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Local Govt.  
cc:- Mr Ingham  
Mr Duguid

PRIME MINISTER

Original returned to Policy Unit

CABINET 6 NOVEMBER: RSG AND FIREMEN'S PAY

Although as you know they have so far rejected Ministerial appeals to break the link with average earnings, the firemen's employers have not yet made the expected 18.8% offer. They will be meeting the Fire Brigade's Union on Friday; this gives us an unexpected breathing space.

So far, we have sought to bring pressure to bear on the employers in the form of warnings of the financial consequences of a pay settlement higher than the (as yet unspecified) pay assumption in the Rate Support Grant (RSG). But the firemen are only a tiny proportion of the local authorities wage bill, and an 18.8% pay rise could probably be accommodated rather easily. As far as we know, neither the Home Secretary nor the Secretary of State for Environment has let the employers know of the Government's willingness to face industrial action, even though that possibility was accepted at your meeting with the Home Secretary and the Chancellor on 31 October.

Mr Heseltine is seeing the employers (that is, the chairmen of the five local authority associations) tomorrow evening, at 6 pm. By then, Cabinet should have decided the pay assumption in the RSG. I think it would be helpful if, after that decision is made, you suggested in Cabinet that Mr Heseltine should make maximum play of its implications for local authority pay settlements when he meets the local authority chairmen; and that he should go out of his way to stress the difficulty they would face with other local authority groups if the firemen got over 18%.

If we pull out all the stops in the next 48 hours, we can still retrieve the situation, and persuade the employers not to offer more than the RSG pay assumption. If we lose this opportunity, it is likely to make the whole public service pay round harder to contain.

J.V.

JOHN VEREKER

5 November, 1980

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