

✓ JV
Econ Pol
Prime Minister (2)

MS 29/6

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. The British Rail and London Transport rail situation is of course being dealt with separately. Apart from that, the power engineers in the electricity industry have settled for 7.4 per cent on earnings, which is the same as the earlier manuals' settlement mentioned in the last report; and the British Transport Docks Board seem near to a 6 per cent settlement, which is not unhelpful.

3. As you will have seen from the correspondence resting with Nigel Lawson's letter to me of 24 June, the arbitration award for the gas manuals differed from the employers' 7.9 per cent offer only by a limited consolidation of bonuses, worth no more than 0.4 per cent and probably less. This is satisfactory as far as it goes, though the offer was a high one. But as I said in my letter of 14 June, I do not think that this detracts from the desirability of getting unilateral access to arbitration removed, here as elsewhere. E Committee decided last November that this should not be pursued with British Gas because of the sensitivities which Nigel mentions, and I accept that these still remain. But I do not on that account regard the position as unchanged since November: at that time the arbitration arrangements had been very little used, whereas now they have provided the basis for the latest pay settlement. I would hope that Nigel would be prepared at least to raise the matter with British Gas: we should not assume that it will become a further point of contention with them until we have their reaction.



4. In submitting the last monitoring report, I referred to doubts about British Telecoms' 6 per cent estimate of the cost of their main pay settlement (with their engineers). The present report records that they now put its value at 8.6 per cent, with a possible extra 1.3 per cent later in the year from restructuring. This can only reinforce the dissatisfaction which we have already expressed not only with British Telecoms' approach to these negotiations, but with their failure to keep us properly in the picture. We will need to ensure that they do better in the coming year.

5. I also referred to reports of pressure from water service manuals for a special 15 per cent comparability increase, and Tom King has responded in his letter of 21 June. It is disturbing that this is expected to be subsumed in the annual pay negotiations in the autumn. It could lead to pressure for a damagingly high settlement which the National Water Council, in its last major pay negotiation, would fail to resist adequately. I think we need to consider seriously now whether there is anything we can do to put a brake on those negotiations, perhaps by getting the Regional Water Authorities to take a closer interest. Perhaps Tom King could let me know what options we have.

6. Finally, the National Girobank are offering a 6 per cent increase plus a productivity scheme which will add another 3 per cent. I understand that the intention is to make payments under the scheme only as productivity savings actually accrue, and only to the value of half the savings achieved. I hope that Patrick Jenkin will be able to find ways of monitoring performance in a way that enables the progress of this scheme to be checked, so that it does not automatically give the staff what is in total a large increase.

CONFIDENTIAL



7. I am copying this minute to the Home Secretary, The Secretaries of State for the Environment, Industry, Trade, Transport, Energy, and Employment, and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

29 June 1982

CONFIDENTIAL

PUBLIC TRADING SECTOR

PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS

A. 1981/82 PAY ROUND

- 1 Electricity Supply: Power Engineers (29,300)
Settlement date: 1 February
Unions: EPEA/EMA

The union submitted an uncosted claim in January which included the preservation of links with industrial scales, the restoration of 1975 differentials and other improvements. The Electricity Council made an offer of 7% on basic rates at a National Joint Board meeting on 15 June. The offer was rejected and further discussions took place on 18 June when a settlement was reached which gave engineers an increase of 7.3% on the first 9 salary points increasing to 7.6% at the top point. The effect is to increase average earnings by 7.4%, and the annual pay bill by 7.2%.

- 2 Electricity Supply: Clericals - 47,000
Settlement date: 1 May
Union: NALGO

The group traditionally await the outcome of the manuals' settlement, which was concluded at the end of May and is worth 7.4% on earnings.

- 3 British Rail: Clerical and Conciliation grades (150,000)
Settlement date: 20 April
Unions: NUR, ASLEF, TSSA

British Rail have offered a 5% increase on basic rates from 6 September (not backdated to the April annual settlement date). The offer is conditional upon the unions agreement to accept, by 30 July, those productivity issues (including ASLEF's acceptance of flexible rostering) which are still outstanding from the 1980/81 pay round.

The offer has been rejected by the NUR, ASLEF and TSSA.

