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01-233 3000

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PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

I attach the latest report.

2. Since the last report was circulated, electricity manuals have settled at about the same level as gas manuals, whose unions have now formally endorsed their settlement. The report highlights the sharp difference which has now emerged between settlements in the public services sector, where large groups, including local authority manuals and teachers, have settled at 7½ per cent, and the monopoly public utilities where 12-13 per cent has been established by some of the major industries as the going rate. These high pay settlements and the price increases subsequently needed to finance them are damaging. They cause serious resentment in private industry and provide ammunition to critics of our overall strategy. We shall need to consider this problem carefully in the context of the next pay round.

3. For the immediate future the main problem areas look like rail and the electricity power engineers. As you know an assessment of the implications of a rail strike has now been prepared by the Civil Contingencies Unit. It would be helpful if David Howell could let us have his assessment of the implications of industrial action by the power engineers.

4. I should also add that there have been some instances recently in which offers were made without advance warning to sponsoring departments, or else at very short notice. I realise that it may not always be practicable to have the seven days notice we have asked for, but I hope that colleagues will remind their industries that this should be the normal rule.

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5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy, Trade and Transport, to Mr. Ibbs and to Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a series of loops and a final vertical stroke.

(G.H.)

7 May 1981

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PUBLIC TRADING SECTOR

GAS SUPPLY

(i) Manuals (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The unions have formally endorsed a settlement on the terms of the BGC's further improved offer made on 26 March. The settlement provides increases of 9.7% to 10.7% in basic rates, 13% increase in the General Obligations Payment, 1 day's extra holiday for workers with less than 10 years service and a working week reduced from 40 to $38\frac{3}{4}$ hours from 31 May 1981. BGC estimate the overall cost as 11.7% in the year of settlement and 12.6% in the year from 31 May.

(ii) Gas Staffs and Senior Officers (58,500)

Settlement date: 1 June

Unions: NALGO, GMWU, MATSA

A claim was lodged on 18 March. No specific figure is claimed but the unions estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 16.1%. They are also asking for grade restructuring, increased leave and a reduction in working hours to 35 a week. The parties meet next on 30 April.

(iii) Higher Management (3,500)

Settlement date: 1 July

Union: NALGO

The group has lodged a claim unexpectedly early indicating that they are seeking increases in line with inflation. No specific figure is claimed but the union estimated (prior to the Budget) that the rise in the RPI since the last settlement would be 15.4%. An NJC meeting has been fixed for 28 May.

ELECTRICITY SUPPLY

(i) Manuals (92,000)

Settlement date: 17 March

Unions: EETPU, GMWU, AUEW, TGWU

A settlement was agreed at a meeting of the NJIC on 2 April. The terms were 10.75% on basic salaries, 25p to 35p increase in unsocial hours payments, £3 increase (to £29 per week) in standby pay and a reduction in the working week from 38 to 37 hours from 1 October 1981. The full year cost is assessed as 11 $\frac{1}{2}$ % to 12%, but could be lower

depending on the method of implementing the hours reduction adopted in local agreements. A further addition to the paybill arises from a restructuring agreed as part of the 1978 settlement and effective from 1 October 1980 which could add 0.5% to average earnings in a full year.

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

Settlement date: 1 February

Union: EPEA

The Electricity Council aims to negotiate a settlement which does not exceed that completed with the manuals - ie of the order of 11% to 12%, although the media have mentioned a figure of about 13%. In the latest negotiations on 22 April the EC moved to an improved offer of 10.8% at the bottom tapering to 6.8% at the top. The offer is cast in this way to take account of the EPEA's demand for the preservation of relativities with the manuals at the link point which is at the lower end of the EPEA scales.

The offer was rejected. The parties meet again on 19 May and the EPEA said that if there was not a "sensible offer" at that meeting there would be difficulties. The cost of the proposals, including improvements in allowances and other items, leaves the Council without much leeway and they consider limited industrial action cannot be ruled out. The Council believe this would, at least initially, be directed at the industry and not at the customer.

(iii) Clericals (50,000)

Settlement date: 1 May

Union: NALGO

The NJC meets on 15 May. As in the case of the Engineers, the Electricity Council intends to negotiate settlement which does not exceed that of the manuals. There may be difficulties since NALGO is claiming that the manuals gained a 2% advantage as a result of their 1980 settlement and later restructuring agreement, and the clericals wish their former relativity to be restored.

WATER SERVICES

Staff (31,500)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

The Staff side have submitted a claim for a 17 per cent increase in salary, a 35 hour week, and various other improvements in leave and conditions. The claim will be formally tabled when the NJC meets on 30 April. The Management side are not expected to respond to the claim at the 30 April meeting.

