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MCS 17/3

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

.... I attach the latest monitoring report on the public trading sector.

2. As in the last report, there are no specific issues to which I need draw attention. A 5½ per cent settlement has been reached by the UKAEA, and an offer of around 7 per cent is being recommended by the National Bus Company unions. I understand that the gas supply unions have now rejected BGC's 7 per cent offer to their manual workers; and Nigel Lawson will no doubt be reporting on that. In the electricity supply industry, you will have seen from his letter of 1 March that a slightly improved offer is now being made, with an effect on average earnings of between 5½ and 7 per cent.

3. Copies of this minute go to the Home Secretary, Secretaries of State for the Environment, Industry, Trade, Transport, Energy, and Employment and to Sir Robert Armstrong and Mr Ibbs.

G.H.

(G.H.)

8 March 1982

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PUBLIC TRADING SECTOR

PART 1. CURRENT AND FORTHCOMING NEGOTIATIONS

A: 1980/81 PAY ROUND

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

Settlement date: 20 April

Unions: NUR, ASLEF, TSSA

A Committee of Inquiry was appointed by ACAS on 2 February to consider the pay and productivity understandings of the 1981 agreement which have been the subject of dispute between BR and ASLEF.

ASLEF refused to co-operate with the Inquiry; evidence was taken from BR, NUR and TSSA.

The Committee reported on 16 February and recommended that both sides return to the established negotiating machinery within 7 days, that ASLEF confirm its commitment to the understandings of August 1981 and call off industrial action, and that BR pay ASLEF members the 3% increase.

Following further talks with ACAS, both sides accepted the Committee's recommendations. BR undertook to authorise immediate payment of the 3% increase and ASLEF called off further industrial action from 19 February. Negotiations on productivity issues were inconclusive and the matter will now be referred to the RSNT by 19 March at the latest. Terms of reference will be as set out in the findings of the McCarthy inquiry.

Some NUR guards in isolated areas have taken unofficial action in the form of lightning strikes in protest over flexible rostering proposals which have already been agreed with the NUR executive .

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B: 1981/82 PAY ROUND

2. British Rail: Clerical and conciliation grades (150,000)

Settlement date: 20 April

Unions: NUR, ASLEF, TSSA

The unions have submitted claims for 'substantial' but unspecified increases in the 1982 pay round.

Comment: Negotiations are very unlikely to begin before the productivity issues between BR and ASLEF have been resolved. Any offer by BR will need to reflect the heavy financial losses incurred during the dispute.

3. British Airways: All grades (excluding pilots) (50,000)

Settlement date: 1 January

Unions: TGWU, AUEW, EEPTU, NUSMWCH, ACTSS, APEX, GMWU, FTATU, UCAT

On 10 September British Airways announced a "rescue plan" aimed at stemming losses of some £100 millions in the current year and £250 millions in the two year period to April 1982. So far as staff and pay are concerned, the plan involves a reduction of 9,000 jobs by June 1982 by early retirement, voluntary severance and natural wastage and a pay freeze at least until September 1982 when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes, closure of some depots and offices and the sale of aircraft and property. An unexpectedly high response to the severance scheme has been reported.

For the purpose of negotiation on pay and conditions of employment staff are divided into 11 functional groups called National Sectional Panels on which all unions are represented. Although delay of the annual settlement has been generally accepted, 3 panels have submitted claims for substantial increases

(Engineering and Maintenance, Ramp, Ground Service staff). These claims are thought to be aimed at keeping options open rather than to be a serious attempt to open negotiations in the immediate future.

The panel covering 2000 ramp staff (eg baggage and cargo handlers, cleaners and towing staff) at the terminals for European and domestic flights have objected to the company's reorganisation of working practices for increased productivity which, the company say, will enable 300 staff who have opted for the voluntary severance scheme to leave. A strike began on 9 February when management attempted to implement the new working arrangements. A suggestion by TGWU officials that members return to work under the old arrangements while continuing discussions was rejected by BA who are taking a firm line. The strike continues to cause some cancellations of European flights but the effect is limited as other groups of employees have undertaken the work of those on strike. Efforts to persuade ramp staff at the intercontinental terminal to stage a 24 hour strike on 25 February in support of their colleagues at the European and domestic terminals were unsuccessful.

Comment: Failure to implement the revised working arrangements could jeopardise those agreements already reached with other groups.

