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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

PUBLIC TRADING SECTOR PAY - MONITORING REPORT

..... I attach the latest monitoring report prepared by officials.

2. The key negotiations at present are clearly water and gas, with electricity following closely behind. All these are clearly seen - by unions and employers - as closely related. It seems to me that we have two tasks. First, we have to keep closely abreast of developments. I note that there were important meeting on Friday, 30 January in gas and electricity, though their results were not known when the report was finalised. I hope that David Howell will let us know the outcome as soon as possible.

3. Second, we need to decide whether we ought in any way to intervene by talking to the chairmen. I know that there has been very close contact between Michael Heseltine and Sir Robert Marshall on the water negotiations, and I believe that you are in touch with the situation. The employers are clearly adopting a more conciliatory approach, following the endorsement by the vast majority of water manuals of industrial action in the face of their refusal to go beyond 7.9 per cent. Given the very real dangers imposed by a national water stoppage, I think this is the right approach, though I think we should need to consider carefully if there were any proposal that the earnings increase should go into double figures. Again on electricity and gas, I see no need for intervention on the basis of what is contained in the report, but David Howell will no doubt have this in mind in commenting on the latest developments.

4. I am sending copies to the usual recipients.


(G.H.)

February, 1981

PAY MONITORING REPORT - PUBLIC TRADING SECTOR

WATER SERVICE

(i) Manuals (33,000)

Settlement date: 7 December 1980

Unions: GMWU, TGWU, NUPE, NAAAW

The claim seeks a £20 a week increase, consolidation of the efficiency supplement, shorter working week, longer holidays and other improvements and is estimated to be worth 30%.

The employers have offered:

- increases in basic rates
- improvement in shift allowances
- increased standby and callout payments
- 1 day's extra holiday

The offer would add 9.9% to basic rates, but the increase in earnings would be smaller, giving an overall increase in the annual paybill of 7.9%.

The unions rejected the offer and refused at a subsequent meeting on 6 January to negotiate on the structure of the offer without an increase in the total money available. The unions have consulted their membership on a recommendation for industrial action, which appears to have received universal support. The unions are due to meet on 3 February to decide on joint action. Union officials have indicated that they will not resume talks without the assurance of an improved offer. The employers' side met on 28 January and decided to make approaches to the unions in an attempt to reopen negotiations and forestall the 3 February meeting on the basis of improvements to the offer, as yet unspecified.

(ii) Craftsmen (4,900)

Settlement date: 7 December 1980

Unions: CSEU, Union side of NJC for the building industry

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The craftsmen have rejected an offer of 9.9% on rates, in line with the offer to non-craftsmen. The overall cost on the pay bill would be 7.7%. The offer was rejected and the parties are to meet again on 13 February.

GAS SUPPLY MANUALS (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The claim, which the unions say is worth 23%, seeks increases of 15½% in line with inflation, and consolidation of bonuses at a sum equivalent to one-third of basic pay, this sum to be paid to all workers. (Present bonuses range from NIL to 50%). Other improvements sought are: reduction of working week to 37 hours, increased holidays and increased holiday pay, maternity leave, phased reductions in hours prior to retirement.

The BGC responded on 7 January with an offer worth about 8% on the pay bill in the 12 months starting 18 January, which becomes about 9% in the 12 months starting 2 August 1981, from which date the working week would be reduced to 38¾ hours. The offer was rejected.

The NJIC is due to meet again on 30 January. BGC expect discussion to centre on the question of consolidation of bonus into basic pay; management will not accede to this part of the claim although it may promise talks on this question (separately from this settlement). Other options include a minor increase in basic rates, an increase in the bonus calculator, and in the payment for flexible working procedures. The effect of these options has not been estimated in percentage terms, given the range of answers that might be achieved depending on the eventual deployment adopted in negotiation, but BGC have assured D/Energy that the increase will be marginal. Close liaison with the Water Council is being maintained.

ELECTRICITY SUPPLY

(i) Manuals (92,000)

Settlement date: 20 March

Unions: EETPU, GMWU, AUEW, TGWU

The Electricity Council has received a claim for:

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- (i) a substantial increase in schedule salaries
- (ii) a reduction in working hours to 35 a week
- (iii) unsocial hour payments to be based on the hourly rate derived from the schedule salary
- (iv) introduction of voluntary early retirement at age 60.

The claim was formally noted at the 8 January NJIC and the employers are expected to respond at the next NJIC on 5 February. Although details are not yet available the Electricity Council have told D/Energy that it favours letting the water and gas industries make the running and it is liaising with both industries. D/Energy expects to be given more information on the Electricity Council's approach on Friday 30 January, and will be reporting this. The Council expects to reach agreement in March. The Council member for Industrial Relations however believes that it will be difficult to reach a settlement which cannot be presented to the industrial employees as similar to that the miners achieved.

(ii) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

The power engineers are likely, as last year, to await the industrial settlement before tabling their own claim. They are expected to argue that their position is comparable to that of firemen in that they have an existing formula for determining their scales.

BRITISH AIRWAYS (50,000)

Settlement date: 1 January (1 April for pilots)

Unions: TGWU, AUEW, EETPU, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA

The Board initially offered 7½% from 1 July 1981, with no increase from 1 January, and later improved the offer to 8% from 1 April. The offer has been put to the separate National Sectional Panels. It has been rejected by engineering, maintenance and ground support groups, who have already staged a one-day strike on 23 January. It has also been rejected by the clerical and administrative groups, but they are not so far threatening industrial action. Flight engineering officers have accepted, and other groups continue to negotiate on the basis of the offer.

Owing to the Board's losses due to the recession and other causes, the 1980-81 EFL has been increased by £85 m.

BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS, APEX, SIMA

The Corporation has presented the unions with a "survival plan" which envisages upwards of 20,000 redundancies, and has proposed pay increases of 7% from 1 July 1981, with no increase from 1 January.

BSC put the survival plan to its whole workforce in a ballot. Out of a 65% response, 78% of votes cast accepted the proposals and 22% were for rejection. Those accepting constituted just over half the total workforce.

In a ballot of their 55,000 members covering both the plan and the pay offer the ISTC obtained only a 51% response. Those voting rejected both proposals. However, following BSC's ballot, the craft and general unions met the Corporation and accepted the whole deal. The Managers' association, SIMA, is also reported to have accepted, following BSC's agreement to continue merit and service payments, which the Corporation had at first proposed should be frozen. In view of the ISTC's now isolated position, BSC is expected to remain firm on the offer and to go ahead with the entire plan.