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Prime Minister

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Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

21 May 1982

Dear Michael

... I am enclosing a copy of the latest Pay Brief.

Copies also go to the Private Secretaries to
Members of E, E(PSP) and E(EA).

Yours

Mamie Fahey

MISS M C FAHEY
Private Secretary

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PAY BRIEF: POSITION AT MID-MAY SETTLEMENTS

1. Since the April pay brief 110 settlements covering 1,710,000 employees have been recorded. In the private sector (96 settlements covering 583,000 employees) the weighted average level of settlements in the last month was just under 7%. The average in the public sector (14 settlements covering 1,128,000 employees) was just over 6%. The principal settlements in the private sector were Retail Multiple Grocery (150,000) at 7.8%, British Printing Industries (128,000) at 5.8% to 6.3% and Chemical Industries Association (50,000) at 7% to 8%. In the public sector Civil Service non-industrials (520,000) and Armed Forces (334,000) were awarded increases of 5.9% and 6.1% respectively and Post Office UCW grades (156,000) settled at 7.6%.
2. The cumulative average level of settlements for the whole economy this round - 756 settlements covering 5,973,000 employees - has fallen slightly to 7%. Almost $\frac{1}{2}$ of employees about whom the Department expects to receive information have reached settlements. For the economy as a whole monthly averages for settlements have fluctuated, since January 1982, between about 6% and about 8%. But the cumulative level has remained stable at about 7%. If, as seems likely, this trend continues it is estimated that by the end of the pay round, allowing for drift of about 1%-2%, average earnings as measured by the monthly Average Earnings Index may be expected to have increased by around 8%-9%.
3. In the private sector the cumulative average of 7% is the same as last month, after being at about $6\frac{1}{2}\%$ for the three previous months (716 settlements covering 3,149,000 employees). For manufacturing the average level is just over 6% and in non-manufacturing is just over $7\frac{1}{2}\%$. About $\frac{2}{3}$ of settlements and of employees are covered by settlements in a 5% to 8% range. Few recent settlements have been below 5% or above 10%.
4. In the public sector (40 settlements covering 2,824,000 employees) the cumulative average has fallen by about $\frac{1}{2}\%$ to 7%, due mainly to the Civil Service arbitration and Armed Forces awards. The average in the public trading sector remains at just under $7\frac{1}{2}\%$, but in the services sector it has dropped to 7% from just over $7\frac{1}{2}\%$ in April.

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5. Coverage: The limitations of the Department's coverage of settlements were explained in the March pay brief (para 5).

NEGOTIATIONS

6. In the PUBLIC SECTOR, Gas Supply manuals (17 January - 41,300) are expecting to receive the result of their arbitration shortly. An offer of 7.8% to 9.1% on basic rates plus minor improvements, worth 7.6% overall on average earnings (7.9% in a full year) had earlier been rejected. An offer to Electricity Supply manuals (17 March - 94,000) of 5.1% to 6.6%, depending on grade, plus improvements to shift allowances, worth 7.1% overall on average earnings, has been put to a ballot and rejected. Industrial action is due to begin on 31 May. Electricity Supply power engineers (1 February - 29,300) have submitted a claim for a substantial increase in basic pay, reduced hours, improved holidays and other benefits. An offer is expected to be made at a meeting on 15 June. British Rail clerical and conciliation grades (20 April - 150,000) have presented a claim for increases in line with inflation and other benefits. Unions representing London Transport rail supervisory and conciliation grades (19 April - 18,000) are considering an offer of 5% on basic rates also, if the offer is accepted, an undertaking to review relativities, holidays and bonus arrangements with a 1 hour reduction in the working week. The claim is for a substantial increase and shorter hours. London Transport buses platform staff (29 March - 19,800) have opened negotiations with a claim for substantial increases in basic pay and additional holidays. Next meeting 27 May. Unions representing British Telecom engineers and technicians (1 July - 130,000) are to recommend an offer of 6.75% on basic rates plus consolidation of 1 $\frac{1}{4}$ % bonus from January 1983 (estimated at 6% on earnings) to a union conference in mid-June. The offer to BBC employees (1 April - 27,000) of 6.5% on basic salaries, shorter hours and other benefits, worth 6.9% overall on average earnings, has been implemented for all grades following acceptance by four of the five unions concerned. The other union (NUJ) is seeking to improve certain conditions of service and is taking spasmodic industrial action. Unions on behalf of Water Service staff (1 July - 35,300) have presented a claim for increases in line with inflation, a reduction in hours and extra holidays. Next meeting 21 May. Primary and Secondary Teachers (E & W) (1 April - 460,000) have rejected an offer of 3.4% on average earnings in response to their claim for increases in line with inflation. The claim has been referred to arbitration, which is to take place on 19 May. A similar claim by Primary and Secondary Teachers

