



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

Prime Minister ²

The DoI are not
performing well
on this.

M/S 29/3

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

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

2. The negotiations with the Post Office, where an opening offer of 4 per cent has been made, are, as you commented last week (Mr Scholar's minute of 21 March), not reassuring. We have, however, since learned from Patrick Jenkin (his letter of 22 March) that British Telecom have also now made an opening offer, of 4½ per cent. In neither case did we receive advance warning that an offer was imminent. And in both cases the offers made are higher than we envisaged last year when we identified both industries as suitable candidates for low pay settlements in the current round.

3. More worrying is what the eventual settlement for these industries will be. My understanding is that, although the PO were thinking of a 5 per cent increase in pay, staged concessions on hours and holidays will mean a 6-6½ per cent increase in earnings in the current year, worth 8½-10 per cent in a full year - enough to put seriously at risk the Post Office's Real Unit Cost target in 1984. Moreover, the PO's claims that their employees have fallen behind in recent years simply do not stand up to scrutiny. Not only have PO settlements compared favourably with the average throughout the economy in both of the last two years; but figures which came to light at a meeting of E(NI) in December showed that the pay of clerical and executive grades in both the PO and BT have moved way ahead of similar grades in the Civil Service over recent years.



4. Clearly, nothing can be done if offers have already been made; but I must ask Patrick again to impress upon the Chairmen of both industries the need for settlements to be as low as possible and, in the case of the Post Office especially, our concern about the effect on postal service cost targets. I would also take this opportunity to reiterate the importance of 7 days' notice of pay offers in the public sector, and ask colleagues to see that the agreed arrangements for prior consultation are observed.

5. Elsewhere, difficulties seem to be arising at British Steel where the unions are seeking arbitration on the Corporation's insistence that there can be no national pay increase this year. I believe ACAS are now to be involved. It would be helpful if Patrick could provide an assessment of the situation, and the way BSC intend to handle the request for arbitration.

6. Finally, now that agreement has at last been reached in British Rail on the 1982 pay increase, following acceptance by ASLEF of the arbitration decision on driver-only operation for the Bedford/St Pancras line, perhaps David Howell could outline the probable issues involved in the 1983 negotiations, and in particular the possibility of a two-year pay deal.

7. 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.

(G.H.)

28 March 1983

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PUBLIC TRADING SECTOR

PART 1: CURRENT AND FORTHCOMING NEGOTIATIONS

TRANSPORT

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

Settlement date: 20 April 1982

Unions: NUR, ASLEF, TSSA

1982 Settlement

The Executive of ASLEF 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 referred the matter unilaterally to the Railway Staffs National Tribunal. All three unions also exercised their right to unilateral arbitration and 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 had been reached. The Tribunal published its non-binding recommendations on 15 March and recommended a payment of £6 per shift for driver only operation of the Bedford/St Pancras line payable from the time that the trains were running. The Tribunal also recommended immediate payment of the withheld 6% pay increase from 6 September 1982 to NUR and TSSA members. In the case of ASLEF however, the Tribunal recommended that further productivity concessions should be made before the 6% was paid. The Tribunal considered the possibility that the Board would not feel able to accept the recommendations but felt that this should not affect their willingness to implement the 6% increase so far as staff other than footplate grades were concerned. This view was based on the Tribunal's belief that there was no dispute over productivity in the case of those grades which justified further delay.

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At a meeting on 17 March the unions advised management that they would accept in full the McCarthy recommendations, and would agree to negotiate to a rapid conclusion or to go quickly to arbitration on outstanding productivity matters. Management will now pay the withheld 6% increase (ie before all productivity improvements have actually taken place). Payment of the £6 per shift for driver-only operation will also be paid, with the commencement of DOO training on the Bedford/St Pancras line.

1983 Settlement

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 (average earnings effect unknown). BR will not start negotiations until the 1982 settlement has been completely finalised. The Board are considering the pros and cons of seeking a pay deal to last for more than 12 months.

2. 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.

3. Tyne & Wear Passenger Transport Executive Platform staff (1,597)

Settlement date: 1 March

Union: 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. A negotiating

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meeting took place on 15 March when management offered 4% on rates (about the same on earnings) which was rejected. Following industrial action on the metro, the offer to metro staff was raised to 5 per cent plus 1 day's extra holiday (self-financed). The metro unions will almost certainly accept. Bus staff have been offered 4.3 per cent, but will doubtless now be aiming for 5 per cent.

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

Settlement date: 1 April

Union: TGWU

The union 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. Busmen have been recommended to accept a 1 year deal worth approximately 4.8 per cent on average earnings; voting takes place on 29 March. A similar deal has already been agreed with craft and other manual grades.

5. Passenger Transport Executives: Non-manual staff (5,400)

Settlement date: 1 April

Unions: JNC - NALGO, ACTSS

The unions have submitted an unquantified claim for substantial increases, additional holidays and shorter working hours. The employers have offered 4% on salaries (about the same on average earnings) which the unions are considering.

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6. London Transport 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 will be on 7 April.