CONFIDENTIAL

CONFIDENTIAL

ASLEF have reaffirmed their intention to take industrial action if the British Railways Board attempts to impose flexible rostering. The NUR have announced an all out strike from 28 June against the Board's 5% offer and the fact that it is inextricably linked to productivity which the union considers unacceptable. At a meeting of the Railway Staff National Council on 22 June, the Board put forward various ways in which the outstanding productivity items might be introduced, but the discussion was inconclusive. The Board are to put their proposals in writing for further union consideration.

Comment: Nothing has happened to lessen the likelihood of the all out strike threatened by the NUR taking place from 28 June.

Ministers have had full and separate briefing on the current BR issues.

4 London Transport - Rail

(a) Railway Supervisory, Booking Office and Conciliation Grades (18,000)

Settlement date: 19 April

Unions: ASLEF, NUR, TSSA

The unions have submitted an uncosted claim for a substantial pay increase and shorter hours in line with the main British Rail claim. At a meeting on 7 April, management offered an increase of 5% on basic rates (expected to be worth 5% on average earnings also). In addition, management undertook to:-

- (a) review relativities
- (b) consider the case for an extra day's holiday (giving parity with bus staff)
- (c) reduce working hours from 39 to 38 per week, as long as this could be done at negligible cost
- (d) pay lump sum bonus worth in total half of any undershoot of the 1982/83 budget.

A meeting on 10 June resulted in little progress being made; ASLEF are against any proposed attempt to link pay to productivity. On 16 June LT offered to increase the existing 5% offer by an additional 1 or 2% in return for productivity improvements. LT hope negotiations will resume shortly.

CONFIDENTIAL

CONFIDENTIAL

Comment: The "flexible rostering dispute" between British Rail and ASLEF and the threat of industrial action by the NUR could have repercussions for London Transport; a call for action by the unions could receive a sympathetic response from members employed by LTE in the current climate of proposed reductions in services and manning levels. More immediately, there has been widespread industrial action following the implementation of new Underground timetables from 21 June. LT have offered the unions a peace formula which entails setting up a working party to find another way of achieving the economies, with the proviso that if no solution is found within 2 weeks the unions will have to accept implementation of new schedules. The NUR executive meet on 24 June to consider the dispute, and could follow ASLEF in calling indefinite action.

(b) Rail Workshop grades(3,550)
Settlement date: 22 April

Unions: ASBSBSW, AUEW, EEPTU, FTATU, NSMM, NUSMWHOE, TGWU, UCATT, NUR

At a meeting on 20 April management offered a 5% increase on basic rates (worth around 5% on average earnings also) which the unions are considering. No further negotiating meetings have so far been arranged.

5 London Transport - Buses

(a) Bus Platform Staff (19,800)

Settlement date: 28 March

Union: TGWU

In response to an uncosted claim for substantial increases to basic rates and for the consolidation into basic entitlement of 4 days holiday currently associated with Bank Holidays, management offered increases worth 7% on average earnings (of which 0.5% would come from a self financing productivity scheme) and consolidation of the 4 days holiday into basic entitlement.

Although recommended for acceptance to a union delegate conference which took place on 3 June, conference decided to refer the offer to Branch Committees, who are believed by LT to have rejected it, though they have yet to hear officially. No further meetings have been arranged.

(b) Road Operating Supervisory grades - 2,500

Settlement date: 28 March

Union: TGWU

Negotiations traditionally follow those of the bus platform staff.

CONFIDENTIAL

CONFIDENTIAL

(c) Road Workshop Wages grades - 3,300

Settlement date: 22 April

Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMWHDE, TGWU, UCATT

Management will shortly make two written offers; either 5% on basic rates or a higher percentage if improvements to productivity can be agreed.

6 West Yorkshire Passenger Transport Executive: Platform Staff - 2,751

Settlement date: 1 May

Union: TGWU

A ballot of the membership by the TGWU rejected the PTE's offer worth 6.9% on average earnings plus a self financing attendance bonus and supported a call for strike action. Further negotiation has resulted in management withdrawing a proposal for a change in working practices to allow greater flexibility and there has been a second ballot on the offer. The result, announced on 18 June, failed to produce a conclusive result. A further ballot was being held on 24 June.