4 British Airports Authority: All grades (7,500)

Settlement date: 1 January

Unions: Staff - IPCS, SCPS, CPSA, CSU

Industrial grades - TGWU, AUEW, GMWU, EEPTU, NUSMWCH, UCATT

The unions submitted claims for overall increases of 15% on average earnings slanted toward a larger proportional increase for the lower paid. The Authority offered 6% on all elements of pay except London Weighting. The offer was rejected.

There have been two further meetings. The Authority's offer has remained at 6% on all elements of pay but in addition they have proposed a small increase for productivity in return for some harmonisation of annual leave arrangements. It is understood that the unions have agreed to recommend the offer to their members. Preliminary assessments indicate that the pay award would increase the salary bill by slightly less than 5½% and the productivity award would add a further 1½%. There has been no estimate of the effect on average earnings.

Comment: Any settlement is usually influenced by that of British Airways. This year, however, BA have delayed all settlements until September 1982 (see item 3).

5 National Bus Company: Platform and non-craft maintenance (34,328)

Settlement date: 1 March

Unions: TGWU, NUR, GMWU, AUEW, NCOI

On 7 December, the unions submitted a claim for an 18% increase on rates, 1 week's additional holiday and progress toward a shorter working week. Management's initial offer of 4.25% on rates was rejected. On 15 February management improved their offer to 6% on rates from 1 March, plus an additional 0.6% from November (to maintain parity with municipal busmen who have negotiated a reduced working week from November), 2 days additional holiday and £1 per week unconsolidated supplement for crew drivers and conductors, worth in total 7% on average earnings. This offer was rejected.

However, a slightly improved offer - 6.6% on rates from 1 March - will be put to a union delegate conference on 5 March with a recommendation to accept.

6 Passenger Transport Executives: Platform Staff

Settlement dates: Various

Unions: TGWU, GMWU

Three authorities have reached agreements as follows:

| | | | |
|--------------------|------------------|------|------------------------------|
| Greater Manchester | (SD: 1 November) | 7.8% | |
| West-Midlands | (SD: 6 November) | 6.5% | Increase on average earnings |
| Merseyside | (SD: 1 January) | 7.8% | |

The following have yet to reach a settlement:

- a) Tyne and Wear (SD: 1 March) - The local metro service includes ASLEF membership. Neogtiations have been delayed pending the outcome of the national dispute between BR and ASLEF.
- b) South Yorkshire (SD: 1 April))
- c) Strathclyde (SD: 27 April)) No claims submitted
- d) West Yorkshire (SD: 1 May))

7 Gas Supply: Manuals (41,300)

Settlement date: 17 January

Unions GMWU, TGWU

The unions have submitted a claim to Management covering

- (1) An increase in rates to maintain the value of the pay packet - taking account of both inflation and taxation levels
- (2) A reduction in working hours (from $38\frac{3}{4}$ to 37 hours a week)
- (3) Consolidation into basic pay of bonus earnings and "general obligations payment", (the key issue)
- (4) Payment of average earnings during holidays
- (5) Improvements in shift and stagger pay
- (6) A change in the basis of awarding local holidays

On 13 January management offered an average increase of 7% on basic rates plus increases in holiday pay (from 1 June), improvements to pay for working staggered hours and an increase in local holiday entitlement worth in total 5.2% on earnings. At a further meeting on 28 January management slightly improved the offer to an average increase of $7\frac{1}{2}$ % on rates (6.8% - 8.1%) which, together with the other improvements offered earlier, would have increased average earnings by about 6%. In addition BGC proposed a restructuring of bonus and other payments which would add a further 0.4% to earnings. The offer was rejected and on 9 February, while continuing to refuse to consolidate bonus into basic pay, management again improved their offer to between 7.8% and 9.1% (average 8.5%) on basic rates with no flow through into bonus. A further 50p per week was offered on the General Obligations payment (for flexible working procedures). Together with the improvements to holiday and staggered working pay the total offer represents an average earnings increase of about 6.8% during the settlement year - 7% in a full year.

After consulting their members the unions have told BGC that the offer is unacceptable because there is no increase in bonus payments and BGC have refused to give a commitment on future consolidation of bonus payments. The next meeting will be 10 March and BGC are still considering their response.

Comment: The Gas, Water and Electricity industries closely watch each other's settlements and the union's have drawn attention to the water service settlement of 9.1% on basic rates. In addition the miner's settlement presented as 9.3% will influence negotiations. The final settlement for manuals will have repercussions for the BGC staff negotiations (58,900 SD: 1 June).

