector, there is the effect of increases flowing through into this round from the previous one, because of comparability awards, staging or delayed settlements. These will probably contribute another 2% to the overall increase in earnings.

I am copying this to the Prime Minister and to members of E(EA).

*[Handwritten signature]*

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## PAY BRIEF FOR MINISTERS : POSITION IN MID-APRIL

1. Since the last pay brief in mid-March 27 major groups (10 in the public sector) covering about 1.1m employees have had settlements for the pay year 1979/80. This brings the total for the year to 158 (39 in the public sector) covering about 5.6m employees - about half of all employees in the major groups monitored. At this point last year there had been 115 settlements covering about 4.9m employees.

2. The weighted average level of settlements for the major groups which have settled since mid-March is about 17% (18% in the public trading sector, 16% in the public services sector and 17% in the private sector). The weighted average level of current pay year settlements cumulatively since 1 August 1979 is about 16% (17% in the public trading sector, 14% in the public services sector and 18% in the private sector).

3. A prediction of the overall rise in earnings over the 12 months of pay bargaining to July 1980 can now be attempted. In the private sector there is no evidence to suggest that the current pattern of settlements will change much over the remaining months to July. In addition there will be 'drift' of about 3%, reflecting the known tendency for earnings to exceed estimates of settlements. Similar assumptions apply to the public corporations. In the public services, the present average level of settlements will probably be pushed up by increases recommended by review bodies and by the influence of the civil service settlement. In addition earnings in the public services will increase because of 'drift' (about 2%), Clegg awards (about 5%) and other increases occasioned by settlements in the previous pay round (about 4%). Overall the index of earnings is likely to show an underlying increase of about 22-24%.

### Claims and Negotiations

4. In the public sector British Rail clerical and conciliation grades (150,000) are being recommended to accept a staged offer worth about 1% in the first year with a reduction in hours from 40 to 39 from November 1981. The proposal provides for changes in working practices. Negotiations will now start on the Comparability Commission's report recommending increases averaging 18.2% for Teachers (621,300). Negotiations on the 1980 pay claim based on the average earnings index will take place at the same time. Scottish teachers have rejected an offer of 1%. RBC Staff (28,000) are seeking pay parity with TTV companies, which is estimated by the unions as an increase of 30%, and are disappointed with the recent offer, reported to be 15% plus 5% for grade restructuring. Negotiations are continuing on the claim for increases of at least 30% for NHS Nurses and Midwives (484,00). The Union of Post

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see attached  
note  
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Office Workers is recommending its members in the Post Office postal grades (152,900) to accept in a ballot an offer of 15% with staffing changes. Negotiations begin now for London Transport employees (47,000). If the MI budget permits offers of only 12% industrial action on rail and buses may follow quickly. Following their in-house comparability study agreement has been reached by Local Authority non-manuals (B & M) (529,000) on increases averaging 13% from 1 January 1980 on top of the 9.1% paid from 1 July 1979.

5. In the private sector an improved offer of 15% with a reduction in working hours from June 1982 is being considered by Construction Industry employees (775,000). NGA have rejected an offer estimated at 17.5% with reduction in hours from 40 to 37½ by July 1982 made by British Printing Industries Federation (167,000) and have taken selective industrial action which, in response to suspension of members, may now be stepped up to shut down provincial newspapers and affect certain national newspapers. SOGAT and NATSOPA are recommending the same offer and balloting members. Claims worth 25-30% have been made by union and staff associations on behalf of London Clearing Banks staff (151,000) and the banks have responded by offering 19% which has been rejected by the banking union. Negotiations continue in Cotton, Marmade and Allied Fibres Industry (60,000) where an offer to Spinning and Weaving Operatives of 7% plus 4% for productivity has been rejected. An offer of 17.5% plus one day extra holiday is being accepted on behalf of London Brick Company employees (6,300). ICI Ltd will respond by mid-May to a substantial claim by its process workers (51,000)

## Prices

6. The year on year rate of increase in retail prices was 19.8% in March compared with 19.4% in February. The year on year rate of increase in the tax and price index was 17.6% in March compared with 16.9% in February.

