

✓ Dwyer
Vereker
Wallen



Prime Minister

To note where we are in the
NUM/NCB pay negotiation. John

Vereker's note (page A) points to
dangers - now.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

8 October 1981 highlighted by the Chancellor-

of presenting a settlement as higher than
it really is. Agree I write as
proposed at X in his note?

Rt. Hon. Nigel Lawson, MP.,
Secretary of State for Energy

Nigel Lawson

Yes
ML

MLS 9/10

MINERS' PAY

Thank you for your letters of 30 September and 5 October about the miners' pay negotiations.

I am sure that you will impress on Derek Ezra the need for as low a pay settlement as possible. No-one knows better than you how a large wage increase, apart from its effect on the finances of the industry - and that would be serious enough - would be bound to set a target for such powerful groups as the gas, electricity and water workers. A settlement in high single figures, let alone anything more, would be well out of line with what we hope to see in both the public services and the public sector, and would lead to even stronger complaints from the CBI and others that, as in the last pay round, pay settlements in the monopoly public utilities imposed an unreasonable burden on the private sector.

This of course applies just as much to concessions on hours, holiday pay, the age of retirement, etc, as to increases in basic pay rates. All would add to costs; and all would be likely to have repercussions on other negotiations.

I realise that it must be left to the NCB how they conduct the negotiations. However, there is one point on which I hope they will consult us further. This is the way in which any settlement is presented. There may well be attractions for the NCB, at least in the short run, in presenting a settlement as more generous than it really is. But the effect on other negotiations is simply to raise the target at which the unions will aim and to produce an exaggerated impression of the "going rate". (Even for the NCB, I should have thought there were risks in giving an exaggerated impression of the likely effects of a settlement on the pay packet: since the true facts will eventually come out, e.g. in the New Earnings Survey, which includes separate figures for coalmining.) My misgivings are strengthened by the presentation in yesterday's press, which gave the impression that the Board had offered an increase of around 9 per cent, whereas the effect on the pay bill, I understand, is of the

/order of



order of 5 per cent. I do not suggest that this is the Board's fault; but the general message is certainly very unhelpful to our stance on pay.

I am sending copies of this letter to the Prime Minister, members of E Committee, the Secretaries of State for Scotland and Wales, Sir Robert Armstrong and Mr. Ibbs.

A handwritten signature in black ink, appearing to be "J. H. Howe", written in a cursive style.

GEOFFREY HOWE