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cc: bc: Mr. Ingham
Mr. Wolfson
Mr. Hoskyns
Mr. Vereker

10 DOWNING STREET

From the Private Secretary

31 October 1980

cc: HMT
OTEMP
DOE
CPRS
CO

FIREMEN'S PAY

The Prime Minister held a meeting this evening with the Home Secretary, the Chancellor of the Exchequer and Lord Gowrie to consider the issue of firemen's pay. Robin Ibbs, John Hoskyns, David Wolfson and John Vereker were also present. They had before them the Chancellor's letter of 23 October and the Home Secretary's reply of 29 October.

The Home Secretary explained that, under the 1977 Agreement, the basic rate for qualified firemen was adjusted annually so that their average earnings were equal to the upper quartile of adult male manual earnings. On this basis, firemen's pay would rise by between 17 $\frac{3}{4}$ % and 26% from November. The 17 $\frac{3}{4}$ % figure was on the assumptions most favourable to the employers, and the Fire Brigades Union were apparently prepared to negotiate on the basis of this lower figure. But against the background of the Government's intention to bring down public sector settlements, it was still a very high figure. On the other hand, he had absolutely no power to intervene in the negotiations, nor to override the 1977 Agreement. The local authority employers had met earlier this week and had apparently had a confused discussion. The position was not helped by the fact that the Association of County Councils and the Association of Metropolitan Authorities were at loggerheads; but the outcome seemed to have been that they were, on balance, prepared to implement the Agreement. It was almost certain (and your officials later confirmed that this was the case) that the employers could break the Agreement without being taken to court; but for this year they did not seem interested in doing so. They took the view that they could pay for the settlement by reducing the number of firemen: there was some scope for reduction, but in the last analysis it was the Chief Inspectors of Fire who decided and not the employers. There could be no presumption that the AMA and the ACC would be willing to break the Agreement if the Government put pressure on them to do so. But if they did break the Agreement, there was a significant risk of strike action. Yet a firemen's strike was one which it ought to be possible to take on.

In discussion, it was pointed out that firemen's pay was financed out of the total local authority kitty, including the RSG. One way of putting pressure on employers was to make it

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absolutely clear that the Government would not adjust the RSG to pay for a high settlement. From this standpoint, it was highly desirable to announce the RSG and the cash limit assumption for it as soon as possible. It was further argued that, if the settlement went through at 17 $\frac{3}{4}$ % or higher, this would repercuss on other local authority settlements; and at this stage of the pay round it would be extremely damaging. The Government ought at the very least to try to bring the settlement down. An important justification for doing so would be the fact that the Government had suspended the PRU Agreement for civil servants. If the Government's efforts failed, Ministers could at least say that they had tried. The fact that the police had recently received an indexed settlement would not make it any easier to secure a lower figure, and it might be easier to persuade the FBU to accept such a figure if an indication was now given that the indexation agreement for the police would in future be overridden. The Home Secretary, however, said that he was not prepared to commit himself to the latter at the present time: he was not necessarily opposed in principle to overriding the agreement next year, but he was only prepared to take a decision on this in the light of the earnings outturn.

Summing up the discussion, the Prime Minister said that they were on balance agreed that it would be right to try to persuade the employers not to implement the Agreement, and to go for a lower figure than 17 $\frac{3}{4}$ %. The best approach would probably be for the Secretary of State for the Environment to tell the employers that the 17 $\frac{3}{4}$ % could in no way be justified by the prospective financial position of the local authorities; that if they paid it, the Government certainly would not adjust the RSG to accommodate it; and that it would be an act of gross unfairness to their other employees who would be unable to receive pay increases on anything like that scale. The Home Secretary and his officials should consult with Mr. Heseltine and his officials on the scope and timing of such a message, and on the publicity to be given to it. In addition, the Home Secretary should himself get in touch with the Chairman of the ACC to see if he could persuade him of the Government's case.

Subsequent to the meeting, I understand from David Edmonds that Mr. Whitelaw and Mr. Heseltine have discussed how Mr. Heseltine should approach the employers, and that they have agreed that he should write to all the local authority Chairmen first thing on Monday morning; and his letter will be published at the same time. The letter will not refer to the firemen as such, but rather to local authority settlements in general, and will indicate that the Government is looking for settlements in single figures. But I understand it will be clear to the local authorities that we very much have in mind the immediate issue of the firemen's negotiations.

I am sending copies of this letter to John Wiggins (HM Treasury), David Fraser (Lord Gowrie's Office, Department of Employment), Jeff Jacobs (Department of the Environment), Gerry Spence (CPRS) and David Wright (Cabinet Office).

L. B. LANKESTER

John Halliday, Esq.,
Home Office.

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