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CONFIDENTIAL



Prime Minister (2)
ms 9/3

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

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

I attach the latest monitoring report on public sector pay.

2. You will have seen Nigel Lawson's letter of 7 March reporting that the electricity industry manuals reached a settlement on 3 March worth 5.7 per cent, though not presented in those terms. This (together with the 4.9 per cent settlement with the local authority manuals, in the public services) suggests that the impact of the water settlement (presented as 7.8 per cent on a 12 months equivalent basis) is proving less than might have been feared. I agree with Nigel about the desirability of a lower settlement in the gas industry.

3. You will also have seen Nigel's letter of 23 February about the satisfactory outcome at the Atomic Energy Authority, with a settlement of 4½ per cent. George Younger's letter of 21 February reported the situation in Scotland.

4. Offers around 5 per cent are being considered in the bus industry (municipal buses and the National Bus Company, and also the Merseyside PTE). At British Rail, last year's 6 per cent increase has still not been implemented, pending satisfactory progress on productivity issues, including driver-only operation of the Bedford/St Pancras line which ASLEF have referred to arbitration. The outcome of this arbitration is expected shortly. David Howell may be able to say how British Rail would want to react if there were an award substantially higher than their (by no means ungenerous) offer.

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5. Finally, it is reported that Post Office manual workers have submitted a claim. No doubt Patrick Jenkin will be watching this closely. The Post Office is an industry where we have agreed that a low settlement would be appropriate.

6. 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 black ink, appearing to be 'G.H.' with a stylized flourish.

(G.H.)
8 March 1983

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Econ. Pol.

HL



cc HO
SO
DOI
D/TRNS bcc Vereker
D/N
D/EMP
DOT CO
DOE
CPRS

10 DOWNING STREET

From the Private Secretary

10 March 1983

*copied to Post Office, Telecom
Post Office, Pay
April 1983*

Monitoring Report: Public Trading Sector

The Prime Minister was grateful for the Chancellor's minute of 8 March.

On British Rail, she has commented that she hopes that BR will not allow themselves to be pushed any further into proposing higher rewards for driver-only operation on the Bedford-St. Pancras line. The Prime Minister has further commented that BR are, after all, in a strong position with last year's 6% still unpaid.

On the Post Office and British Telecom, the Prime Minister would be grateful to know what discussions the Secretary of State for Industry has had with Mr. Dearing and Sir George Jefferson on pay, what the pay assumptions for these industries are, and what action he proposes to take.

BF

*on
Post Office
Pay
April 1983*

I am sending copies of this letter to Tony Rawsthorne (Home Office), Muir Russell (Scottish Office), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), John Rhodes (Department of Trade), David Edmonds (Department of the Environment), Gerry Spence (Mr. Sparrow's Office) and Richard Hatfield (Cabinet Office).

MICHAEL SCHOLAR

Miss Margaret O'Mara,
H.M. Treasury.

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EMP

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MR SCHOLAR

cc Mr Mount

(1)

Prime Minister

MONITORING REPORT: PUBLIC TRADING SECTOR

Agree I make these

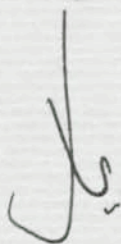
Just two points on the Chancellor's note of 8 March, covering the latest Monitoring Report.

Yes me

points on your behalf?

MCS 9/3

- (i) British Rail. It really would be intolerable if the McCarthy process, having run full circle, were to propose a yet higher reward for driver-only operation on the Bedford-St Pancras line. There seems no end to the way in which the BR negotiating machinery always makes it worthwhile for the unions to hold out for one more round. I really do think that Mr Howell should be asked, not to say how BR will react if this happens, but to ensure that BR do not allow themselves to be pushed any further. They are, after all, in a strong position, with last year's 6% still unpaid.
- (ii) The Post Office and British Telecom. I am sure it is right to ask Mr Jenkin to watch the Post Office closely, but experience shows that it needs a little more than that. Mr Jenkin could be asked what discussions he has had with Mr Dearing and Sir George Jefferson, what the pay assumptions are, and what he proposes to do about them.



JOHN VEREKER

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PUBLIC TRADING SECTOR

PART 1: CURRENT AND FORTHCOMING NEGOTIATIONS

A 1981/82 Pay Round

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

Settlement date: 20 April 1982

Unions: NUR, ASLEF, TSSA

The Executive of ASLEF has refused to accept British Rail's offer of an additional £5 per shift for driver - only operation of the electrified Bedford/St Pancras line and has referred the matter to the Railway Staffs National Tribunal. All three unions have also asked the Tribunal to consider BR's refusal to implement a 6% general increase on basic rates, already agreed with effect from 6 September 1982, until full agreement with ASLEF has been reached. The Tribunal heard evidence from both sides between 3 and 15 February, but is not expected to announce its recommendations until mid-March.

