



Prime Minister

Thu 29/4

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

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. As reported in the letter of 6 April from Nigel Lawson's office, the gas industry manuals have reached a settlement worth 5.1 to 5.2 per cent on average earnings. This is a not unreasonable outcome and, together with the 5.7 per cent electricity manuals' settlement early last month, suggests that the potential repercussions of the water settlement have been successfully contained. But negotiations with the non-manuals in both the gas and electricity industries will be getting under way early next month, and we shall need to watch that the resulting settlements are no higher, and if possible lower, than those for the manuals.

3. You will have seen my separate letter of 20 April to Patrick Jenkin about the Post Office. Kenneth Baker has also written (18 April) about British Telecom and British Steel. The outcome on British Steel looks satisfactory, and the threat of arbitration on BSC's policy of avoiding national pay awards has receded. However, I understand that last Thursday British Telecom increased their $4\frac{1}{2}$ per cent offer to $4\frac{1}{2}$ per cent for labourers and 5 per cent for /engineers; and

CONFIDENTIAL



engineers; and that this was rejected by the unions. There is apparently another meeting today. The Chairman's aim of settling below 5 per cent (recorded in Patrick Jenkin's minute of 22 March) leaves little scope for further significant concessions, and we must hope that none is made.

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

A handwritten signature in red ink, consisting of a stylized, cursive 'G.H.' followed by a flourish.

G.H.
25 April 1983

CONFIDENTIAL

CONFIDENTIAL

PUBLIC TRADING SECTOR

PART 1: CURRENT AND FORTHCOMING NEGOTIATIONS

TRANSPORT

1. PASSENGER TRANSPORT EXECUTIVES

(a) Merseyside PTE - Platform staff (2,537)

Settlement date: 1 January

Unions: NJC - TGWU, GMBATU

The unions are considering an offer of a 5% increase on basic rates for all platform and engineering staff. The effect on average earnings is likely to be similar. Negotiations are continuing but management is said to be standing firm on the 5% offer.

(b) Tyne & Wear PTE - Platform staff (1,597)

Settlement date: 1 March

Unions: TGWU, GMBATU

Platform staff (who achieved parity with metro staff in the last pay round) have submitted a claim for a £5 differential over metro rates. Management has offered an increase of 4.3% on basic rates (worth about the same on average earnings). The metro staff, however, have recently concluded a settlement of 5% on basic rates (inclusive of 0.7% in respect of productivity), one additional days holiday and the possibility of a one hour reduction in the working week from 5 June providing agreement can be reached on implementation at no cost to the Executive. The settlement is worth just over 5% on average earnings. Platform grades are now considering ways in which productivity improvements could add a further 0.7% to their 4.3% offer.

CONFIDENTIAL

CONFIDENTIAL

Comment: If this is possible then a settlement inclusive of one day's additional holiday and the possibility of a 1 hour reduction, is likely.

(c) South Yorkshire PTE - Platform staff (3,177)

Settlement date 1 April

Union: TGWU

The union has submitted an unquantified claim for a substantial increase. At a meeting on 28 March management improved their first offer worth 4.6% on average earnings to the equivalent of 5.0% on average earnings. The union balloted members last week. The result was a decisive vote (4:1) against acceptance.

2. LONDON TRANSPORT EXECUTIVE

(a) Buses: Drivers and Conductors (19,420)

Settlement date: 28 March

Union: TGWU

The union has submitted an unquantified claim for substantial increases. The first negotiating meeting took place on 7 April. Management offered 4% on basic rates (worth about the same on average earnings) which was rejected. Negotiations resume on 28 April.

CONFIDENTIAL

- (b) Railway supervisory, booking office and conciliation wages grades (14,152)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

The unions have submitted an unquantified claim for an increase in excess of the Retail Price Index, additional holidays and a reduction in working hours. The first negotiating meeting took place on 23 March. LT management made no response to the unions' claims. The next meeting is set for 29 April, although the unions had pressed for an earlier date.

3. BRITISH RAIL: CLERICAL AND CONCILIATION GRADES (136,000)

Settlement date: 17 April

Unions: NUR, ASLEF, TSSA

At a meeting on 12 April the unions presented their 1983 pay claims which include a substantial increase, a 35 hour week and one week's additional holiday (overall average earnings effect unknown but reports suggest 30% plus). The Board did not make an offer and are considering inter alia the scope for a pay deal to last for more than 12 months. Talks are unlikely to resume much before the end of April.

Comment: The Secretary of State for Transport intends to write to colleagues about the probable issues involved in the 1983 negotiations and in particular the possibility of a two year pay deal.

