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DSG

25 February 1980

The Prime Minister has asked me to thank you for your letter of 22 February about the Chairmanship of the British Steel Corporation, and also for your letter of the same date with which you enclosed a copy of your proposals for settling the current dispute. She will be replying to your letter about the Chairmanship as soon as possible.

J. P. LANKESTER

W. Sirs, Esq.

DSG

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# THE IRON AND STEEL TRADES CONFEDERATION

*General Secretary*

*W. Sirs*

BY HAND

*Swinton House,  
324 Gray's Inn Road,  
London, WC1X 8DD*

22nd February, 1980

The Prime Minister,  
House of Commons  
Westminster  
London S.W.

Dear *Prime Minister,*

I have pleasure in sending this copy of our proposals which we are submitting to the B.S.C. this morning. As you will see, these proposals represent a sincere effort on our part to find a settlement to the current dispute.

These terms offer B.S.C. a full thirteen month period of wage stability up to April 1981.

I would be obliged if the content was not generally released until 2.00 p.m. today to enable our discussions this morning to be reasonably free from outside pressure.

Yours sincerely,

*Wm Sirs.*

W. SIRS  
GENERAL SECRETARY

ENCL:

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*Prime Minister*

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MEMORANDUM OF AGREEMENT made on  
between the BRITISH STEEL CORPORATION, 33 GROSVENOR PLACE, LONDON,  
WS1X 7JG (hereinafter called ' the Corporation ') and the IRON AND  
STEEL TRADES CONFEDERATION, SWINTON HOUSE, 324, GRAY'S INN ROAD,  
LONDON WC1X 8DD and the NATIONAL UNION OF BLASTFURNACEMEN, 93 BOROUGH  
ROAD WEST, MIDDLESBROUGH, CLEVELAND, TS1 3AJ (Hereinafter called  
'the Unions') with regard to an INCREASE IN WAGES.

PREAMBLE

WHEREAS the Unions submitted a comprehensive claim for an increase in wages and improvements in other benefits to take effect from 1st January 1980 and WHEREAS negotiations on the claim took place at conference held on 3rd, 21st and 28th December 1979 and Friday 8th February 1980.

IT IS NOW AGREED THAT:-

1. GENERAL

- 1.1(a) Having regard to the Corporation's serious business difficulties the Corporation and Unions agree nationally the principle that in the year there should be significant pay increases but that these will be financed as far as possible through improved performance. The Corporation and the Unions therefore enter into an enabling agreement to ensure that for this particular negotiation a proportion of the annual increase shall be linked directly to the achievement of improvements in the Corporation's overall ability to pay by virtue of better financial performance at Division or Works level.
- 1.1(b) The Corporation and the Unions agree that joint representation should be made to the Government and all bodies concerned, regarding the excessive amounts of steel being imported into this country which is having the effect of creating wide spread unemployment.
- 1.2 The Corporation and the Unions agree that much remains to be done in respect of the commitments made by the signatories to the 1979 Wage Settlement in respect of:-
- (a) The commissioning of capital projects.
  - (b) Speedy resolution of inter-union disputes without any embargo or restriction of work.
  - (c) Completion of W.M.I.S.
  - (d) Improved working practice agreements between the two Unions.
  - (e) Closer alignment of maintenance and process activities.
  - (f) Reducing absenteeism and unnecessary overtime.
  - (g) Reducing industrial disputes.
  - (h) The encouragement of payment by bank transfer.

continued.....

- 1.3 The Unions accept the continued need for discussions with the Corporation at national level:

Also at local level at least with TUC affiliated Steel Unions: -

(a) with the objective of achieving international manning standards at all levels to achieve the highest level of productivity, pay and conditions in line with overseas competitors, particularly the European Iron and Steel manufacturers and

(b) on the means by which closer working relationships can be established between the Corporation and all the nationally recognised TUC affiliated Steel Unions.

- 1.4 With reference to 1.2(f) above, accepting that absenteeism is a costly item to the Corporation it is agreed that the Unions will accept:-

(a) the introduction of a national scheme creating a uniformity of conditions that will help to reduce absenteeism.

(b) in connection with the foregoing item, consideration will be given to the possibility of the introduction of an attendance bonus based on individual performance.

(c) The elimination of all overtime.

## 2. SCOPE AND COVERAGE

- 2.1 The workers covered by this agreement are those members of the Unions who are -

(a) employed on production conditions covered by the 1979 National Agreement, and

(b) employed on heavy steel maintenance conditions, and

(c) any members in respect of whom agreement is subsequently reached between the Corporation and the Unions that they shall be transferred to Corporation Heavy Steel Conditions

(d) Staff employees covered by the recognition agreement 10th September 1969.

(e) Middle management members covered by the National Agreement 25th June 1974.

continued.....

2.2 This agreement is made for a fifteen month period from 6.00 a.m. Sunday 30th December 1979 being the nearest Sunday to 1st January 1980.

3. CONSOLIDATION OF PHASE II INCOMES POLICY SUPPLEMENTS

It is agreed that the consolidation of the phase II Incomes Policy supplement shall be deferred until some jointly agreed date in the future.

4. GENERAL INCREASE

4.1 In recognition of the Unions' contribution to supporting the following programme within the principles outlined in clause 1 (including the introduction of the Lump Sum Bonus Schemes and associated payments as set out in clause 5).