7 British Transport Docks Board: manual grades - 3,120

Settlement date 22 April

Unions: NUR, CSEU, EETPU, UCATT, TGWU

Management have improved their offer of 5% on rates to 7% on basic rates, an increase of 2.2% on the bonus and overtime calculators and 2 additional days holiday (in line with Registered Dock Workers). The effect of the offer on average earnings will be 6% and it has been recommended for acceptance by the Executive Committees. Formal acceptance has been received from the NUR and is awaited from the CSEU and the other minor unions.

8 Gas Supply: Staff and Senior Officers - 57,700

Settlement date: 1 June

Unions: NJC - NALGO, MATSA

BGC made an offer worth just over 6% on average earnings at a meeting on 17 June. The offer comprises increases ranging from 5.5% for those in the lower grades to 7.0% for the middle and higher grades. The unions said that the offer was unacceptable. No further meeting has been arranged.

CONFIDENTIAL

Comment: The recent arbitration award for gas supply manuals worth 7.9% on average earnings in a full year (see item 15) will influence negotiations. Any settlement will in turn influence negotiations with the Higher Management Group (3,600 SD: 1 June) who have submitted an uncosted claim which includes increases of 12%, restoration of differentials over staff and senior offices and grade restructuring. The higher management have already rejected an offer of 6% on salaries, and negotiations are to be resumed on 24 June.

9 Water Service: Staff - 35,300

Settlement date: 1 July

Unions NALGO, GMWU, NUPE, GLCSA, TWSA

An uncosted claim for an increase in line with the RPI, a 1 hour reduction in the working week (to 36 hours) and 1 additional day's holiday was submitted on 22 April. On 21 May management offered 6.5% across the board (worth 6.5% on average earnings also) which was rejected. At a meeting on 10 June, management improved their offer to 7% on salaries and marginally increased holiday entitlement. The offer was rejected at NALGO's annual water staff group meeting on 14 June. That meeting instructed the National Water Committee to obtain an improved offer or prepare a programme of industrial action. At a further meeting of the Standing Joint Committee on 22 June the employers did not improve their offer. The unions are now deciding what action to take. No further meeting has been arranged. Indications are that initially any action will be rather low key, including withdrawal of cooperation from planned reorganisations.

Comment: Negotiations are influenced by the manuals' settlement effective from December 1981 when increases worth 8.8% on average earnings were awarded.

Staff consider the restoration of differentials to be a main issue in their claim. The Water Combined Employer's Committee have advised their negotiators that an offer of up to 7½% may be made.

10 Water Service: Manuals - 30,000

Settlement date: 7 December

Unions: GMWU, NUPE, TGWU, NUAAW

The 1981/82 pay settlement (effective from 7 December 1981) included the setting up of a working party to review the wages of water service manuals in relation to manual workers in the economy generally. The NWC indicated to DOE officials at the time that they envisaged the review being a long term exercise and informal joint discussions have taken place. Press reports arising from

CONFIDENTIAL

statements at the recent GMWU conference indicate the union's intention to seek a 15% increase in earnings to be paid before the annual settlement date. The employer's current concern is with improvements in performance and it is the NWC's view that there are unlikely to be any substantive developments in advance of the annual pay negotiations.

11 British Nuclear Fuels Ltd: Industrials - 9,190

Settlement date: 1 July

Unions: GMWU, AUEW, TGWU, EETPU

An offer of 7½% on earnings in line with the staff settlement has been made. At a meeting on 16 June, management refused to increase the offer, and the unions are now consulting their members. Management believe that acceptance is likely.

12 Post Office and National Girobank

(a) Postal Supervisors, Executives and Supervisory Catering grades - 14,800

Settlement date: 1 April

Union: CMA

The Post Office has yet to make an offer. The CMA is unlikely to accept increases less than those recently awarded to members of the UCW (7.6% on average earnings).

(b) National Girobank Clerical, Typing, Secretarial and Data Processing grades - 5,200

Settlement date: 1 July

Union: CPSA, SCPS

Management are to offer a 6% increase in salaries and a productivity scheme which it is estimated, will provide a further 3% on earnings. No further information is available at present.

