

CONFIDENTIAL

MR LANKESTER

cc Mr Wolfson
Mr Hoskyns
Mr Ingham

FIREMEN'S PAY

The Prime Minister agreed this morning to discuss firemen's pay briefly with the Home Secretary this afternoon. Although on the surface it seems odd that the firemen, who are a local authority service, are the responsibility of the Home Secretary rather than of Mr. Heseltine, I understand that Mr. Heseltine is not in fact involved in these negotiations, and need not be invited to the meeting. The negotiators on behalf of the employees are however LACSAB, so Mr. Heseltine certainly has an interest in the outcome.

The Prime Minister might find it helpful to have this note of the arguments for and against taking action now to break the ~~firm's~~ index linking.

FOR

- 1) The principle of index linking is wrong. Ministers have repeatedly said, and it is an integral part of the strategy, that pay rises this time round cannot keep pace with the rate of inflation. We need to get away from these postdated cheques.
- 2) If the firemen get 20% +, they will be widely and damagingly quoted as comparators for other groups - the principal contenders will be the ambulancemen, but the water workers and local authority manuals will not be far behind. There is a real danger that a second settlement of this magnitude in the public sector will affect the whole public sector pay scene.

AGAINST

- 1) The Government has accepted index linking for the police. But the Government have always said the police are special.
- 2) It is too late. That may be true, and it is important to find out this afternoon if it really is. But it ought not

CONFIDENTIAL

/to be,

CONFIDENTIAL

-2-

to be, since the Rate Support Grant is not settled.

- 3) The Government cannot directly influence LACSAB. True; but indirect influence through the RSG and willingness to take on industrial action could be just as effective.
- 4) It would mean a confrontation with the Fire Brigade Union, and a damaging strike. Yes; but the firemen are one group we know we can take on; there could not be better grounds than this for taking them on; and they might not have the spirit for a fight anyway.
- 5) The police and military are involved already in the Prison Officers' dispute. True; but are they the same units who would be involved in a fireman's dispute?

POSSIBLE OUTCOME

The best outcome of this afternoon's meeting would be agreement to bring maximum pressure to bear on LACSAB, urgently, to disentangle themselves from the index linking agreement. Desirable fallbacks are that as a price for index linking this time round, the firemen should accept either no index linking next time round, or a no strike agreement (~~on~~ which the police have).

J.V.

31 October 1980

CONFIDENTIAL