

# Briefing Note

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## THE PAY ROUND

Much publicity was given to the burst of euphoria among militant trade unionists in the public sector following the controversial settlement of the water dispute in February. **The Prime Minister** has since pointed out that it will take the water workers 'years for the little extra they have won by striking to make up for the five weeks' pay they have lost' (Institute of Directors, 23rd February 1983). And, as the **Secretary of State for Employment** said: 'another pay rise like that and the water workers would be flat broke' (Weston-Super-Mare, 25th February 1983).

Mrs Thatcher also urged union leaders generally to 'stop to think how many of the unemployed could now be in work if their unions had not clung to restrictive practices nor demanded wage levels way above what our competitors were paying themselves for the same work' (Institute of Directors, 23rd February 1983).

Misleading impressions about the size of the settlement (now assessed by the Water Council at 7.8 per cent over the first year) involving a numerically insubstantial group of public employees must not be permitted to obscure the Government's striking overall success in bringing moderation back to pay settlements.

Nonetheless, current price movements reflect the vulnerability of the nationalised industries to the power of the monopoly unions – since excessive wage awards must be paid for by their captive customers, including businesses trying to compete in foreign markets. In the last year retail prices generally have risen by 5 per cent, while nationalised industry prices have gone up by 15 per cent (Department of Employment Gazette, February 1983).

### Current Trends in Pay Settlements

- \* The Department of Employment's figures show a fall in the underlying increase in wages from 11 per cent for the year to November 1981 to 8½ per cent for the year to November 1982.
- \* Almost 10 per cent of the workforce had no new settlement in the 12 months to last September (*Financial Times*, 18th November 1982).
- \* *The Times* reported that pay settlements of around 5 per cent were increasingly to be expected in 1983 (7th January 1983).
- \* A Manpower Limited survey (5th January 1983) showed that almost half the country's largest employers believed that settlements in 1983 would be lower than in 1982. The majority of private employers expected the pay increases in their industries to be between 4 per cent and 6 per cent, and less than one in six thought rises above 6 per cent likely. The CBI now sees pay restraint as a permanent feature of the UK economy.
- \* The 4.8 per cent accepted by one million council manual workers 'has jerked us back from the water workers' settlement to a realistic figure' (**Mr Tony Whitmore**, chief employers' negotiator, report in the *Daily Telegraph*, 1st March 1983). It 'offers a more sensible approach for the councils, their employees and the ratepayers' (**Mr Tom King**, Environment Secretary, *ibid.*).

### Long-Term Pay Settlements

A feature of recent pay bargains, almost as significant as percentage figures, is the reappearance of the long-term pay settlements fairly common in the 1960s. Scottish and Newcastle Breweries negotiated a three year pay deal, the first for over a decade, in September; Caterpillar Tractors, BL Cars, International Harvesters and Hoover have all followed with 2- or 3-year settlements. In the words of the **Prime Minister**: 'Both management and unions are beginning to settle back into the habits of a nation with steady prices. For the first time in more than a decade we see trade union negotiators who are willing to put their signatures to pay deals that are to last for two or even three years' (*Hansard*, 3rd November 1982, Col. 23).

### **Fewer Industrial Disputes**

The return of sanity into pay bargaining is also reflected in the incidence of industrial disputes. Department of Employment figures show that in the first three full years of this Government, industrial stoppages for all reasons averaged 43 per cent less than in Labour's last three full years in office.

A similar fall is apparent in the number of disputes reaching ACAS involving *terms and conditions of employment*: in 1978 there were 368; and in 1982 there were 194 – a drop of 48 per cent.

### **Unemployment: the Main Causes**

There are two basic causes behind Britain's high unemployment level: (1) the world recession; (2) our general non-competitiveness. The first factor is beyond our control, the second factor – lack of competitiveness – is due to both low productivity and high wage awards over the past decade. Both factors have resulted in British products being greatly overpriced in relation to foreign competition.

Between 1960 and 1980, wages in Britain rose 2 per cent per annum *faster* than the average for the seven major OECD countries, leaving Britain the worst of the group.

Latest OECD figures show that the rate of increase of unit labour costs has fallen dramatically in the life of the present Government, with Britain *better* than average and now *ahead* of the United States, Canada, France and Italy, and worse only than Japan and West Germany.

It is obvious that a continued fall in the level of pay settlements is, as the Chancellor of the Exchequer, **Sir Geoffrey Howe**, has said, 'absolutely crucial to the restoration of competitiveness' (*Guardian*, 17th December 1982).

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