## Earnings

7. The year on year rate of increase in average earnings for the whole economy was 18.6% in February compared with 20.4% in January. In the older series which mainly reflects manufacturing industry the year on year figure was 18.9% in February compared with 20.6% in January.

## Real Disposable Income

8. The real disposable income of the typical family (described in the mid-July Pay Brief) rose by around 1.9% in the year to February.

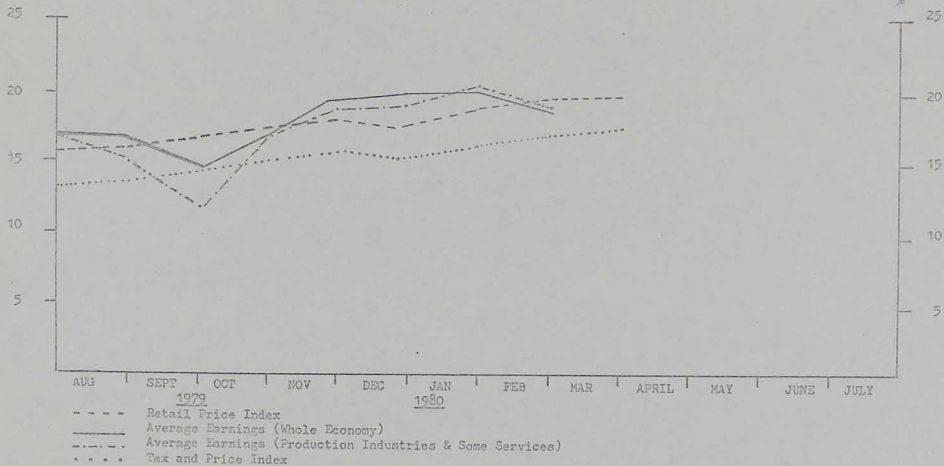
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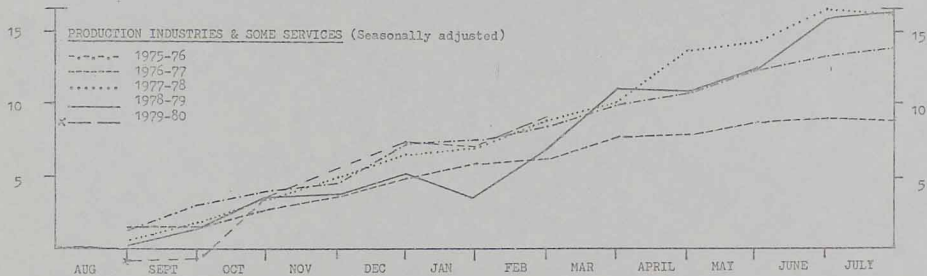
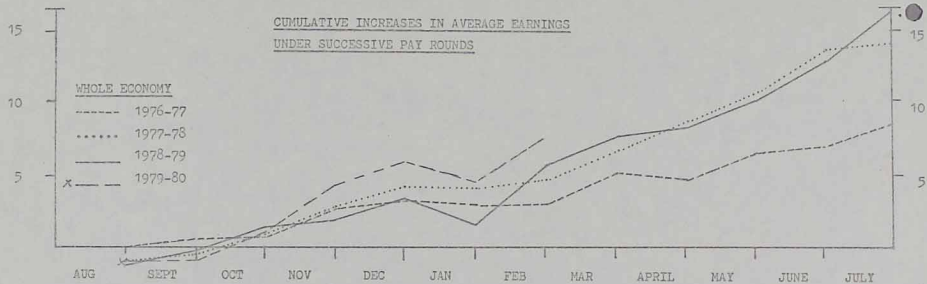
Department of Employment

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AVERAGE EARNINGS AND RETAIL PRICES

% on year earlier







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APPENDIX 5

Number of settlements

SETTLEMENTS FOR MAJOR PRIVATE SECTOR GROUPS IN THE  
1979/80 PAY ROUND SHOWING DISTRIBUTION OF PERCENTAGES

KEY  Settlements up to last Pay Brief  
 Settlements since last Pay Brief