STEEL/SHIPBUILDING4. BRITISH STEEL CORPORATION: All grades (85,100)

Settlement date: 1 January

(a) Joint Negotiating Committee Groups

The twelve unions forming the Joint Negotiating Committee have presented a joint claim for 5% to 9% increases and wish to restore national negotiations. The Corporation however has said that the industry cannot afford a national pay increase although there will be scope for local productivity deals. The unions are attempting to have this disagreement resolved through arbitration. Some groups covered by the JNC have arbitration agreements which appear to provide a unilateral right of access to arbitration but BSC claim that these provisions apply only to local negotiations and not to national negotiations. ACAS has been involved in discussions with both sides about access to arbitration but BSC has continued to refuse access.

(b) SIMA

SIMA is the main union representing middle management grades and has a unilateral right of access to arbitration. The union sought to exercise this right to achieve a national pay increase but BSC refused. An agreement has now been reached which provides for the consolidation from 1 January 1983 of 1% of the productivity bonuses generated in 1982 by locally negotiated schemes, a guarantee of a further 3% payable from 15 February from locally negotiated bonus schemes (providing schemes are agreed by 24 April) and for this 3% to be consolidated from 1 July across the board providing all localities have agreed schemes by 31 May.

Comment: BSC regard the agreement with SIMA as a major step forward and as a lever to persuade the other unions to abandon their claims to a national pay deal and agree to negotiate local bonus schemes. Obviously there is now no

risk of SIMA continuing to press for arbitration. Negotiations have been complicated by a strike in BSC's South Yorkshire division over redundancies. The strike originally affected eight plants and despite an official union call for a return to work, some employees (mainly craftsmen) are continuing to strike in two plants.

5. BRITISH SHIPBUILDERS: Staff and manual grades (64,000)

Settlement date: 1 April

Unions: CSEU/SAIMA

On 11 January the CSEU submitted the following claim for staff and manual grades:

- (a) a substantial increase in wages and salaries to be paid on the basic rate and not as supplements
- (b) consolidation of supplements into basic rates
- (c) a substantial increase in the Minimum Earnings Levels
- (d) a reduction in the working week to 35 hours
- (e) guaranteed minimum earnings for unskilled and semi-skilled grades based on a percentage of the skilled MEL
- (f) increased holiday entitlements and holiday pay
- (g) phased reduction in working hours prior to normal retirement.

Other minor improvements relating specifically to staff or manual grades are also sought.

SAIMA, who negotiate in parallel to the CSEU, have submitted a separate claim for substantial increases.

Management has advised the unions that the company cannot afford a national pay increase although there is scope for local productivity bargaining. A union conference rejected management's call for a nil increase on 17 February. Negotiations commenced on 2 March but little progress was made. A further

CONFIDENTIAL

meeting took place on 18 March when the Chairman told the unions of the serious market position faced by the Corporation, and warned that up to 9,000 more redundancies were in prospect. The unions maintained their opposition to a national wage freeze, but asked management for a full presentation (on 31 March) of the workload position and effect on employment prospects. The unions are considering this information and the next meeting between the two sides has been provisionally arranged to take place during week commencing 9 May.

POST/TELECOMMUNICATIONS

6. (a) POST OFFICE: Postal officers, postal assistants, postmen, cleaners and doorkeepers (156,000)

Settlement date: 1 April

Union: UCW

The union has submitted an unquantified claim for a cost of living increase in basic rates, a restoration of differentials within grades, 2 additional days holiday and a reduction of 3 hours in the working week. The claim would be worth in excess of 20% on earnings. Management's current offer is 5.0% on basic rates from 1 April, a further 1% on rates from 1 August and one additional day's holiday. The effect of the overall offer on average earnings and on the paybill has yet to be precisely calculated, but is expected to be between 5.5% and 6.0% in the settlement year, slightly more in a full year. The UCW Executive has recommended acceptance of the offer to union branches.

In separate consultations the UCW has recently approved the extension of the existing "Improved Working Methods Scheme" to more employees. The scheme could yield an initial bonus of £150 for some with further payments based on targeted cost savings.

Comment: The Secretary of State for Industry wrote to colleagues on 13 April about the likelihood of the offer being accepted.

CONFIDENTIAL

- (b) Postal supervisors, executives and supervisory catering grades (14,800)

Settlement date: 1 April

Union: CMA

The union has presented an unquantified claim for a substantial increase. The first negotiating meeting was to take place on 22 April.

Comment: Negotiations will be influenced by any settlement reached with UCW grades (see item 6a).

