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✓ JV. / B. I. 2

Local Govt

2 MARSHAM STREET  
LONDON SW1P 3EB



Prime Minister

My ref:

Your ref:

11 December 1981

*See briefing*

*MP  
11/12*

*mt*

### LOCAL AUTHORITY MANUALS

Colleagues will have read of the regrettable settlement for local authority manuals.

The offer which the unions are unanimously recommending to their members is for a £4.60 increase on base rates across the board (6% - 7.8% on the various rates); this is the same amount in cash terms as they received last year but it represents 6.9% on the current pay bill. A commitment to reduce working hours next November by one hour was apparently conceded as the only way of securing acceptance of the pay offer: the 2 sides agreed to examine how this can be achieved 'without loss of jobs', which I understand the employers construe as 'at no extra cost'. There are also some small concessions on holidays with only a marginal cost.

These developments are of course quite different from what we were led to suppose might happen when we discussed the pay situation with LACSAB in October at their request; it is also at variance with what I had been told privately was the outcome of LACSAB's survey of individual local authorities' views.

I understand that the initial line-up of the employers reflected the more robust line I had been led to expect but as the negotiations wore on a clear party divide emerged. In the event the matter was settled on straight party political lines. The Labour Leader of South Yorkshire Metropolitan County used his casting vote against a solid block of Conservative representatives, every one of those being eligible to attend being present.

The explanation given is that the decision to go for a settlement was taken because it was felt that the manuals group have been steadily falling behind, and have not received any benefit from the fact that their outturn wage bill costs have been much lower over the last 2 years than the levels of settlement because they have borne the brunt of the reductions in jobs and hours; it is generally assumed that this will continue to be the case.

It is further said that the employers' strategy is to isolate the manuals' settlement from the other groups and I understand that statements made by LACSAB after the negotiations were directed to that end. It seems now that the employers are, contrary to what they said in October, contemplating differential and lower settlement levels for the teachers and white collar grades. I am very sceptical about the will of the employers to see through a policy of this sort.

I have to report that the level of the final offer was said to have been influenced by the robustness of the unions' claim for an RPI increase accentuated by the play they made of the increased costs to

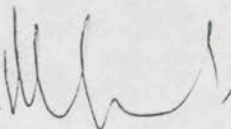


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their members arising from the announcements you made last week and by the developments in the miners and water workers negotiations, as well as by the reduction of jobs etc I referred to above.

I have already made public my reactions to what has happened, but not, I hope, in a way likely to prejudice the decisions of the work force who have yet to ratify the settlement. Although local authorities subscribe voluntarily to the national agreement, I do not believe that they can do other than apply the terms of the settlement.

I am copying this to the Prime Minister, all members of Cabinet, the Chief Whip, and to Sir Robert Armstrong.

Yours  
ew  


MICHAEL HESELTINE

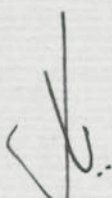
Local Govt

SCHOLAR

cc Mr Ingham

LOCAL AUTHORITY MANUALS

The Department of the Environment have drawn my attention to a mistake in the letter of 11 December from Mr Heseltine to the Chancellor which reports the local authority manuals' settlement. The unions are not "unanimously recommending" the offer; they have unanimously agreed to put it to their members without recommendation.



J. VEREKER

14 December 1981



6  
MR INGHAM

cc: Mr Whitmore  
Mr Scholar ✓  
Mr Pattison  
Mr Hoskyns  
Press Office

LOCAL AUTHORITY MANUALS' PAY

I know you are already well briefed for this afternoon's lobby on the Local Authorities' pay offer to Manual Workers, but it may be helpful to you and others who have expressed an interest if I set out some of the points we need to get across:-

(1) Negotiations are continuing: the Government is not a party to them, and we must therefore be careful that we are not drawn in. The employers have made their offer (I have not yet seen authoritative details, but it is widely reported as 7.8% on basic rates). The unions have not formally accepted, it although they are clearly pleased; there will be a period of consultation; and a decision will be given by the unions at a meeting with the employers on 25 January.

(2) The employers themselves (viz. ITV News at Ten last night) have said that they cannot afford the offer. So it will have to be paid for either by increased rates or more redundancies. That cannot be good news for anyone.

(3) This is not the end of the 4% cash limit pay factor. The 4% pay factor is set by the Government, and does not control what non-Government employers may do. It simply determines what the central government assumes for pay, and to the extent that local authority employers have gone beyond it, they will have to find the money from elsewhere. The 4% pay factor remains intact for the Government's own employees. We cannot speculate how negotiations with central government employees (Civil Service, Health Service) may go, because their settlement is not due until 1 April.

11 December, 1981