



From
NBPM BL

CC Mr Voke

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PRIME MINISTER

PAY BRIEF

I attach my Department's Pay Brief for March.
I am sending copies to members of E,E(PSP), and
E(EA) Committees, and to Sir Robert Armstrong.

J P

24 March 1981

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PAY BRIEF - POSITION IN MID-MARCH SETTLEMENTS

1 Since the February pay brief 98 settlements covering 926,000 employees have been reported. In the private sector the weighted average level of settlements over the last month was 7%, but this was heavily influenced by implementation of a 3%-6% offer for Motor Vehicle Retail and Repair (370,000). The average in the public sector (7 settlements covering 232,000 employees) was just under 8½%.

2 The cumulative average level of settlements for the whole economy this round is 9% (429 settlements covering 4,135,000 employees) compared with 9½% last month.

3 In the private sector the cumulative average is just under 9% (397 settlements covering 2,250,000 employees). About ⁴/₅ of the settlements recorded so far have been in manufacturing, where the average level is just under 9½%. The average in non-manufacturing is just under 8½%, but the principal groups in the Construction and Financial sectors have yet to settle.

4 In the public sector (32 settlements covering 1,884,000 employees) the cumulative average is just over 9%. The average for the trading sector (24 settlements covering 416,000 employees) is just under 9½% and for the services sectors (8 settlements covering 1,468,000 employees) is 9%. If the two agreements for Teachers (558,000) are ratified these will reduce the average for both the services sector and for the public sector overall to just over 8½%.

CHARACTERISTICS OF THE PAY ROUND

5 At about the half way stage in the round our information on settlements indicates that:

- (1) In the public sector the average level has dropped from about 21% (Police) to about 9%. In the services sector, as was expected, apart from special cases (Police, Firemen) the settlement for LA manuals (7½%) established a going rate which will probably be followed by other major groups. A settlement for the Civil Service should set the seal on the round. No trend is as yet discernible in the trading sector where the average is dominated by the miners settlement, publicly presented at 13%. But other energy groups are pressing for similar treatment.

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- (2) In the private sector there is a wide range of settlements generally (see Appendix 4). Recent settlements have tended to concentrate in the 7% to 12% range. Almost $\frac{1}{2}$ of the settlements covering about $\frac{3}{4}$ of the employees are in single figures.
- (3) There has been a significant decline in the level of settlements with each month's average being lower than the previous month's, but there are now signs that the level may be stabilising.
- (4) Up to March manufacturing industries, being exposed to international competition and a high exchange rate, have settled on average for less than non-manufacturing. This month, however, the trend has been reversed due to the low settlement in Motor Vehicle Retail and Repair but will probably revert when groups in the financial sector settle.
- (5) Sectors below the average include engineering, road haulage and clothing. Those above the average include oil and chemicals, food and drink and the financial sector.
- (6) About $\frac{1}{4}$ of employees achieved longer holidays but few settlements included reductions in hours.
- (7) There was a continuing erosion of the principle that settlements should last for 12 months but the majority of groups retained the traditional date.

NEGOTIATIONS

6 In the PUBLIC SECTOR, Civil Service non-industrials (1 April - 562,000) are taking selective industrial action following rejection of a 'final' offer of 7%. Negotiations are taking place for NHS craftsmen and maintenance workers (1 January - 14,500) on the basis of a 6% offer combined with partial consolidation of bonus payments. The claim is for parity on basic rates with the electrical contracting industry, estimated to be worth 21%. Offers of 6% have been rejected by NHS ancillaries (13 December - 211,000) and ambulancemen (1 January - 17,000), but the possibility of higher settlements to last for more than 12 months, to keep within the pay factor, is being considered for these two groups. A claim by NHS nurses and midwives (1 April - 492,000) for an increase in line with inflation - with a minimum of £92 per week - and a 35 hour week (from 37 $\frac{1}{2}$) may be discussed at a meeting on 24 March. Unions

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representing University manuals (1 November - 21,000) are considering a 17 month agreement giving 7.3% from 1 November 1980 and a further 2% from 1 April 1981. Teachers in Primary and Secondary Schools (E&W) (1 April - 480,000) and Further Education (E&W) (1 April - 78,000) have accepted 7½ offers, subject to ratification. Gas Supply manuals (18 January - 41,000) have rejected a staged offer worth 10% on the paybill (11.3% in a full year). Negotiations resume on 26 March. Electricity Supply manuals (20 March - 92,000) have rejected an offer worth 11½%. Negotiations continue on 2 April. In British Airways (1 January - 50,000) negotiations continue on a proposal for a 3 month pay freeze to be followed by an 8% increase from 1 April. An offer of 5.25% has been rejected by British Shipbuilding employees (1 April - 70,200) and unions representing BBC staff (1 April - 27,600) are consulting members on an offer reported as about 9½%. The claim is for an increase in line with inflation, extra holidays and a reduced working week. Post Office UCW postal workers (1 April - 156,000) have submitted a 20% claim and a claim for a significant increase for British Rail Clerical and conciliation grades (20 April - 150,000) is expected to be presented at a meeting on 19 March.

