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Prime Minister ① cc JV
Please see John Venker's note (attached)
✓ Agree to the course
of action proposed in para 3 ?

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

Mes 30/7

Yes.

PRIME MINISTER

PUBLIC TRADING SECTOR PAY IN 1982-83: POTENTIAL TROUBLE SPOTS

At E(82)17th meeting it was agreed that officials should prepare a preliminary report on where there seemed most risk of trouble over public trading sector pay in the next 12 months. I now attach accordingly a note prepared in consultation with the main Departments concerned.

2. It is early days for exact prediction, and much depends on how tough managements intend to be. It is however already clear that the miners, who come early, are bound to be crucial - because of their power; because they set the trend for several others; and because Mr Scargill is clearly determined to have a fight. As the note brings out, complex tactical issues arise on how best to deal with the coal problem, and I endorse the suggestion in paragraph 25 of the note that it would be valuable to consider this soon. I am glad that the Secretary of State for Energy intends to give us an early report of how he and the NCB see matters.

3. No immediate action is needed on other industries. I endorse the suggestion in paragraph 24 of the note that we should review progress in the latter half of September, taking

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into account what we shall have learned in the EFL dialogue about the latest intentions of Boards. If you and colleagues agree I will ask my officials to co-ordinate this with Departments concerned.

4. I am sending copies of this minute to members of E Committee and the Scottish and Welsh Secretaries, and also to Mr Sparrow and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a dot and a horizontal line.

(G.H.)
29 July 1982

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PUBLIC TRADING SECTOR PAY 1982-83 : RISKS OF INDUSTRIAL ACTION

Introduction

1. This paper seeks to identify the main potential areas of industrial conflict in the public trading sector in the next twelve months. It does not discuss specific objectives for nationalised industry pay settlements; the industries' latest assumptions about these will emerge in the discussions and scrutiny leading to the setting and publication of EFLs in the autumn. The likelihood of conflict is bound to depend largely on how tough managements are in going for affordable and market-related settlements.
2. The Annex lists the traditional pay settlement dates for major groups. Industrial action on pay would tend to follow rather than precede these dates. But conflict could arise from issues other than pay.
3. As background, five broad considerations might be noted:
 - (a) Some political voices and union leaders now proclaim a wider argument for industrial action (albeit taken on specific industrial issues) as a means of seeking changes to the Government's economic and industrial policies. The TUC Congress in early September might give impetus to such opinions, and parts of the public trading sector provide fertile ground. However, in spite of widespread discontent, it is not clear that militant union leaders could carry their members with them in plainly 'political' strikes - most trade unionists, in the NUM and elsewhere, are chiefly concerned with their own pay and conditions.
 - (b) Although the re-established Triple Alliance (NUM, NUR and ISTC) continues in existence and there are suggestions that its links should be strengthened and possibly extended, it is unlikely that any of the unions concerned could command more than normal traditional support from the others on a pay issue. The closure of a major steel plant might however prompt collective action.
 - (c) Although a joint meeting is to be held this month between the TUC's Nationalised Industries and Public Services Committees to discuss for the first time the possibility of mutual support on pay, and the TUC Congress in September might endorse this (including the possibility of industrial action), it is unlikely to come to anything much in practice.

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(d) In some disputes, unions (and militant activists) could well court the possibility of legal action under industrial relations legislation, both to demonstrate their opposition to it and to foster wider conflict.

(e) The failure of the ASLEF strike may weaken militancy in forthcoming negotiations, particularly if the further railway issues outstanding are settled on satisfactory terms.

4. The following paragraphs review possible difficulties in individual industries.

Main Industries

Coal

5. Coal provides the starkest problems. The pay claim (a £27.20 increase for all manuals - that is, 23 per cent for face workers and 31 per cent for surface workers) is established and the full claim (including early retirement terms for surface workers, and protection of earnings) has just been put to the NCB. If agreement is not reached by 1 November, the NUM is committed to call a national delegate conference, and if the NCB's last offer is there rejected a national overtime ban will be imposed immediately. The NUM is then committed to recommend a strike to a coalfield ballot.

6. For his first negotiation, Mr Scargill is determined to secure a victory. He would plainly welcome a strike and has stressed the need for a campaign over the coming months to persuade his members of the need for one. Following the decisions of this month's NUM conference there is no possibility of the Executive's concluding any agreement without reference to the delegate conference, and little or no possibility of the Executive's recommending for acceptance any offer significantly below the claim. Given its likely composition, the delegate conference can therefore be expected to agree an immediate overtime ban early in November. The balance of probability is that ^apithead ballot will be called soon after the delegate conference rejects the NCB's offer. It is, however, possible that Mr Scargill might favour delaying a strike ballot for some weeks, particularly if he were uncertain of its outcome - in 1972 and 1974 overtime bans led miners increasingly to accept that a strike was the better and sharper option. It might however be difficult to delay a ballot for more than, say, a month against

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both militant and moderate pressures. In addition, the incentive scheme and earnings from overtime are likely to result in a significant number of miners having reservations about the imposition of a lengthy overtime ban. The possibilities therefore might be a ballot in mid-November with an immediate strike threat, or a ballot then or later for strike at the beginning of January.

7. It is also conceivable that this whole timetable could be speeded up. This might occur if, as in 1973, the NUM Executive rejected any offer the board made in September and Mr Scargill took the line that negotiations were precluded. In these circumstances both the delegate conference and a ballot might be brought forward by several weeks.

8. On either timing, the above analysis suggests that only the ballot itself provides a means of avoiding an eventual strike.

9. It must be expected that in a strike unlawful action (such as picketing at power stations) would be deliberately taken, to tempt the use of the law against the union or individuals.