BRITISH AIRWAYS (50,000)

Settlement date: 1 January (1 April for pilots and flight engineers)

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

Settlements have now been agreed for well over half of the work force. Negotiations have been taking place in the separate National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. Both sides have accepted variations in the elements of the package applying to groups covered by particular Panels, while keeping within the planned overall cost. Negotiations for pilots, whose settlement date is 1 April, are less advanced.

The group which have not settled are cabin crews, engineering and maintenance and ramp workers. British Airways are cautiously optimistic that the engineering and maintenance workers are moving towards acceptance of the overall limitations of the offer and that the ramp workers will follow them. Cabin crews have now accepted the overall limitation but are until in talks on the construction of a package.

BRITISH STEEL CORPORATION (140,000)

Settlement date: 1 January

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

The Corporation put forward a "survival plan" entailing upwards of 20,000 redundancies, and proposed pay increases of 7% from 1 July 1981, with no increase from 1 January. All the unions except ISTC eventually accepted the whole deal. ISTC however rejected the pay offer and refused national agreement on the survival plan, although they are prepared to engage in local negotiations on redundancies in particular plants.

BSC and ISTC again failed to reach agreement when they met on 10 February. The talks were adjourned without a date being arranged for their resumption, and there has been no progress since. If the ISTC's position does not change, it is BSC's intention to implement the 7% increases from 1 July notwithstanding the absence of a fully agreed settlement.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

No claim has been submitted and none is expected until a settlement has been reached

the Civil Service. CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their pay settlements have been in line with those of civil servants. The Air Traffic Controllers, whose participation in the civil service strike on 9 March caused substantial disruption to civilian flying, are currently taking selective strike action throughout the UK.

Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations on the JNC for PTE Non-Manual Employees opened on 5 March with an offer worth under 6% on paybill, which the unions rejected. An improved offer of 6.5%, made on 2 April, has also been rejected. Talks resume on 1 May.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

South Yorkshire PTE (Platform Staff - 3,000)

Settlement date: 1 April 1981 (formerly 9 October 1980)

Union: TGWU

Earlier this round a 6 months pay settlement was agreed between the PTE and its platform staff for an 8% increase in rates to run from 9 October 80 (the ASD at that time), with a review on 1 April 81 (the new ASD). From 1 April 81 the PTE offered an increase on rates of 7.5% (estimated to give 6.5% on earnings) which union negotiators rejected after a ballot. Talks resumed on 8 April with an offer which would give a 7% increase on earnings. A ballot was held on 16 April which rejected the slightly increased offer. A further ballot is being held on 30 April on an offer which will increase basic rates by over 11 per cent, but add less than 9 per cent to the paybill due to considerable reductions in overtime. The PTE are reasonably confident of a settlement reaching.

British Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

3 rail unions submitted a claim for "substantial pay increases" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which, after consideration, union negotiators rejected. A further meeting was held on 16 April when the unions pressed for a substantial increase in the offer and BR insisted that they were unable to improve on 7%.

The unions' executives are this week discussing further joint action, including a possible reference of the dispute to the Railway Staff National Tribunal. An award of the Tribunal, however, is binding only if there is an agreed reference by both parties.

London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

The 3 rail unions submitted a claim for a 12.5% increase on 31 March. At a meeting on 7 April the unions rejected a 6% offer. The parties are to meet again shortly, when Management intend to spell out the consequences in service cuts and job losses of meeting the unions' claim.

L/T Underground settlements follow those of British Rail.

London Transport Executive (Bus Drivers and Conductors - 19800)

Settlement date: 28 March 1981

Union: TGWU

On 3 April TGWU submitted a claim for pay increases in line with RPI movements, a 35 hour week (from 39 due to be introduced in Nov 81) and extra annual holidays. Negotiations opened on 13 April with an offer of 7.5% (in line with settlements elsewhere in the bus industry). The offer was linked to improved productivity, as reduction in weekly hours below 39, and a firm commitment to a 12-month's agreement.

Talks resumed on 22 April with the rejection of 7.5%. These followed an improved offer comprising 8% on basic pay, increased receipts bonuses, 1 additional day of annual holiday and the question of the reduction of weekly hours to 38 to be referred for Committee consideration.

TGWU negotiators agreed to recommend the offer to a special delegate conference to be held on 30 April.

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Post Office (Postal workers - 156,000)

Settlement date: 1 April

Union: Union of Communications Workers (UCW)

In response to a claim for 20% increases across the board, PO offers of 6%, 6% plus a further 2% from 1 October, and 8% plus a further 1% from 1 October, have all been rejected. After a negotiating meeting on 15 April UCW representatives agreed to recommend acceptance of a final offer costed at 8½% in the 1981/82 financial year. The offer increases pay rates and allowances by 8% from 1 April and by a further 1½% from 1 November 81. It will be put to union members at branch ballots, the results of which are not expected before early May.

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