8 Electricity Supply: Manuals (94,000)

Settlement date: 17 March

Unions: EETPU, GMWU, AUEW, TGWU

The unions made the following 5 point claim at a meeting of the National Joint Industrial Council on 7 January:-

- (1) A substantial increase on basic rates
- (2) An additional increase on each band of the scale
- (3) Increased holidays
- (4) A shift and staggered hours pay increase (in line with the increase in basic)
- (5) A reduction in working hours

The total paybill increase of the claim has not been estimated. The Electricity Council made a formal offer on 4 February of basic rate increases ranging from £5 per week for labourers to £8 per week for craftsmen at the top of the salary range. A willingness to enhance shift payments was also indicated. The total package represents a 5-7% increase in average earnings depending on grade, overtime and shift pattern (5.6% on the paybill). The unions considered the offer unsatisfactory but a starting point for negotiations. There was an informal meeting between the Council and union negotiations on 2 March prior to a formal meeting on 4 March.

Comment: Acceptance by the miners of an increase presented as 9.3%, water service manuals at 9.1% and a settlement in the gas industry will influence negotiations. The manual's settlement will influence the power engineers (SD: 1 February see item 9).

9 Electricity Supply: Power Engineers (29,300)

Settlement date: 1 February

Unions: EPEA/EMA

At a National Joint Board meeting on 19 January, the EPEA submitted a 5 point claim as follows:

- (1) Preservations of existing links with industrial scales
- (2) Even progression through NJB scales
- (3) Restoration of 1975 differentials at maxima of scales
- (4) Improvement in out-of-hours payments
- (5) 35 hour week as a long term objective

The total paybill increase of the claim has not been estimated.

No offer was made by management at the National Joint Board meeting on 16 February. The next meeting will be 16 March.

Comment: The power engineers traditionally wait for the manual's settlement (see item 8).

10 British Steel Corporation: All grades (108,600)

Settlement date: 1 January

Unions: ISTC, GMWU, TGWU, NUB, NCCC, MATSA, SIMA

The BSC corporate plan announced in December 1980 involved 20,000 redundancies by March 1982. The corporation are now reported to require a further 15,000 redundancies by July 1982.

The plan envisaged no national pay award in 1982: any pay increases to be geared to local productivity deals. In their present situation BSC have also decided not to introduce a 39-hour week from 1 January 1982, as was conditionally agreed after the Lever Committee of Enquiry ended the 1980 strike. Following lengthy negotiations, BSC reached agreement with the ISTC to forego a national pay award in 1982 and pursue local productivity deals. Productivity increases will be achieved by negotiation on cuts in manning levels and a percentage of any subsequent increase may be consolidated into basic earnings if the gains are judged to be permanent. The craft and service unions (NUB) and the management association (SIMA) have also agreed to local productivity deals for 1982 increases. BSC will not consider introducing the 39 hour week before 1 January 1983.

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BSC's Head Office staff increases for 1982 will be based on the average increase paid from local productivity deals in BSC's main businesses; there will be no guaranteed minimum payment.

11 British Shipbuilders: Staff and manuals (67,000)

Settlement date: 1 April

Unions: CSEU, SAIMA

On 17 February management received an uncosted claim from the CSEU which comprised:

- (1) A substantial increase in basic rates not less than the rate of inflation
- (2) Consolidation of certain items from the previous pay agreement
- (3) A substantial increase in overtime rates
- (4) An increase in the Minimum Earnings level
- (5) A phased reduction to a 35 hour week
- (6) Increased holidays and holiday pay
- plus other minor benefits.

Management will respond to the claim at the next meeting on 10 March.

SAIMA (staff union) submitted a similar uncosted claim for substantial increases at a meeting on 18 February. Negotiations for this group traditionally follow those of the CSEU and further meetings are likely to follow those of the CSEU.

C: SETTLEMENTS CONCLUDED SINCE LAST REPORT

1981/82 PAY ROUND

12 United Kingdom Atomic Energy Authority: Manuals (4,700)

Settlement date: 1 October

Unions: AUEW, TGWU, GMWU, EEPTU

Following consultation with their members, all unions have accepted the Authority's offer of just under 6% on rates (5.5% on average earnings and on the pay bill). In addition the Authority have agreed to a 1 hour reduction in the working week in return for the abolition of tea breaks which has a nil effect on the pay bill.

Footnote: Details of negotiations in subsidiaries of the National Freight Company have been omitted from this report following denationalisation.