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cc J.V.

Prime Minister (2)

ms 15/12

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

13 December 1982

The Rt. Hon. Norman Tebbit, MP
Secretary of State for Employment,
Department of Employment

Norman

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PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

Thank you for your letter of 2 December. Naturally I share your worry that large percentage pay increases for nationalised industry board members may make it harder to secure low wage settlements in the industries and elsewhere. But this is a difficulty which we are bound to face when board pay has been held down, and one which we had very much in mind in deciding on our present policy. In the long run it is not practical to restrict board pay. When rates fall too far behind it becomes difficult to attract good people to the industries, the interface between board and staff salaries poses increasing problems, morale suffers at all levels and our dealings with boards are continually blighted by bitterness over pay.

There is no doubt that because of past restrictions, board salaries are now well behind what all independent judges consider to be the appropriate levels for jobs of this kind. For this reason I have accepted increases in the upper half of the 5-15 per cent range in a number of the cases put to me so far. Indeed the average of around 13 per cent, though higher than we might have wished, is not by any means generous. Had board pay remained in the TSRB's remit, it is very likely that the average increase this year would have been higher than it has been, judging by the 16.5 per cent awarded on average to other TSRB groups.

Nevertheless we must clearly do what we can to avoid giving the wrong signals, and sponsor Ministers who still have to put proposals to me will no doubt wish to weigh very carefully the points you make.

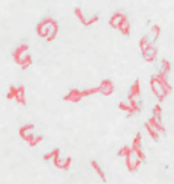
I am copying this letter to the Prime Minister, other members of E(NI) and Sir Robert Armstrong.

GEOFFREY HOWE

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Geoffrey Howe

Nat. Ind. - Bad Pay Pt 2



15 DEC 1982



Caxton House Tothill Street London SW1H 9N&F

Telephone Direct Line 01-213...6400.....
Switchboard 01-213 3000

Prime Minister ⁽²⁾

MW 2/12

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON
SW1

2 December 1982

R. Geoffrey

PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

I have been following your correspondence with colleagues in sponsor departments about the pay of nationalised industry board members; and I am concerned at the effects of what will be seen as substantial double figure increases upon our efforts to secure wage settlements of less than the rate of inflation.

Individual cases are of course a matter for you and colleagues directly concerned; and we have agreed that, within the general range of around 5-15%, each case should be looked at on its merits. However since we discussed this issue in July the pay climate has markedly improved. Expectations are declining. The defeat of ASLEF, Scargill's failure to bring off a strike in the coalfields, our firm stance over the NHS dispute, the reduced pay assumption for the public services, and the significantly improved outlook for inflation, have together favourably influenced the current pay round. For the third round running settlements look like falling. You may be interested to see these extracts from a recent survey by ORC which show a substantial moderation in expectations since last year. But high increases for the members of the boards of nationalised industries however discreetly handled are bound to provide sensational newspaper headlines and that cannot help industries' own pay negotiations.

Against this background I would have wished that more of the boards could be given increases averaging out at about the middle, or towards the lower end, of the 5-15% range.

Copies of this letter go to the Prime Minister, to other members of E(NI), and to Sir Robert Armstrong.

1. The mood of workers in the opening phases of the present pay round is markedly less militant and more responsible. It is perceptibly more pro-Government and less pro-union than a year ago.

2. Workers expectancy on both pay rises and inflation is significantly lower than in Autumn 1981.

PAY EXPECTANCY

Pay expectancy is sharply down on 1981 just as 1981 was down on 1980.

Almost one third of workers (31%) say they would settle for 5% or less compared with 22% saying this in 1981 and 7% in 1980.

A majority say that they would settle for 7% or less compared with 33% saying this a year ago and 8% in 1980.

Table 1 : What workers say they would settle for in next pay round

	1982	1981	1980
5% or less	31	22	7
6% or less	41	28	7
7% or less	53	33	8
8% or less	63	38	10
9% or less	65	40	11
10% or less	82	69	36

Table 2 : What Union leaders say workers will settle for

	1982	1981
5% or less	19	7
6% or less	36	13
7% or less	55	22
8% or less	74	43
9% or less	81	55
10% or less	89	79

ATTITUDES TO ATTEMPTS TO BRING PAY AVERAGE EVEN LOWER NEXT YEAR

There will be some resistance to the Government's aim to bring pay rises to an even lower level. But surprisingly less than half think that conditions are right for workers to demand good pay rises and 41% are prepared to accept that rises should be only 2-3% on average.

Table 4

Question: The Government and business leaders are now saying that if we are to cure inflation and bring down unemployment pay rises in the next pay round must be even lower than they were this time - perhaps only 2-3% on average. Do you agree with them or do you think that because of inflation workers should demand good pay rises?*

	1982	1981
Agree with Government and business leaders	41	44
Think workers should demand good pay rise	47	47
Don't know/not sure	12	9

* Note: In 1981 question said "perhaps only 4-5% average"

Attitudes to inflation

The lowering of workers' sights on pay claims is undoubtedly connected, not only with concern for their jobs and recognition of the plight of industry, but with their perception that the rate of inflation is sharply down.

A year ago a majority of workers expected prices to rise by more than 10%.

This year almost one third (31%) expect them to rise by 5% or less and the great majority (79%) think that they will be 10% or less.

The great majority of workers are keying their expectations to the rise in the cost of living; it is therefore reasonable to think that if inflation continues to come down workers will be more willing to think in terms of a still lower wage increase than the one they now say they will settle for.

Table 5 : Expectation of price rises by the end of next year compared with the end of this year.

	Nov 1982	Oct 1981	Aug 1980	Oct 1979
5% or less	31	-	-	-
Between 6-10% higher	48	-	-	-
Expect prices to be up to 10% higher	79	42	23	23
Up to 15% higher	9	34	25	34
Up to 20% higher	2	12	28	28
More than 20% higher	1	7	13	8
Don't know	1	5	5	6

Most workers these days are prepared to make big sacrifices on pay if they feel the company they work for is in real danger.

Table 24 : What workers would accept if the company was in danger of going bankrupt

	1982	1981
If you thought that the company you work for was in genuine danger of going bankrupt....		
...would you accept whatever the company said it can pay providing they can prove what they say, or not?		
Would	78	82
Would not	13	11
Don't know/not applicable	6	8
...would you accept a six months wage stand still and a review of the situation after that?		
Would	77	76
Would not	13	16
Don't know/not applicable	7	8
...would you accept a token increase of not more than 2% or not?		
Would	66	64
Would not	21	26
Don't know/not applicable	9	10
...would you accept no wage increase at all this year, or not?		
Would	55	54
Would not	32	36
Don't know/not applicable	10	9
...would you accept an actual cut in wages if the company could prove that was the only way of keeping it going or not?		
Would	39	40
Would not	45	49
Don't know/not applicable	13	11
...would you still press ahead with a wage claim because the rising cost of living has cut your real wage in the last year, or not?		
Would	21	24
Would not	69	69
Don't know/not applicable	8	7