B 1982/83 Pay Round

Repercussions of the Settlement for Water Workers

The high settlement in the water industry may raise expectations in other parts of the public sector. Repercussions of the settlement were discussed by a group of Ministers under the chairmanship of the Chancellor of the Exchequer on 28 February.

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TRANSPORT

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

Settlement date: 19 April

Unions: NUR, ASLEF, TSSA

The NUR and ASLEF have been reported in the press as having drawn up their 1983 pay claims which include the restoration of real earnings to 1975 levels, a 35 hour week and improvements for older workers. The average earnings effect of the proposed claims, which have yet to be presented, is not known. BR will not start negotiations until the 1982 settlement has been finalised.

3. Municipal Buses: Platform Staff (15,555)

Settlement date: 1 January

Unions: TGWU, GMBATU

The unions have submitted a claim for parity with Group F local authority drivers (estimated to require a 4% increase), a 13% increase in addition to the claim for parity, 1 day's additional holiday, a reduction in the working week to 38 hours and improvements to sick pay and holiday pay for semi and unskilled maintenance workers. The TGWU have also added an additional claim for a guaranteed working day of 7 hours 48 minutes with overtime payable after this point on a daily basis.

Negotiations opened on 10 December when the employers tabled an offer worth 3% on rates; a broadly similar amount on earnings. A delegate conference, held on 1 February, rejected the offer and voted to hold a series of one day strikes commencing with a national strike on 16 February. At a further negotiating meeting on 11 February management improved their offer to 4.5% on rates, 1 additional day's holiday for those with 5 years service and other minor fringe benefits, but made no significant concessions on the guaranteed

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day. The effect of the offer on average earnings is estimated to be around 5%. The unions are considering the offer and have suspended the call for strike action.

Comment

The settlement with local authority manuals is likely to have a major influence on these negotiations.

4. National Bus Company: Platform and non-craft maintenance grades (31,945)

Settlement date: 1 March

Unions: NCOI - TGWU, NUR, GMBATU

At a meeting on 7 December, management received a claim identical to that submitted by platform staff employed by municipal buses (see item 3). A similar claim for a guaranteed working day of 7 hours 48 minutes was also added. Negotiations commenced on 21 January when management offered 3½% on rates (about the same on average earnings) which was rejected by the unions and referred to a delegate conference on 18 February. The conference endorsed rejection of the offer and voted for a series of one day strikes commencing 4 March. There was a further negotiating meeting on 25 February when management improved their offer to 4.5% on basic rates plus one extra day's annual holiday and slight improvements to sick pay arrangements. Negotiations then took place in almost continual session from 1 March. On 3 March the unions agreed to suspend their threatened strike in view of continuing negotiations; and on 4 March they agreed to put the NBC's 'final' offer to a union delegate conference on 8 March with a recommendation to accept. The improved offer consists of a 5 per cent increase on basic rates; one extra day's holiday; and union agreement to sanction 4-day week working, in exchange for a reduction from 39 to 37½ hours for those stage carriage staff already working a 4-day week (around 1 per cent of the total), with a minimum day of 9 hours 23 minutes. The offer is worth around 5.15 per cent on the pay bill.

Comment: Negotiations are influenced by those of the municipal buses.

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5. Merseyside Passenger Transport Executive - 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 standing firm on the 5% offer.

6. West Midlands Passenger Transport Executive: Platform Staff (4,122)

Settlement date: 1 April

Union: TGWU

The union has presented a two-option claim for either a 5% increase on basic rates and one additional day's holiday to run for 12 months or a 12% increase in earnings spread over 2 years with 3 additional days holiday. The date of the next negotiating meeting is 17 March.

ENERGY

7. Gas Supply: Manuals (41,600)

Settlement date: 16 January

Unions: GMBATU, TGWU

At a meeting on 25 November the unions presented their claim for an unquantified substantial increase in pay, consolidation of the General Obligations Payment (in respect of flexible working procedures), an increase in holiday pay, shift and staggered working payments, improvements to holiday and other leave entitlements and a reduction in hours. The unions have assessed the claim as representing a 13% increase on average earnings.

