

From P. J. Public...
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cc: Mr. Hoskyns

PRIME MINISTER

Prime Minister
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MAJ 26/2

The Pay Scene

I understand that the Chancellor has decided against circulating his colleagues with another assessment of the pay scene, but it may be useful if I set out the way in which events seem to be moving at the moment.

In a note earlier this week I said that there was no firm evidence for the start of an upward trend in pay settlements in the economy generally. Since then three new pieces of evidence have all combined to give a picture of some slight upward movement, perhaps of a percentage point or so. The latest Incomes Data Report reports a slightly upward drift between November and January, largely because the settlements early in the round were in the automobile and engineering industries where profitability is low; the latest Gallup Political Index notes that wage expectations over the next 12 months have increased just over 1% since November; and the Department of Employment's pay brief for Ministers, due for issue in a fortnight's time, reaches a similar conclusion on the basis of their own monitoring. There is nothing to be alarmed about here, particularly as low settlements in the public services over the next couple of months might bring the average down a bit; but I am afraid it does tend to show that the upward pressure of wage demands is always present in the economy, and will very quickly manifest itself if circumstances permit.

In the public sector, we are at present enjoying a brief hiatus between the negotiations with the Civil Servants, now in abeyance until the arbitration award, and the opening of serious negotiations with the Health Service. Next week further offers will be made in the gas and electricity industries, which everyone still expects to settle at about the level of the miners, and the NHS groups will be actively negotiating later in March. Towards the end of March, after the tribunal decision around 19 March, we shall have to face up to the ASLEF flexible rostering dispute again. There will be

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another difficult period in mid April: the Civil Service Arbitrator has said he will be available to hear the parties to the dispute on 19 April, and the results should be known at the end of that week. At the same time the Government will have received the Report from the three Review Bodies, and by then the teachers may also have reached arbitration. There will be a series of inter-related decisions for Ministers.

JK

J M M Vereker
26 February 1982

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