



Prime Minister (2)

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

PRIME MINISTER

MS

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. Nigel Lawson has already reported on the outcome of the miners' ballot in his letter of 2 November. I entirely agree with him that attention now needs to be drawn to the 6.5 per cent earnings effect of the settlement (and the lower increases in the wage bill). Already the 10 per cent claim emerging in the gas industry is instead being compared with the impact of the miners' settlement on basic rates. We need to give further thought to how this might best be done: clearly much must depend on the NCB, and we should not put the Government in a position where it can be expected to answer for the details of nationalised industry pay settlements. But meanwhile it is important that the Ministers concerned should ensure that nationalised industry managements are aware of the figures, and that they make their workforces aware of them.

3. As regards the water industry, Tom King's letter of 4 November reports the latest position, and Michael Heseltine also mentioned this at Cabinet. I agree that the need for a low offer should be impressed on the employers. To go into negotiation - or even arbitration - on the basis of a 6 per cent offer would make a settlement at a higher level than this virtually certain, and such an outcome would undoubtedly be damaging.

4. In the gas industry settlements operative from last summer have been reached with staff grades for just over 7 per cent (Nigel Lawson's letter of 25 October) and with higher management for 7½ per cent. These are at least somewhat lower than the 7.9 per cent increase for the gas manuals. As regards current settlements I notice that the Greater Manchester Passenger Transport Executive seems to be moving towards a 7 per cent settlement from 1 November. Developments in this field have now been very satisfactory in the past: London Transport Rail's recent settlement (from last April) is worth 10 per cent in a full year. The Transport Bill may provide a means of controlling PTE



current costs for the future; but meanwhile David Howell might wish to consider whether there is any way of avoiding a string of 7 per cent settlements in the PTE's.

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

(G.H)
8 November 1982

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PUBLIC TRADING SECTOR

PART 1 CURRENT NEGOTIATIONS

1981/82 PAY ROUND

1 British Rail: Clerical and Conciliation grades (136,000)

Settlement date: 20 April 1982

Unions: NUR, ASLEF, TSSA

On 13 September the Railway Staff National Tribunal recommended a 6% increase on basic rates from 6 September and a 6% increase in the Minimum Earnings level from 19 April 1982; worth together 4% on average earnings in the settlement year. In addition the Tribunal recommended that there should be agreement to 1 additional day's holiday to be effective in 1983 and a further pay review to be completed and agreed before the next annual settlement date of 17 April 1983.

The Tribunal did not explicitly make their non-binding award conditional upon agreement being reached on outstanding disagreements about productivity but made clear view as to which productivity commitments it considered to have been properly fulfilled and how outstanding commitments should be resolved. The Tribunal also recommended that in future any links which are established between pay and productivity should be clear and unambiguous.

The BR Board and all three unions have accepted the Tribunal's recommendations as a basis for negotiation.

At a meeting of the Railway Staff National Council on 20 October the BR Board made it clear that implementation of the 6% increase was conditional upon agreement to settle those productivity matters still outstanding from the 1981 pay round. Although objecting to ^{this} proviso, all three unions have agreed to take part in further negotiations. Only one further meeting (at Railway Staffs Joint Council level) has taken place. At this meeting the NUR agreed to the Board starting (ASLEF) driver training for operation of the new driver-only rolling stock on the Bedford - St.Pancra electrified service. TSSA, whose members are not involved in these productivity talks are pressing the other two unions to reach agreement quickly so that pay can be agreed and implemented before Xmas.

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1982/83 PAY ROUND

2 United Kingdom Atomic Energy Authority: Manuals (4,760)

Settlement date: 1 October 1982

Unions: AUEW, TGWU, GMWU, EETPU

The first formal negotiating meeting took place on 16 September when, in response to an uncosted claim for a substantial increase, management offered 3% on average earnings. The offer received a hostile response from the unions. A further meeting has been arranged for 17 November.

3 Coalmining: Manuals (188,000)

Settlement date: 1 November 1982

Union: NUM

The NUM submitted a claim for a flat rate increase of £27.20 per week on basic pay for all grades. This amount represents a 31% increase on base rates for surface workers and around 23% for some face workers.