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At a meeting on 8 February, management offered basic rate increases ranging from £3.50 per week for labourers to £5.52 for technicians (4.4% to 5.2% respectively) with full flow through to overtime and bonus payments; in total worth 4.3% on average earnings. Additional improvements to holidays and holiday pay would have resulted in an overall increase in earnings of 4.45% in the settlement year; 4.6% in a full year. This offer was rejected and a further negotiating meeting took place on 24 February when management improved their offer to £3.79 to £6 on basic rates (4.7% to 5.6%); worth 4.6% to 4.7% on average earnings. Implementation of the improvements to holiday pay already offered would result in an overall increase of 4.9% to 5.0% on average earnings in a full year. The offer has been presented in the press as a 6% increase on average earnings. The unions will put the offer to members, reportedly without a recommendation. No further meetings have been arranged.

8. Electricity Supply: Power Engineers/Technicians (27,000)

Settlement date: 1 February

Union: EPEA

At a meeting on 18 January union negotiators submitted an oral claim for a substantial (unquantified) increase. The full claim is expected to be confirmed in writing shortly. The date on which negotiations are to commence is not known.

Comment: The group has a long standing determination to maintain differentials over the pay of manual grades.

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STEEL/SHIPBUILDING

9. British Steel Corporation: All grades (85,100)

Settlement date: 1 January

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

The unions have presented a claim for a 9.5% increase. The Corporation's position is that the industry cannot afford a national pay increase but there is scope for local productivity bargaining. The steel unions' negotiating teams met on 25 February and are reported in the press to be seeking a meeting with the Corporation to discuss management's refusal to negotiate a general increase. In the meantime local productivity deals have been negotiated at Ravenscraig and part of Port Talbot steelworks; details are not known.

Middle managers represented by SIMA have advised the Corporation that they intend to refer the matter of a general pay increase to arbitration (through ACAS) which is provided for in their negotiating procedure agreement.

Comment: Pay negotiations are taking place against a background of closures and redundancies.

10. British Shipbuilders: Staff and manual grades (67,000)

Settlement date: 1 April

Unions: CSEU/SAIMA

Management has stated publicly that in the face of a declining market further redundancies in addition to those already announced will be necessary. Management has also stated that the company cannot afford a national pay increase; although there is scope for local productivity bargaining. On 17 February a union conference rejected management's call for a nil increase and declared that they would press for a "substantial increase in wages". Negotiations commenced on 2 March, but no progress was made at that meeting. No further meeting has as yet been arranged.

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POST/TELECOMMUNICATIONS

11. 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 which is reported in the press to include a cost of living increase in basic rates, a restoration of differentials within grades, 2 additional days holiday and improvements to holiday pay. The claim also includes a call for the widening differential between postal officer grades and supervisory grades to be restored. The first negotiating meeting has yet to be arranged.

PART 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

12. British Airports Authority: All grades (7,000)

Settlement date: 1 January

Unions: JNCC - Staff IPCS, SCPS, CPSA, CSU
Industrials TGWU, AUEW, GMBATU, EETPU, NUSMCHDE, UCATT

The Authority's offer of a 4% increase on basic pay and all allowances and improvements to incremental additions to pay has now been accepted by all the unions. The settlement will add slightly less than 5% to average earnings.

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13. Greater Manchester Passenger Transport Executive: Platform staff (5,224)

Settlement date: 1 November

Union: TGWU

Union members have voted to accept an increase of 4% on all elements of pay; plus an additional 3% in return for specific productivity improvements. The package is worth about 7% on average earnings.

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

Settlement date: 1 October

Unions: AUEW, TGWU, GMBATU, EETPU

At a meeting on 3 February management improved their offer to 4.25% on average earnings which has now been accepted following a ballot of branch members.

15. Water Supply: Manuals (29,400)

Settlement date: 5 December

Unions: GMBATU, NUPE, TGWU

Following the report of a committee of inquiry, a settlement was agreed on 22 February and a full return to work took place on 24 February. The settlement, which is to run for 16 months, provides:

(i) basic rates increased by the consolidation of £5 pw from existing bonus payments and then by 7.3%; giving a total increase in basic rates of around 14%;

(ii) bonus rates will be increased from 27 February in accordance with the new consolidated basic rates but decreased by the £5 offset as above. An interim (reduced) rate of bonus will apply from 5 December to 26 February 1983;

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- (iii) improvements to existing service supplements to those with at least 5 year's service and a reduction of the qualifying period from 5 to 2 years;
- (iv) improvements to the main existing productivity scheme and other minor productivity schemes;
- (v) a reduction in the working week from 39 to 38 hours from 1 April 1984;
- (vi) a lump sum of £75 to those workers willing to accept cashless pay on a monthly basis;
- (vii) one extra day's holiday to those with at least 10 years service;
- (viii) a basic minimum payment of £5 per week to those working flexible hours in the future.