CONFIDENTIAL

CONFIDENTIAL

13 British Telecom

(a) Radio Officers, Telephonists, Telegraphists - 36,000

Settlement date: 1 July

Union : UCW

A 6.25% increase on rates is under discussion. The union are pressing for a 7% offer in line with the Post Office UCW settlement. British Telecom are resisting a higher offer.

(b) Clerical, Typing, Secretarial and Data Processing grades - 35,000

Union: CPSA

(c) HCO, EO, HEO, Welfare, Information grades etc - 6,300

Union: SCPS

(d) Telephone, Telegraph and Radio Supervisors - 6,000

Unions: CMA

5.2% offers to each of (b) (c) and (d) above are under discussion.

14 British Airways: All grades (excluding pilots) - 40,000

Normal Settlement date: 1 January

Unions: TGWU, AUEW, EETPU, NUSMU, APEX, FTATU,
GMWU, UCATT, ACTSS, ASTMS, MNAOA

On 10 September 1981, British Airways announced a "rescue plan" aimed at stemming large financial losses. The plan included a reduction of 9000 jobs by June 1982, the reorganisation of many working practices and a pay freeze at least until 1 October 1982.

CONFIDENTIAL

CONFIDENTIAL

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 postponement of the annual settlement was accepted, 3 panels (Engineering and Maintenance, Ramp and Ground Service Staff) submitted claims for substantial increases although there was no immediate pressure to open negotiations.

Staff in the Engineering and Ground Service groups employed at Terminal 3 have pressed hard for a 1982 pay increase to take effect before 1 October. Lightning stoppages have been called off after management's agreement to commence pay talks on 5 July. Whilst no percentage figures are being mentioned at this stage, management intends not to allow any advancement of the date of any increase to raise the cost of the award during the pay year.

Comment: Although management are opening negotiations on 5 July only with the Engineering and Maintenance groups, any subsequent settlement will set the tone for all other future negotiations.

PART 2

SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

15 Gas Supply: Manuals - 41,300
Settlement date: 17 January
Union: GMWU, TGWU

An arbitration award, which is binding on both sides, was made on 4 June and comprised the following:

- (a) increases in basic rates ranging from 7.5% for labourers to 8% for technicians with full flow through into bonus payments;
- (b) an increase of 50p per week in the General Obligations Payment (for flexible working procedures);
- (c) an increase of £2.50 a week in stagger payments (for working outside normal hours);
- (d) improvements to the local holiday bonus supplement and a relaxation of the rules governing local holiday entitlement.

CONFIDENTIAL

CONFIDENTIAL

In addition, with effect from 1 January 1983, there will be an alteration of the earnings structure which will involve a minimum fall-back bonus of 7% and the introduction of a £2.50 per week incentive bonus for non-bonus employees.

The award is essentially the same as BGC offered to the unions on 10 March with the addition of earnings restructuring from 1 January 1983. The effect on average earnings has been estimated by BGC to be the same as the 10 March offer (7.6% in the first year; 7.9% in a full year). The cost of the earnings restructuring could add up to 0.4% to this.

16. British Telecom: Engineers , Technicians etc - 130,000
Union: POEU
Executive engineers, Inspectors, Technical grades - 22,500
Settlement date: 1 July
Union: SPOE

Both groups have accepted a 12 month settlement comprising a 6.75% increase on basic rates from 1 July (worth 6.9% on average earnings) and the consolidation of 1.25% of a previously committed productivity bonus from 1 January 1983.

CONFIDENTIAL

CONFIDENTIAL

Other minor improvements and the implementation of a consolidation commitment from the previous round (on 30 June 1982) will result in an increase in average earnings estimated by BT to amount to 8.6% in the first pay year. If BT implement proposals for some grade restructuring later in the year, the average earnings figure could be increased by a further 1.3%.