At a negotiating meeting on 23 September, the Coal Board made an offer comprising a 7.2% increase in basic rates and related payments, a 5% increase in incentive payments, and no increase in other allowances. The overall average effect on earnings is 6.5 per cent, though the Board have presented it as the equivalent of 8.2% on basic rates with some grades getting up to 9.1%.

The NUM rejected the offer, called an overtime ban from 4 October, and balloted their membership (who include many ancillary and clerical staff as well as coalminers; these other staff will receive comparable offers) to seek authority to call a strike so as to obtain a higher offer and also to prevent pit closures. Despite intensive campaigning by the NUM leadership, the membership voted 61:39 against a strike and the union have now called off the overtime ban and accepted the offer.

Parallel offers for other groups will be accommodated within the estimated total cost of the offer of £155 million.

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4 Water Service: Manual grades (29,400)

Settlement date: 7 December 1982

Union: NJC: - GMWU, NUPE, TGWU

At a meeting on 21 September the NJIC presented a claim for average earnings in the industry to be brought in line with the upper quartile of manual earnings generally, one extra week's holiday and a reduction of one hour in the working week. It is unclear whether a cost of living increase for this year is also implied.

The claim for comparability follows from an agreement made at the same time, although separate from, the 1981 pay settlement when the employers agreed, without commitment, to give consideration to the position of water manual's earnings in relation to manual earnings in the economy generally and in return for improvements in productivity. Subsequently, the unions submitted evidence in support of their claim for parity which, according to the NWC, would have meant an increase of around 15%. Management made it clear that such an increase was unacceptable. At the meeting on 21 September the unions requested an immediate response, or at least a commitment in principle to upper quartile relativity. The employers refused to respond to the claim before the next scheduled meeting on 11 November and the unions subsequently called a one day strike on 18 October.

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The Combined Employers Committee met on 27 October, and gave their negotiators a negotiating limit of 6% of current paybill and authority to proceed to arbitration (unilateral access and binding) if agreement could not be reached at that level. The Minister for Local Government is writing to colleagues giving full details and outlining the action he is taking to persuade the negotiators that 6% is an unacceptably high figure and that in any case they should not commit themselves to a ceiling offer which will become a floor at arbitration. The employers are convinced that the unions are seeking confrontation if they do not make a 'constructive' response to the claim for upper quartile equivalence, and this view was supported by the decision of a recent GMWU delegate conference. The employers anticipate significant unofficial strike action even if they go to arbitration; there is in their opinion a high risk of official action though a reference to arbitration should in theory prevent this. Negotiations will resume on 11 November, and the employers negotiating team will decide on their tactical approach that day as will the combined union side.

Recent press reports have referred to employers proposals based on more flexible working practices, limitations on the right to strike, secret ballots on industrial action, change in the settlement date. These were made, without commitment, during the earlier informal discussions on the manual earnings position and, though they aimed at improving that position on a quid pro quo basis, they made no concession to the principle of upper quartile equivalence. They are no longer on the table in the current negotiations; although the negotiators are authorised to negotiate on the basis of a 16 month deal if that would secure a settlement, and the unions know that flexible working practices are open to consideration at regional level. The other issues seem unlikely to be raised.

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PART 2 FORTHCOMING NEGOTIATIONS

5 Greater Manchester Passenger Transport Executive: Platform Staff (5,224)

Settlement date: 1 November 1982

Union: TGWU

Negotiations began on 27 October when management received an uncosted claim for a substantial increase and other improvements. The date of the next negotiating meeting is not at present known, but it seems very likely that the eventual settlement with platform staff will be identical to that recently reached with craft and "inside" grades (worth 6.97%).

6 British Steel: All grades (103,700)

Settlement date: 1 January 1983

Unions: ISTC, NCCC, NUB, GMWU, TGWU, SIMA, MATSA, ACTSS

Although claims for the January 1983 pay settlement have yet to be submitted by the unions representing manual grades, the ISTC are reported to be preparing a claim for a 9.5% increase in addition to the consolidation of existing bonus earnings.