7. London Transport Underground: 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 want an earlier date.

ENERGY

8. 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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Following rejection of an improved offer worth 4.9%-5.0% in a full-year, a further negotiating meeting took place on 18 March when management improved their offer on basic rates to between £4.07 and £6.39 a week (5.08%-6.02%); worth 4.8% to 4.9% on average earnings. Implementation of improvements to holiday pay already offered would result in an overall increase of 5.1% to 5.2% on average earnings in a full year. The management made it clear that this was their final offer. The trade union side neither accepted nor rejected the offer, and the two unions will now put it to delegates' conferences without a recommendation. The GMBATU conference (the more important of the two) is expected to take place on 28 March. No further meetings with management have been arranged.

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 claimed increases between 5% and 9%. The Corporation's position is that the industry cannot afford a national pay increase but there is scope for local productivity bargaining. The unions nationally opposed BSC's strategy but some local settlements were reached. However, at a delegate conference in Sheffield on 25 February a united front was restored and pressure for a national award was renewed.

BSC has continued to refuse to negotiate a national increase but the unions are now seeking to breach the walls by insisting on arbitration over the issue.

Middle managers, whether represented by SIMA or the JNC unions have a clause in their agreement with BSC which allows unresolved issues to be referred to arbitration at the request of one of the parties. SIMA first pressed for arbitration although most of the running is now being made by the JNC unions.

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The JNC met the Corporation on 23 March and maintained their insistence on arbitration. BSC refused but the JNC unions indicated that they would go to ACAS on 24 March to get the terms of reference for arbitration drawn up.

SIMA and the ISTC have written to Ministers urging them to press BSC to honour their agreements and accept arbitration.

Comment: The right to unilateral access to arbitration for staff groups could prove awkward, not only because it would be difficult for the Corporation to deny but it could act as a lever for manual groups seeking arbitration. The Government could be in a difficult position regarding arbitration because it is against unilateral access and, in the case of the water dispute, told unions that they should honour their procedural agreements.

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

10. 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.

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Management has advised the union 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 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 for a full presentation (on 31 March) of the workload position and effect on employment prospects.

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 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 has been reported to be equivalent to 15%. At a meeting on 17 March, the Post Office presented its opening offer of 4 per cent, with a hint that there could be some movement on working hours provided that it was made self-financing by productivity improvements. A further meeting took place on 23 March, but the Department of Industry do not as yet know the outcome. Industry Ministers will be seeing the PO Chairman on 28 March to discuss developments.

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12. 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 4.25% offer at a meeting on 15 March. The offer was 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. The next meeting has been arranged for 28 March, when the unions will respond to the offer.

PART 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

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

Settlement date: 1 January

Unions: TGWU, GMBATU

A union delegate conference voted to accept an offer of a 5% increase across the board, one additional day's holiday for those with at least 5 years service and marginally improved sick pay arrangements. The effect of the settlement on average earnings will be 5.2%.

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

Settlement date: 1 March

Unions: NCOI - TGWU, NUR, GMBATU

A union delegate conference held on 8 March voted to accept an offer of a 5% increase on basic rates and one additional days holiday. About 1% of the workforce currently work a 4 day week, of that 1% will benefit from a 1½ hour

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reduction in the working week. The effect of the settlement will be to increase average earnings of 5.15%.

The skilled maintenance group (5,339) are understood to be looking for a settlement similar to that reached with platform grades. The clerical and administration group have reached agreement as 5.435% on basic salaries (about the same on average earnings).

15. Electricity Supply: Manuals (90,000)

Settlement date: 17 March

Unions: EETPU, GMBATU, AUEW, TGWU

The group has settled for increases ranging from 4.5% to 6% with associated increases in shift payment and charge hand allowance and a minor concession on holiday entitlement. The effect on average earnings is (confidentially) 5.7%. In addition a lump sum payment of £100 per man will also be made to whole groups of workers accepting cashless pay.

16. Electricity Supply: Power Engineers and Technicians (27,000)

Settlement date: 1 February

Union: EPEA

At a meeting on 15 March the group accepted an offer based on the settlement for electricity supply manual grades. Basic scheduled salaries will increase by 5.8% (about the same on average earnings) and the paybill will increase by 5.6%.

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17. Electricity supply: Managerial staff (1,900)

Settlement date: 1 April

Unions: NALGO, EPEA, AMEE

At a meeting on 18 March, the group accepted an offer of an increase in scheduled salaries of 5.8% (also 5.8% on average earnings). The pay bill will increase by 4.6/4.8%.

18. Water Industry Settlement

Report of the Committee of Inquiry

The full report of the Committee's findings in the water dispute was published on 14 March. The report endorses the view of the mediator (Mr Buchanan) that there should be no increase to bring water workers earnings into the upper quartile of the manual worker's earnings league; nor any increase which would restore the relative position of water workers in the earnings league to some previously prevailing position.

Ministers have met to examine the broad implications of the dispute. A further study of the lessons to be learnt for future negotiating procedural agreements will be made.

*Please forward
to Mr. [unclear]*

28 MAR 1983

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