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Prime Minister (2)

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Michael Scholar Esq  
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17 June 1983

*Dear Michael*

... I am enclosing a copy of the latest Pay Brief.

Copies also go to the Private Secretaries to  
Members of E, E(PSP) and E(EA).

*Yours Sincerely**F M Everiss*

MS F M EVERISS  
Private Secretary

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PAY BRIEF: POSITION IN MID-JUNE 1983

## SETTLEMENTS

1 Since the May pay brief 103 settlements covering 1,187,000 employees, with operative dates after 31 July 1982, have been recorded. In the private sector (90 settlements covering 300,000 employees) the weighted average level of settlements in the last month is just under 6%. The average in the public sector (13 settlements covering 887,000 employees) is just under 5½%. Important settlements in the private sector are Scottish Banks (25,000) arbitration award of 5.5%, Rowntree Mackintosh (11,500) at 7.5% and a proposal for a further 5% increase in rates from 1 September for Agriculture E & W (256,000) in addition to the 7.1% on rates from 20 January agreed earlier this year. The revised agreement is to last to 1 June 84 and increases the first year cost from 5.5% to 7.5% on earnings (10½% when fully implemented). The principal settlements in the public sector are Local Authority APT & C grades (672,800) at 4.9%, Water Service staffs (35,500) at 5.6%, BBC (27,500) at 5.6%, the Review Body award for Doctors and Dentists (94,950) giving 7.7% in the first year (9.7% when fully implemented) and a staged increase for Remploy (10,670) averaging 6.3% on earnings in the first year (just under 8% when fully implemented).

2 The cumulative average level of settlements for the whole economy this round (896 settlements covering 9,454,000 employees) is 5½%. About 4/5 of the employees about whom the Department expects to receive information have reached settlements.

3 In the private sector the cumulative average is just over 5½% (841 settlements covering 4,203,000 employees). The average for manufacturing is just under 5½% and for non-manufacturing is about 6%. On average, settlements are about 1½ percentage points below those agreed in the same period last year. Few settlements are above 8% or below 4%. About ½ of settlements and 7/10 of employees are in the range 5%-6%. So far this round about 1:5 of employees with settlements in both rounds have agreed higher increases than in the previous round; about 1:4 in manufacturing and 1:6 in non-manufacturing.

4 In the public sector (55 settlements covering 5,251,000 employees) the cumulative average is just under 5½%. The average in the public trading sector is 6% and in the services sector is just over 5%. Only the Armed Forces, Doctors and Dentists and Water Service manuals and craftsmen have been awarded increases

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above those for last year.

5 Coverage: The limitations of the Department's coverage of settlements were explained in the April pay brief (para 5).

6 Twenty-four Wages Councils covering 2,587,000 employees have either made or decided to make orders to come into effect during the current pay round. The weighted average increase in representative minimum rates is 6%, with manufacturing at just under 5½% and non-manufacturing at just over 6%. If these are added to settlements for this round, using rates as a proxy for earnings and DE estimates for the numbers of workers affected, the cumulative average for the private sector remains unchanged at just under 6%, with both manufacturing and non-manufacturing also unchanged at just under 5½% and about 6% respectively.

## NEGOTIATIONS

7 In the PUBLIC SECTOR, the unions representing British Rail, clerical and conciliation grades (17 April - 136,000) have rejected offers of 3.75% from 17 April or 4.25% from the date of the agreement. The claim is for a substantial increase, a 35 hour week and a further 1 week holiday. British Telecom, executive engineers, engineers, technicians (1 July - 149,200) are considering a revised offer of a staged increase on rates worth about 5% on earnings (6.1% in a full year) also ½% lump sum payment. An offer to Electricity Supply, clericals (1 May - 45,000) of 3.5% to 5.8% on rates according to grade (worth 5.6% on earnings), accepted by the union negotiators, has now been ratified. A 4.5% to 5.0% "final" offer to Gas Supply, staff (1 June - 57,600) has been rejected by a NALGO delegate conference. The claim is for a 9.5% increase on salaries. The management for British Shipbuilders (1 April - 64,000) maintain that the company cannot afford a national increase but there is scope for local productivity bargaining. The claim is for a substantial increase, 35 hour week, extra 1 week holiday and other benefits. The unions are threatening industrial action over proposed redundancies. Negotiations for Civil Service, industrials (1 July - 135,200) started on 21 April. No offer has been made. A decision has yet to be made on the Top Salaries (1 April - 1,800) Review Body recommendations for increases of about 12% (average) for top civil servants (including 5% withheld from a previous award), 30% for MP's and up to 47% for Ministers - except Cabinet Ministers in the Lords (71%).