The staff unions have written to BSC asking for "a substantial increase in earnings in line with inflation".

There was no national pay award in 1982; all increases were to come from locally agreed productivity schemes. Bonus earnings of 2.5%, out of a total bonus yield of 6.3% so far this year, were consolidated into basic rates from July 1982.

Comment: Pay negotiations will take place against a background of closures and redundancies. A one day strike recommended by the TUC Steel Committee took place on 22 October in protest at BSC's announcement that further cutbacks may be necessary.

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PART 3 SETTLEMENTS SINCE THE LAST REPORT

7 London Transport: Railway Supervisory, Booking Office and Conciliation grades (14,152)

Settlement date: 20 April

Unions: NUR, ASLEF, TSSA

A settlement based on the non-binding recommendations of the LT Wages Board has been reached. Basic rates will be increased by 7% from 18 October and a lump sum payment of 6.25% of gross earnings will be paid for the period 19 April to 18 October. The settlement includes one additional day's holiday and a 1 hour reduction in the working week (from 39 to 38) to be introduced at minimal cost from 1 January 1983. The monetary increase is worth 6.7% on average earnings in the settlement year; 7% in a full year. Implementation of the reduction in hours and additional holiday would, however, effectively increase earnings by almost 8.5% in the settlement year and by 10% in a full year.

In separate negotiations a joint management/union working party is considering the introduction of a productivity scheme before the next annual settlement date (April 1983) which could add a further 1% to 2% to average earnings.

8 London Transport: Rail workshop grades (3,180)

Settlement date: 22 April 1982

Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMWHDE, TGWU, UCATT, NUR
Settled in line with conciliation grades (see 9 above).

9 Gas Supply: Staff and Senior Officers (57,000)

Settlement date: 1 June 1982

Unions: NJC - NALGO, GMWU, MATSA

Talks involving ACAS have resulted in a settlement which provides increases in basic salaries of 5.5% for junior staff and between 6.8% and 7.55% for others depending on grade; worth just over 7% on average earnings. The settlement includes an extra day's holiday for all staff which, overall, increases the wage bill by 7.4%.

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10 Gas Supply: Higher Management (3,700)

Settlement date: 1 June 1982

Union: NALGO

At a meeting on 28 October the Higher Management accepted an improved offer which provides for an increase in basic salaries of 7.75%. Taking account of certain allowances which remain unchanged, this will increase average earnings by 7.5%.

11 British Waterways Board: Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

An offer of a 6.5% increase on basic rates, worth about 7% on average earnings has been accepted.

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cc Mr. Mount
Mr. Ingham

TO note X

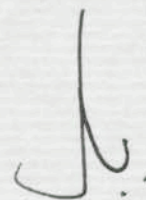
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MR. SCHOLARMONITORING REPORT: PUBLIC TRADING SECTOR

You invited my comments on the Monitoring Report attached to the Chancellor's note of 8 November.

The Water Workers remain the principal threat in the public trading sector. But there is nothing useful the Prime Minister can say to the Chancellor until we know the outcome of tomorrow's meeting between the employers and the unions. We shall then be able to see whether Mr. Heseltine's attempts to persuade the employers to open around 4% have been successful.

I am, however, concerned, as is the Chancellor, about the continuing repercussions of the way in which the miners' settlement is being seen as 8-9%. You will recall that Mr. Lawson wrote to the Chancellor on 2 November agreeing that Ministers should now make the point publicly that the increase on overall earnings of the miners' settlement is equivalent to 6.5%. I fear that they have failed to do so; and with every passing week, it becomes harder to correct the false impression. The Prime Minister may feel this is sufficiently important for her to raise in Cabinet tomorrow under the Industrial Affairs item; if not, I hope she would agree to your replying to the Chancellor's office to the effect that Ministers must now start to use the 6.5% figure publicly, as well as in private, to nationalised industry Chairmen.


10 November 1982JOHN VEREKER

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