7 In the PRIVATE SECTOR, employers have agreed an interim payment of 12% to Merchant Navy seamen (2 January - 26,000) pending the outcome of arbitration. Unions on behalf of Officers (1 November - 36,000) are to put an interim offer of 12% to a ballot of members. Result is expected by 22 March. Further talks will take place when the seamen's arbitration findings are known. London Clearing Banks staff (1 April - 146,000) have rejected an improved offer of 10%ⁱⁿ response to claims for up to 20% and Trustee Saving Bank staff (21 February - 11,000) have rejected an offer of 8¾%. Union representatives for British Printing Industries Federation workers (24 April - 128,000) are recommending acceptance of an increase of up to £7.50 (craft I) on rates. An 8% offer to Newspaper Publishers Association production workers (1 January - 33,000) appeared to have been accepted by the union negotiators but indications are that they may seek further talks. Norwich Union staff (1 April - 7,200) are considering an offer of 10.1%. Employers are expected to respond on 31 March to a claim by Chemical Industries Association process workers (1 May - 50,000) for an increase of 21% on basic rates. Building and Civil Engineering employees (28 June - 450,000) have rejected a proposal for a 4 month freeze with a 5.75% increase on the MEL from November. The claim is for increases in excess of 20%. Next meeting 9 April.

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PRICES AND EARNINGS INDICES

PRICES

8 In February the year on year increase in retail prices was 12.5% compared with 13.0% in January.

EARNINGS

9 In January the year on year increase in average earnings for the whole economy was 18.8% compared with 19.5% in December. Excluding temporary factors the January figure was about 17½%.

REAL DISPOSABLE INCOME

10 The real disposable income of a typical family (described in the mid-September Pay Brief) rose by about 2½% in the year to December.

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TRENDS IN EARNINGS AND PRICES

APPENDIX I



MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT

1981

1980

--- Retail Price Index

— Average Earnings Index (whole economy)

X

Public Sector Settlements) Cumulative Average Increase in Earnings (effective after 31 July 1980)

Private Sector Settlements)

--- Underlying rate of increase in earnings

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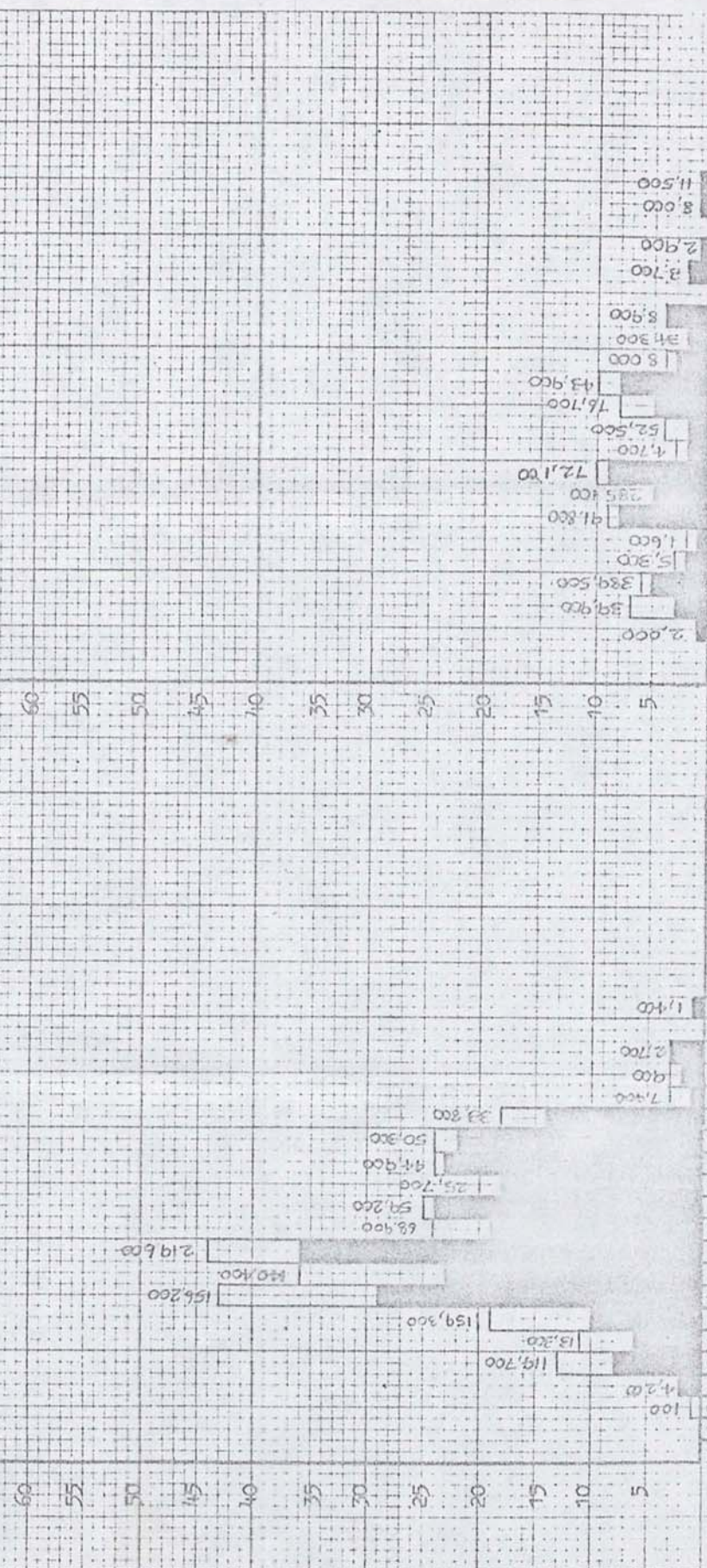
DISTRIBUTION OF SETTLEMENTS IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1980

KEY
 ■ SETTLEMENTS UP TO THE LAST PAY BRIEF
 □ SETTLEMENTS SINCE THE LAST PAY BRIEF

Number of Settlements

MANUFACTURING

NON-MANUFACTURING



LEVEL OF SETTLEMENT (ROUNDED TO THE NEAREST WHOLE NUMBER)

NOTE - THE NUMBERS OF WORKERS (ROUNDED TO THE NEAREST HUNDRED) AFFECTED BY THE SETTLEMENT IS GIVEN ABOVE THE APPROPRIATE INDICATOR.