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8 In the PRIVATE SECTOR, union negotiators for Chemical Industries Association, process workers (1 May - 50,000) are recommending acceptance of an improved offer of 6% on rates. A decision is expected soon. The claim is for a substantial (unquantified) increase. ICI, manuals (1 June - 38,000) have rejected an offer of 5.1% on rates. A further meeting is being arranged. The claim is for a substantial increase and extra holidays. British Oxygen Corporation (Gases), manuals (1 June - 2,600) have presented a claim for a substantial increase, extra 3 days holiday and other benefits. An offer of 6% on rates has been rejected. A further meeting has been arranged for 16 June.

## EARNINGS

9 In April the year on year increase in average earnings for the whole economy was 8.2% compared with 8.4% in March. The April increase was affected by temporary factors, mainly the timing of settlements and back pay. The underlying increase in April was 7 $\frac{1}{4}$ % compared with 7 $\frac{1}{2}$ % in March and 10 $\frac{1}{4}$ % in April 1982.

## PRICES

10 In May the year on year increase in retail prices was 3.7 % compared with 4.0% in April.

## TAX AND PRICE INDEX

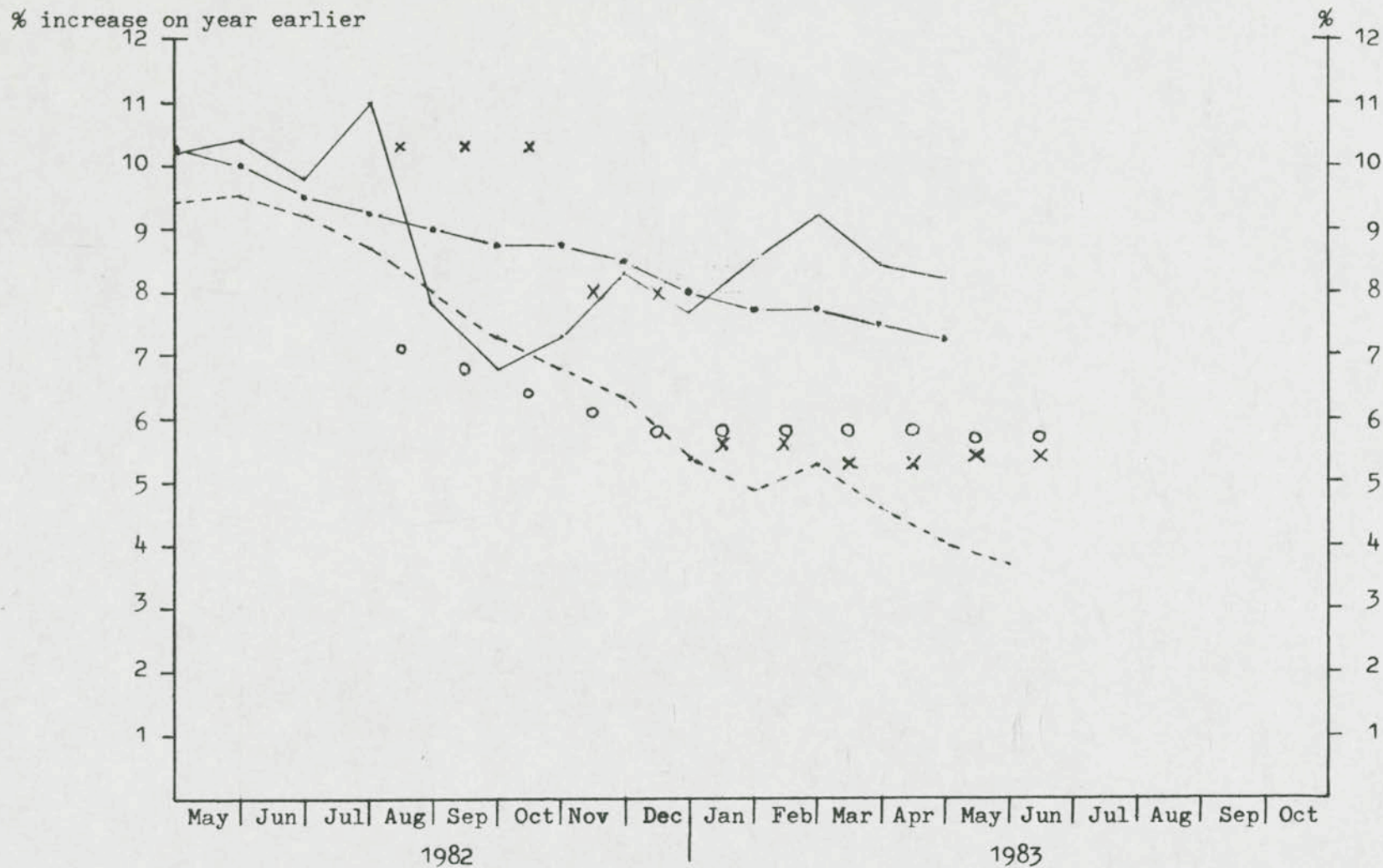
11 In May the year on year increase in the tax and price index was 3.2 % compared with 3.5% in April. The index measures the increase in gross taxable income needed to compensate taxpayers - whether working, unemployed or retired - for any increase in retail prices. It also takes account of any changes in direct taxes (including employee's National Insurance contributions).