CONFIDENTIAL

CONFIDENTIAL

ANNEX 1

PUBLIC SECTOR SETTLEMENT DATES IN THE NEXT FIVE MONTHS

<u>SETTLEMENT DATE</u>	<u>NEGOTIATING GROUP</u>
1 July 82	Civil Service - Industrials (147,000)
1 July 82	Local authority groups-Building and Civil Engineering (Scotland) (19,734)
1 July 82	Local authority groups - APT & C Grades (590,000)
1 July 82	GLC/ILEA - APT E & C Grades (19,000)
1 July 82	University groups - Clerical Consortium (19,000)
1 July 82	Bank of England Staff (4,430)
1 July 82	British Telecom - Radio Officers, Telephonists, Telegraphists (36,000)
1 July 82	British Telecom - Telephone, Telegraph and Radio Supervisors (6,000)
1 July 82	British Telecom - Clerical Typing and Secretarial Grades (35,000)
1 July 82	Water Service - Staff (35,300)
1 July 82	British Nuclear Fuels Ltd - Industrials (9,190)
1 September 1982	Police - ranks up to Chief Superintendent (118,520)
1 October 1982	United Kingdom Atomic Energy Authority - Manuals (4,760)
1 November 1982	Coalmining - Manuals (198,000), Clericals (13,600) Deputies (18,200)
1 November 1982	Greater Manchester Passenger Transport Executive - Platform Staff (5,595)
4 November 1982	Local authority groups - Manuals (1,077,000)
4 November 1982	Local authority groups - Building Trade Operatives (76,000)
4 November 1982	Local authority groups - Engineering Craftsmen (10,400)
4 November 1982	Local authority groups - Electricians (5,430)
7 November 1982	Fire services - ranks below Chief Officers (39,000)

KEY TO ABBREVIATIONS

ABS	Association of Broadcasting and Allied Staffs
ACTSS	Association of Clerical Technical and Scientific Staff
AMMA	Assistant Masters' and Mistresses' Association
APEX	Association of Professional, Executive, Clerical and Computer Staff
ASLEF	Associated Society of Locomotive Engineers and Firemen
ASBSBSW	Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers
ASTMS	Association of Supervisory, Technical and Management Staff
AUEW	Amalgamated Union of Engineering Workers
AUT	Association of University Teachers
BALPA	British Airline Pilots Association
BDA	British Dental Association
BESO	Bank of England Staff Organisation
BMA	British Medical Association
COHSE	Confederation of Health Service Employees
CMA	Communication Managers' Association
CPSA	Civil and Public Servants Association
CSEU	Confederation of Shipbuilding and Engineering Unions
EETPU	Electrical, Electronic, Telecommunication and Plumbing Union
EIS	Educational Institute of Scotland
EMA	Engineers' and Managers' Association
FTATU	Furniture, Timber and Allied Trades Union
GLCSA	Greater London Council Staff Association
GMWU	General and Municipal Workers Union
ISTC	Iron and Steel Trades Confederation
LACSAB	Local Authorities' Conditions of Service Advisory Board

CONFIDENTIAL

MATSA	Managerial, Administrative, Technical and Supervisory Association
NAHT	National Association of Head Teachers
NALGO	National and Local Government Officers Association
NAPO	National Association of Probation Officers
NAS/UWT	National Association of Schoolmasters and the Union of Women Teachers
NATFHE	National Association of Teachers in Further and Higher Education
NATTKE	National Association of Theatrical, Television and Kine Employees
NCCC	National Craftsmen's Co-ordinating Committee
NSMM	National Society of Metal Mechanics
NAAAW	National Union of Agriculture and Allied Workers
NUB	National Union of Blastfurnacemen
NUJ	National Union of Journalists
NUM	National Union of Mineworkers
NUPE	National Union of Public Employees
NUR	National Union of Railwaymen
NUT	National Union of Teachers
NUSMWHDE	National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers
PAT	Professional Association of Teachers
POEU	Post Office Engineering Union
RCN	Royal College of Nursing
SCPS	Society of Civil and Public Servants
SIMA	Steel Industry Management Association
SOGAT	Society of Graphical and Allied Trades
SORO	Society of Registration Officers
SPOE	Society of Post Office Executives
SSTA	Scottish Secondary Teachers Association
STAMP	Supervisory, Technical, Administrative, Managerial and Professional Section of UCATT
TGWU	Transport and General Workers Union
TSSA	Transport and Salaried Staffs Association
TWSA	Thames Water Staff Association
UCATT	Union of Construction, Allied Trades and Technicians
UCW	Union of Communication Workers
URTU	United Road Transport Union