

air
copied to :
Econ Pst, Pt 4
Public Sector Pay Policy

cc W Jarek
A Douglas

CONFIDENTIAL

Prime Minister

PM seen

TZ

RAILWAYS PAY

We are now coming towards the due date (20 April) for the main railway pay settlement. The Unions have presented claims for substantial increases on which they have not put a figure, but they appear to be looking for 13%. Before making any reply, the Railways Board are pressing the three Unions to say what they will do about the commitment from last year to negotiate a new productivity agreement. The Unions are not agreed among themselves how to reply, and this is likely to prolong matters.

I have emphasised to the Railways Board the powerful reasons for a settlement within the figure, incorporated in their budget and in the EFL, of 8%. With the levels of settlements being achieved in the public services, in many public industries (like the National Freight Company, which has settled just above 5%) and in private manufacturing industry, the railways cannot be in any serious recruitment difficulty. The recession is still eroding their traffic, and so cutting back their ability to pay. I shall keep in close touch with the Board to see that we reach as soon as a settlement as can be managed.

CONFIDENTIAL



CONFIDENTIAL

But we must recognise that the Unions' attitude has hardened in recent weeks, as they have seen developments in the coal industry and the water industry - and now gas - and they may now have expectations which cannot be met. With the heavy pressure the Railways Board are putting on manpower reductions and cutting out excess capacity, we must recognise an increasing possibility of industrial action linked to jobs as well as pay; and on the pay front we must remember that the Rail Unions have a right of recourse to the Railways Staff National Tribunal under Lord McCarthy, though any award from him would not be binding where the reference had not been agreed by the Railways Board. The existence of the Tribunal is another factor which may inhibit the room for manoeuvre. I expect that matters may move quite slowly. I am keeping in close touch with the Board to secure that we have as much time as possible to consider matters as they develop.

I hope colleagues agree with this approach; there are obviously dangers. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Employment and to Sir Robert Armstrong.

NORMAN FOWLER

27 March 1981

CONFIDENTIAL