7. BRITISH TELECOM: Engineers, technicians and inspectors (145,000)

Settlement date: 1 July

Unions: POEU, SPOE

In response to a claim for a substantial increase in pay and other improvements, BT made an opening offer averaging 4.25% on basic rates (inclusive of productivity payments) at a meeting on 15 March. The offer is estimated to involve a 3.5% increase in BT's pay bill in the coming pay year (July 1983-July 1984), and a 4.6% increase in the 1983-84 financial year over FY 1982-83. A meeting took place on 28 March, when the unions advised management that the offer was insufficient to reach a settlement. At a further meeting on 21 April the offer was increased to 4½ per cent for labourers and 5 per cent for engineers, but was rejected by the unions. A further meeting has been arranged for 25 April.

ENERGY

8. UNITED KINGDOM ATOMIC ENERGY AUTHORITY: Staff (9,700)

Settlement date: 1 April

Unions: IPCS, SCPS, CPSA, AGSRO

The group traditionally follow the settlement for the non-industrial Civil Service.

9. ELECTRICITY SUPPLY: Clericals (45,000)

Settlement date: 1 May

Unions: NALGO

A formal claim for a substantial increase (not quantified) was presented at a meeting with management on 15 April. The Electricity Council expect to make their offer at the next meeting planned for 10 May.

Comment: A settlement of 5.8% on average earnings for managerial grades is likely to influence negotiations.

10. GAS SUPPLY: Staff and senior officers (57,600)

Settlement date: 1 June

Unions: NALGO, MATSA (part of GMBATU)

A claim for a 9.5% increase on salaries was presented on 31 March. The claim is based on an assumed RPI figure of 6.5% and the wish to make up lost ground in terms of real earnings. The first negotiating meeting will take place on 6 May.

Comment: A settlement covering manual grades which will result in a 5.1% to 5.2% increase on average earnings (see item 12) is likely to influence negotiations.

PART 2: SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

11. BRITISH RAIL: Clerical and conciliation grades (136,000)

Settlement date: 20 April 1982

Unions: NUR, ASLEF, TSSA

Following union commitment to driver-only operation, discussions will now start on the detailed implementation of remaining productivity items (the trainman grade and the easing of restrictions on single manning). In the light of the progress which has been made BR has paid the 6% increase on basic rates backdated to 6 September 1982. Minimum earnings levels have been raised by 6% with effect from 20 April 1982 (the original anniversary date) and an additional day's holiday has been agreed. The settlement increases average earnings by about 4% in the settlement year and by 6.4% (inclusive of the additional holiday) in a full year.

Payment of the £6 per shift supplement recommended by the Railway Staffs National Tribunal for driver only operation of the Bedford/St. Pancras line has also been implemented for those drivers who have operated the train single-manned.

12. GAS SUPPLY: Manuals (41,600)

Settlement date: 16 January

Unions: GMBATU, TGWU

The unions have accepted management's offer of increases ranging from £4.07 to £6.39 (5.08% to 6.02%) on basic rates and improvements to holiday pay. The settlement will result in an overall increase of 5.1% to 5.2% on average earnings in a full year.

13. WEST MIDLANDS PASSENGER TRANSPORT EXECUTIVE: Platform staff (4,122)

Settlement date: 1 April

Union: TGWU

Union members have voted to accept management's offer which is equivalent to 4.8% on average earnings.

14. PASSENGER TRANSPORT EXECUTIVES: Non-manual staff (5,400)

Settlement date: 1 April

Unions: JNC - NALGO, ACTSS

Negotiations for this group take place in a Joint Negotiating Committee on which all six English PTE employers are represented. The unions submitted an unquantified claim for substantial increases, additional holidays and shorter working hours. The employers initially offered 4% on salaries (about the same on average earnings) which was described as 'final'. At a subsequent meeting, however, the offer was improved to 4.5% on average earnings or 5% on basic rates not flowing through to premium payments (worth 4.5% on average earnings). Both offers included one extra day's holiday linked to service for a limited number of staff. A further meeting took place on 18 April when agreement was reached on the basis of a 4% increase on basic rates backdated to 1 April, plus a further 1.5% from 1 October (worth 4.75% on earnings and on the pay bill in the first year, 1.25% of which is to be met from staff cuts).

CONFIDENTIAL

15. LONDON COUNTRY BUSES: Platform staff, Catering and Miscellaneous grades
(2,295)

Settlement date: 1 April

Union: TGWU

A settlement in line with that reached with the National Bus Company platform grades has been concluded; viz 5% on basic rates plus one additional day's holiday. The effect on average earnings will be just over 5.1%.

CONFIDENTIAL