There shall be a general increase on all elements of pay of 15% with effect from 6.00 a.m. Sunday 2nd March 1980.

4.2 The Unions and Management accept the urgent necessity for the restructuring of work at all levels to bring about within a period of twelve months the achievement of the objectives set out in clause 1.3(a) in the ongoing plants and offices so as to improve the Corporation's costs and hence its competitiveness.

4.3 At local level in line with the previous agreements specified in clause 1.2 Management shall table for discussion and negotiation with the Unions its local plans to reduce inbuilt overmanning through job restructuring.

4.4 These plans will include joint examination of the Corporation's proposals concerning areas of activity which prove excess to requirements together with proposals for appropriate local productivity negotiations where increased work or higher responsibilities are involved.

4.5 The Unions will accept the adoption at local level of policies of productivity negotiations.  
(a) That local negotiations may allow non-recruitment, and  
(b) Allow advantage to be taken of labour turnover where possible to ease any necessary reductions in manpower.

4.6 Given the difficult financial year ahead the Unions agree to immediately set up a Working Party to discuss the possible advantages of the Government short time working scheme.

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- 4.7 On the basis of the need for change in the industry, the Unions recognise the Corporation's concern regarding the need to improve working practices and relationships between maintenance and process workers in the industry.
- 4.8 Any bonus incentive or other payments expressed as a percentage of a rate to which has been added the increases stated in clause 4.1 above shall not be further increased as a result of this agreement. Where necessary, such agreements will be adjusted accordingly to ensure this condition is met.
- 4.9 For the purposes of calculation relating to pension, redundancy, severance payments and holiday pay or any other terms and conditions which include reference to past earnings, the period of the industrial action will be excluded.
- 4.10 The Corporation and the Unions accept as a contribution towards improving the conditions of employees in the industry that they will hold constructive discussions about the introduction of a 39 hour week, or shorter working year and for this to become effective from the 1st April 1981.
- 4.11 Recognising that most members aged 18 are receiving adult rates the Corporation and Unions agree to extend the practice to include all members by the 1st April 1981 on a phased basis.
- 4.12 The Corporation and the Unions agree the minimum rate that shall apply from the 1st April 1980 will be £65 for a 40-hour week.

5. LUMP SUM SCHEMES

- 5.1 Lump Sum Bonus payments will be made at local level provided that it has first been demonstrated that,
- (a) the cost of such increases has been funded by improved financial performance except as qualified by clauses 5.7 and 5.8
  - (b) such payments will derive from agreed schemes designed to measure financial performance on a Divisional or Works basis described in 5.4 below.
  - (c) it is understood that the schemes described above will be applied to units at Departmental level and above.

continued .....

5.3 Performance of local schemes will be assessed  
3 monthly in arrears.

The result will be applied as a percentage increase to the earnings which each individual has accrued during the three month period over which the scheme performance has been assessed and will be paid as a lump sum.

5.4 While as previously stated in clause 5.2 hereof the detail of local schemes shall be a matter for joint determination, it is agreed that each local scheme will incorporate the following:-

- (a) Lump Sum Bonus payments (other than the advance payment and guaranteed minimum described in 5.7 below) will be made only after the actual achievement of improvements in business performance.
- (b) It is accepted that factors external to the Corporation may affect business performance both adversely and favourably. No attempt will be made to offset for these external influences.
- (c) Lump Sum payments will be made quarterly, and will be calculated as a percentage of gross earnings during the relevant three month period which divided by the workers involved will produce a flat rate payment equal to all after excluding guaranteed minimum payments

In order to implement these principles in varied circumstances in different parts of the Corporation and still preserve consistency of approach it is intended that each local scheme should be designed on the basis of one of the following options:

"Better business results and productivity as shown in improvement in added value related to employment costs"

OR

"Expression of overall business success in terms of improvement in a predominant physical index (or indices)"

OR

"The achievement of specified improvement milestones in circumstances of major change"

OR

"In the event of alternative schemes being locally acceptable these will be considered"

continued....

- 5.5 Schemes which use added value as their basis will calculate this factor by subtracting the cost of materials and services from turnover and expressing the result of that calculation as a proportion of employment costs.
- 5.6 Lump Sum Bonus payments arising from local schemes will be paid on the nearest practicable pay date following the end of the period over which performance has been assessed, to employees in the Corporation's employment at the time they fall due. Any scheme which uses employment costs as part of the calculation of quarterly payments will take account of the costs of such payments in the period in which they are paid as distinct from the period on the result of which they are calculated.
- 5.7 In consideration of the national undertaking to make local agreements on such schemes at the earliest possible moment the Corporation will make a payment of a weekly sum equivalent to 5% of the gross earnings. This payment will take effect from Sunday 6.00 a.m. 6th April 1980.
- 5.8 Having regard to the need for joint negotiations of local schemes covering the total job population in a Division or Works the Unions agree subject to the provisions of clause 5.2 to participate in the setting up of a special negotiating machinery. Such negotiating arrangements will be for the sole purpose of dealing with the local schemes described in clause 5 hereof and will be completely separate and distinct from the normal arrangements embodied in national agreements or established custom and practice.
- 5.9 The precise nature of the special local negotiating machinery described in clause 5.8 above shall be a matter for local arrangements but shall be so constructed as to permit expeditious negotiation of these schemes as a Works-wide or Divisional basis.