## REAL DISPOSABLE INCOME

12 Real disposable income - taking account of the changes in earnings, prices and taxes - of a married man on average adult male earnings with a non-working wife and two children under 11 (with no other tax liabilities or allowances and not contracted out of the State Pension Scheme) rose by about 3% in the 3 month period ending April compared with the corresponding period a year earlier.



## TRENDS IN EARNINGS AND PRICES

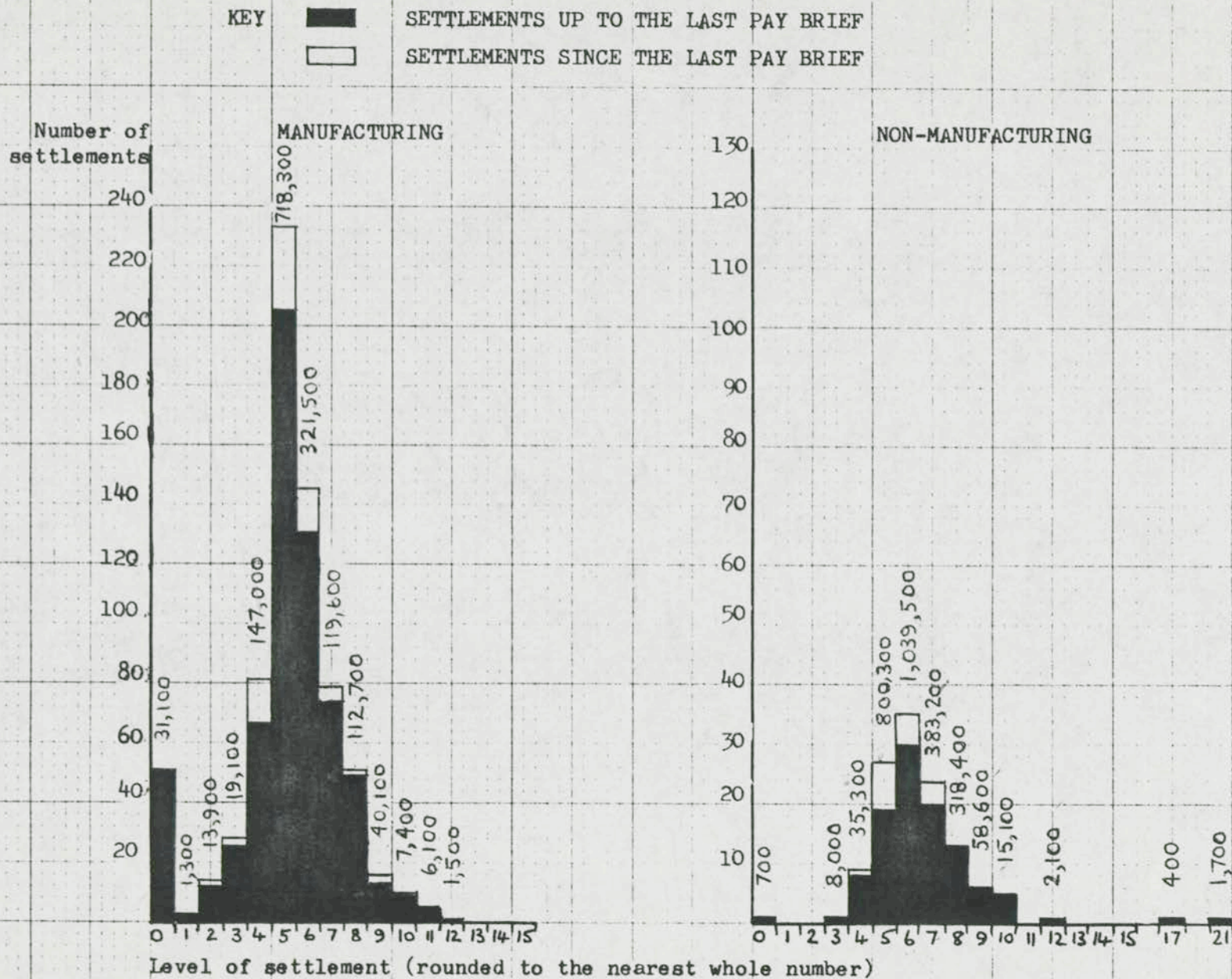


----- Retail Price Index  
 ——— Average Earnings Index  
 •—• Underlying rate of increase in earnings

Cumulative Average Increase in Earnings  
 x Public Sector Settlements  
 o Private Sector Settlements



DISTRIBUTION OF SETTLEMENTS IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1982



E.R. NOTE - THE NUMBER OF WORKERS (ROUNDED TO THE NEAREST HUNDRED) AFFECTED BY THE SETTLEMENT IS GIVEN ABOVE THE APPROPRIATE INDICATOR.