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(Scot) (1 April - 55,000) was referred to arbitration. The 6% award is being considered by Ministers. Local Authority APT & C grades (1 July - 590,000) are considering an offer estimated to be worth about 5 $\frac{1}{4}$ % on earnings. The claim is for an increase to protect living standards and a reduction in the working week. In the National Health Service generally, co-ordinated industrial action by the TUC Health Service Committee unions is taking place. NHS Nurses and Midwives (1 April - 492,000) have been offered 4% for senior nursing managers and 6.4% for all other grades except tutorial staff, who have been offered increases ranging from 4% to 8.3%. The total offer represents 6.4% on the paybill. A plea to the Secretary of State by the unions for more money to be made available was rejected. Management has refused arbitration. The Royal College of Nursing is balloting on the offer. The staff side meet on 7 June, when the result will be known, to decide whether to accept and will notify the management side at a Whitley Council meeting on 8 June. NHS Ancillaries (1 April - 211,000) and NHS admin and clerical (1 April - 125,000) have presented similar claims to that for nurses (increase in line with inflation, reduced hours and other benefits). Unions have rejected 4% offers. Further meetings have been arranged for 4 June and 14 July respectively. NHS Ambulancemen (1 April - 17,700) have submitted a claim for an increase in line with inflation, a shorter working week and other improvements. An offer of 4% plus the implementation of a salaried structure, if found feasible, worth 5% overall, has been rejected. Negotiations have broken down. Next scheduled meeting is 20 July. The Review Body for Doctors and Dentists (1 April - 85,000) has recommended an increase of 9%. Ministers, however, are limiting the average increase to 6%, and a formal offer of this amount will be made. Unions on behalf of the Industrial Civil Service (1 July - 147,000) have opened negotiations with a claim for an increase in line with the cost of living, shorter hours and other benefits. No meeting has yet been arranged.

7. In the PRIVATE SECTOR, an offer of 7.2% on minimum earnings for Building and Civil Engineering employees (28 June - 450,000) has been accepted by the building unions. The civil engineering part of the industry has reached provisional agreement but this is subject to ratification. Claim is for a substantial increase in rates, reduced hours, improved holidays and other benefits, estimated to be worth over 35%. Formal acceptance by Building and Allied Trades employees (25 June - 250,000) of an improved offer of between 7.1% and 7.4% increase in minimum earnings is expected soon. ICI manuals (2 June - 38,000) have submitted a claim for a

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substantial increase in salary (up to 23% on grade rates), extra holidays and other benefits. An offer of 7.14% has been rejected. In the Milk Distribution Industry (3 April - 94,500) an offer of about 7.4% on basic rates (8% on wage bill) has been put to a ballot with a recommendation by the unions to reject. The result is expected shortly. It is understood that an offer of 8% on basic rates to Mobil Oil tanker drivers (1 May - 500) has been accepted after a ballot of union members. Footwear Manufacture Manuals (1 March - 40,000) have rejected a staged offer of NIL from 1 March with 3 six-monthly increases equivalent to 65% of the yearly increase in the RPI. The claim is for 4 six-monthly increases of 76% of the RPI increase.

PRICES AND EARNINGS INDICES

PRICES

8. In April the year on year increase in retail prices was 9.4 % compared with 10.4% in March.

EARNINGS

9. In March the year on year increase in average earnings for the whole economy was 11.0% compared with 11.4% in February. Both the February and March figures were inflated by about $\frac{1}{2}$ percentage point due to back-pay. The underlying increases were about $10\frac{3}{4}\%$ in February and $10\frac{1}{2}\%$ in March.