10. There is no sign of any strong general grievance among miners over pay, but there are other issues - the most immediately important being that of pit closures - on which feeling might be more readily aroused.

Water

11. Pay negotiations for water are close in time to those for coal. Two main considerations are likely to influence negotiations: the unions' attempt to establish comparability with manual workers generally as a standard for pay determination (quoted as entailing a special rise of 15 per cent), which must plainly be opposed; and union demands for assurances from the employers that national negotiations will continue following the announcement of the abolition of the National Water Council next year. Until the dust from that announcement has settled, it is hard to predict its effect on the employers' resolve in what will be the last negotiation led by the NWC.

12. On past form the employers are likely to feel that a "not ungenerous" settlement will be needed to preserve the peace. The normally moderate GMWU has in this industry shifted towards militancy. The possibility of industrial action (local or national) cannot be discounted, particularly if there is major trouble at the same time over coal.

British Airways

13. BA have made major reductions in manpower in 1981-82, and plan more in 1982-83. They have had a nine-month pay freeze from January 1982, and now envisage a settlement from October 1982 running to January 1984 and representing in all about 6½ per cent per year on basic rates for the calendar years 1982 and 1983. If this is confirmed, industrial action either over pay or over redundancies (assuming these remain voluntary) is unlikely.

British Rail

14. No useful assessment of the 1982-83 prospect can be made at this stage, with the issues of productivity and current pay still undecided. Workshop closures are a further unresolved complication.

Gas and Electricity

15. The miners' settlement will be a key influence. Gas and electricity will be likely to be looking for "fair and reasonable" (i.e. high) settlements. They have powerful leverage and management may not be keen to fight hard. Non-pay issues (e.g. the selling off of gas showrooms) may complicate the pay negotiations.

London Transport

16. Underground pay for 1981-82 has still to be settled. In addition, the level of services is a continuing issue which could lead to threats of further industrial action. For the first time, albeit briefly, simultaneous action on the tubes and buses was recently mounted, and militants may seek to contrive this again. Problems could also arise from the broader conflict between the Government and the GLC on London Transport policy.

BSC

17. BSC have succeeded over the last three years in shifting the main emphasis in pay bargaining from the national to the local level, and in 1981-82 pay increases have depended entirely on local productivity improvements. In 1982-83 at the national level BSC can be expected to concede some consolidation of productivity increases into basic pay rates, and to agree to implement from January 1983 a reduction in the working week to 39 hours, originally promised in the Lever inquiry into the 1980 steel strike. But the main emphasis over the next year will continue to be on local productivity deals. BSC say they do not

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expect any serious industrial action either on pay or on the prospects of further closures and redundancies; but there must be room for doubt about this if another spectacular closure were proposed.

British Telecom

18. Past experience of high settlements may lead to an expectation of continuing high settlements, though high pay levels and the lack of a serious threat of industrial action ought in theory to suggest a low settlement. Privatisation might also be the subject of union complaint, though it would hardly on its own provoke serious industrial action.

British Shipbuilders

19. The Department of Industry has told BS that Ministers will be looking for a settlement lower than that achieved last April (6.5 per cent), which gave rise to Ministerial concern. Attitudes on both sides of BS will no doubt be strongly influenced by development on pay elsewhere; but this is an area where management ought not to regard a high settlement as affordable, nor need Government regard strike action as a grave threat.

Post Office

20. Although the 1981-82 agreement was criticised at the UCW Conference, it is expected to stick. There is no great militancy in this area, and unless management presses uncharacteristically for a very low settlement the risks of industrial action do not seem high, nor would its consequences be acute.

Overview

21. Coal is clearly the central problem, of key importance both in its own right and as setting the scene for other industries. It is unlikely that any other major group will be ready to settle on pay until the outcome on the miners is clear. Some other unions might see advantage in threatening industrial action themselves in the atmosphere created by the miners, on the view that the Government would not welcome conflict on different important fronts simultaneously and that after two years of "pay restraint" a breakthrough on pay is necessary and achievable; but their more sensible and probable tactic could be to threaten rather than act. Much would depend on how long a miners' strike lasted. The

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NCE/NUM settlement will inevitably establish a target for the rest. The higher that settlement is (whether achieved by strike action or not) the greater the difficulties for other industries.

22. Particularly with the miners, it seems important to distance pay as far as possible from other, more emotive, issues such as pit closures. It should presumably be an important objective of Government and NCB policy to reduce to a minimum during the negotiations the salience of these other issues which would strengthen Mr Scargill's ability to get the miners out on strike. But the NUM's (and other unions') tactics are naturally likely to be precisely the opposite, and isolation of the pay issue may prove to be difficult.

23. The successful outcome of the ASLEF dispute may have a moderating influence on the general climate for forthcoming negotiations. But the progress of the NHS dispute will also be of wider relevance. There may also be increasing pressure among militants to exploit specific grievances in support of wider aims on economic policy and industrial relations legislation.

24. Plainly enough, the prospects in all the industries surveyed will depend very much on what settlement levels managements go for and how hard they are prepared to fight. Difficult choices will arise, in the exercise of Government influence, among the risks of damaging outcomes on pay and those of major industrial strife in key fields. Ministers may wish to commission a report in the latter half of September summarising the latest pay assumptions of nationalised industry managements as disclosed in discussions leading up to the setting of EFLS, though these assumptions will not necessarily reflect industries' final negotiating strategies, which will no doubt develop progressively through the autumn.

25. There is a case for special and perhaps earlier consideration^{of} the prospect and tactics in relation to the miners. The Secretary of State for Energy is understood to be planning to minute his colleagues before the summer recess about the outcome of his initial meeting with the NCB Chairman on 27 July on miners' pay.