A reduction of £5 pw in bonus to compensate for the consolidation of £5 existing bonus into basic rates (see ii) has the effect of reducing the cost of the settlement by about 3.5%.

Union leaders have claimed that the settlement is worth 12% on average earnings over 16 months. The employers value the settlement as £13.70 per week on average earnings or 10.4% over 16 months, which they have presented as the equivalent of 7.8% over 12 months.

16. Water Supply : Craftsmen (5,700)

Settlement date: 7 December

Unions: CSEU

Settlement was reached at a meeting on 1 March on identical terms to the water manuals' settlement (see item 15).

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17. Electricity Supply: Manuals (90,000)

Settlement date: 17 March

Unions: NJIC - EETPU, GMBATU, AUEW, TGWU

At a meeting on 6 January the unions presented a claim which included an unquantified substantial increase in basic rates, improvements in shift pay, a reduction in the working year, earlier retirement in stages and extra long service award. The effect on average earnings was not clear.

On 3 February management offered basic rate increases ranging from £4.12 to £6.23 per week depending on grade and (confidentially) worth 4.5% on average earnings. This was rejected. No improvement in the offer was made at the next negotiating meeting on 22 February. But at a further meeting on 3 March agreement was reached on the basis of increases in basic rates ranging from 4.5% for manual workers to 6% for the most skilled craftsmen. Together with associated increases in shift payments and charge hand allowance and a minor concession on holiday entitlement, the effect on average earnings is an increase of 5.7%. A lump sum payment of £100 per man will also be made to whole groups of workers accepting cashless pay.

Management and unions have an understanding that no figure will be put on the overall value of the settlement. The Electricity Council are stressing that the increase in basic rates varies from 4.5% to 6%.



SECRETARY OF STATE FOR ENERGY
 7 MARCH 1983
 ACTION Mr. Butt
 CST, AST, EST, MISO, MS (2)
 Sir D. Watt
 Mr Bailey, Mr Bruges
 Mr Wicks, Mr Traynor

SECRETARY OF STATE FOR ENERGY
 THAMES HOUSE SOUTH
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The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 London SW1

7 March 1983

John Giff

PAY: ELECTRICITY INDUSTRIAL MANUALS

The Electricity Council reached a settlement with the industrial unions on 3 March. This involves an increase in basic rates ranging from 4.5% for manual workers to 6.0% for the most skilled craftsmen. Apart from associated increases in shift payments and chargehand allowances, there were two special features. The first was agreement that a lump sum payment of £100 a man will be made when a whole group of workers - eg the staff of a power station - accept transfer to non-cash payment: this will be self-financing through reduced administrative costs. The second was a minor concession on holiday entitlement for staff in their first two years of service. The average increase in basic rates works out at 5.8%, and on earnings at 5.7%. The increase in the total paybill is put at 5.2%.

In all the circumstances, I regard this as a satisfactory outcome. I have no doubt that attitudes would have hardened if negotiations had been protracted. Any offer put to ballot would almost certainly have been rejected. As it is, despite the raising of expectations following the water workers' settlement, the power workers have settled, at a particularly sensitive time, for less than the 6½% secured by the miners (their traditional 'target') and considerably less than the 8% secured by the nearest comparable private sector group, the electrical contracting industry.

As part of the understanding that led to the settlement, both the unions and the Council have declined to give any overall figure for the value of the settlement. The unions claim that they succeeded in securing comparability in money terms with the miners (a reference to the absolute increase on a skilled craftsman's basic pay).



In reply to questions the Council are stressing that the increase in basic rates varies from 4.5% to 6.0%. We are reinforcing this with our own briefing of correspondents..

Following this settlement, the Council will table an offer to the power engineers on 15 March amounting to a flat 5.8% on schedule salaries. This is based on the link, established by previous arbitration, with ESI industrial salaries. They are proposing to reject claims by the EPEA for an extension and restructuring of salary scales, and for rostering arrangements along the lines of the industrial staff. They expect to reach a settlement on the basis of this offer, possibly after an adjournment.

I shall be seeing the Chairman of BGC this Wednesday, to urge on him the desirability of settling the gas manuals' pay claim at a figure below that secured by the power workers.

I am copying this letter to the Prime Minister, members of E Committee, George Younger, Sir Robert Armstrong and John Sparrow.

John Armstrong
Nigel

NIGEL LAWSON