REAL DISPOSABLE INCOME

10. The real disposable income - taking account of the changes in earnings, prices and taxes - of a married man on average adult male earnings with a non-working wife and two children under 11 (with no other tax liabilities or allowances and not contracted out of the State Pension Scheme) fell by about $2\frac{1}{2}\%$ in the year to February.

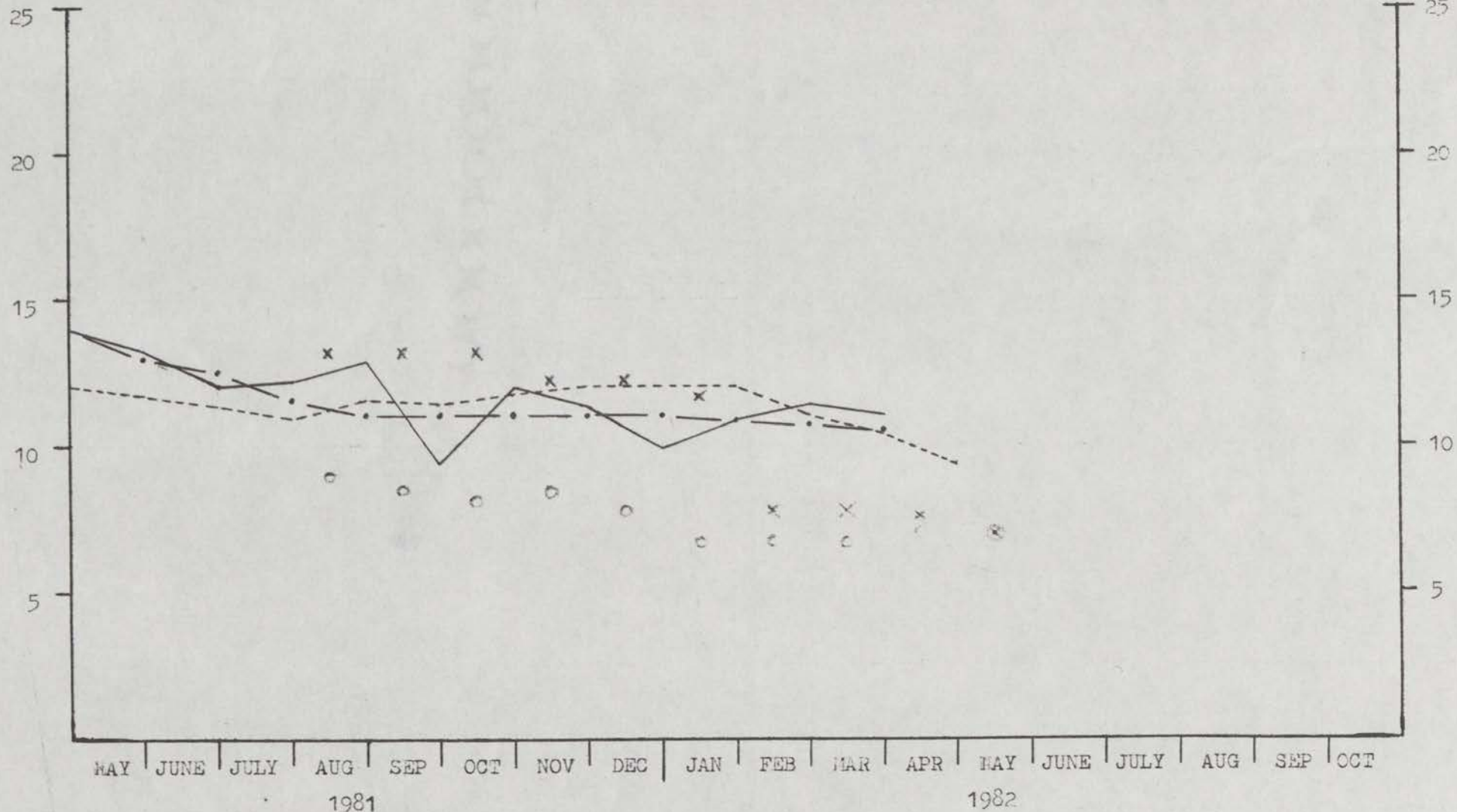
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APPENDIX F

TRENDS IN EARNINGS AND PRICES

% increase on year earlier



- Retail Price Index
- Average Earnings Index (whole economy)
- ———· Underlying rate of increase in earnings
- × Public Sector Settlements) Cumulative Average Increase in Earnings
- Private Sector Settlements)

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Number of Settlements

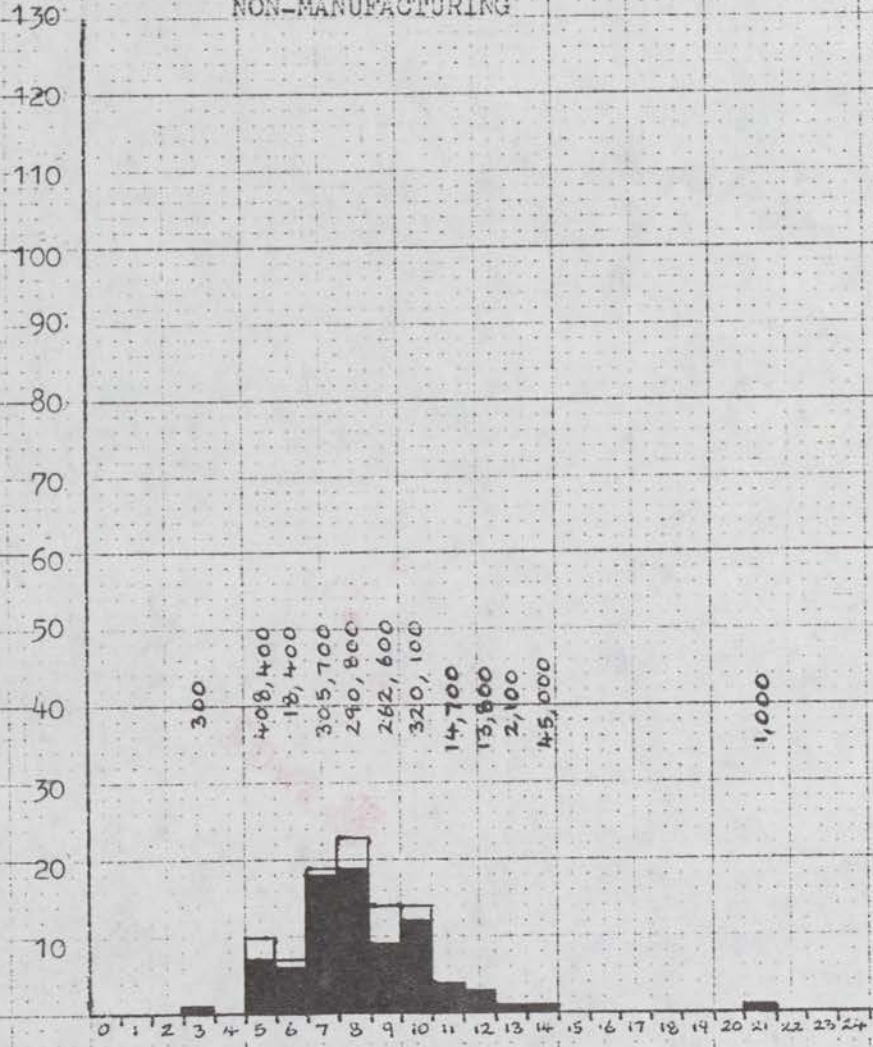
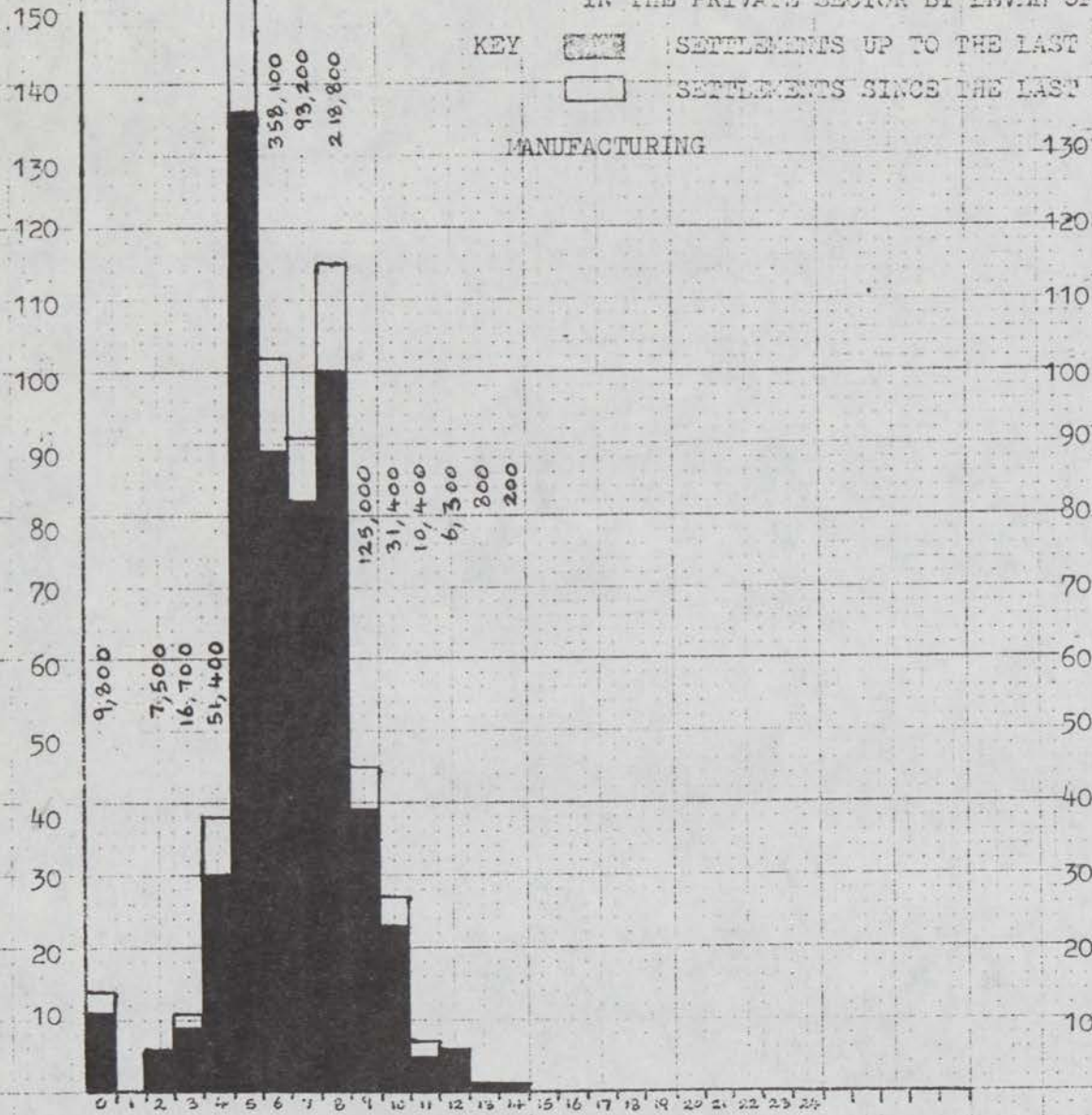
DISTRIBUTION OF SETTLEMENTS

IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1951

KEY SETTLEMENTS UP TO THE LAST PAY BRIEF
 SETTLEMENTS SINCE THE LAST PAY BRIEF

MANUFACTURING

NON-MANUFACTURING



LEVEL OF SETTLEMENT (ROUNDED TO THE NEAREST WHOLE NUMBER)

NOTE - THE NUMBER OF WORKERS (ROUNDED TO THE NEAREST HUNDRED) AFFECTED BY THE SETTLEMENT IS GIVEN ABOVE THE APPROPRIATE INDICATOR.



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