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Qa 05218

To: MR LANKESTER

From: J R IBBS

Presentation of Mineworkers' Pay Settlement

1. This item is to be raised orally at E Committee tomorrow. Reference will be made to a note dated 16 December 1980 from the Secretary of State for Energy's Office.
2. There is a great deal of confusion over the effective value of the settlement. Mr. Gormley and the NUM have said it is worth around 13 per cent. The Economist last week said 15-17 per cent. Other unions, for example the waterworkers, also claim it is worth 15-17 per cent. The Department of Energy argues it is really worth only 9.7 per cent.
3. The confusion arises in part because both the present and the previous settlements were for 10 month periods.
4. The effective value of the latest settlement depends both on whether annualisation is taken into account and over which periods the annualisation is calculated. Calculations show:
 - (i) the Department of Energy's 9.7 per cent is correct in the sense that average weekly earnings immediately after the settlement should be roughly 9.7 per cent up on those immediately before.
 - (ii) However, average earnings for the year to 1 November 1981 will be around 13 per cent up on those for the year to 1 November 1980 (see Annex). This may be the origin of Mr Gormley's 13 per cent.



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(iii) Alternatively, average earnings for calendar year 1981 will be around 12½ per cent up on 1980 on the assumption that mineworkers settle for only 6 per cent this coming November (see Annex).

5. The CPRS is concerned lest, on the basis of the Department of Energy's note, Ministers choose to present the settlement as one of 9.7 per cent. As the note points out this might well embarrass moderate factions in the NUM. However, because higher figures emerge after adjustment to an annual basis, concentration of attention on the figure of 9.7 per cent may merely have the effect of increasing the credibility of much higher figures as the 9.7 per cent could not be sustained as a fair basis of comparison for other annual settlements.

6. Because the figures of 15-17 per cent are beginning to gain currency, it is important that the true value of the settlement becomes known before remaining public sector pay negotiations are endangered by ill-informed beliefs.

7. The CPRS suggests that a good way of doing this would be for relevant facts to be released to selected journalists on an unattributable basis so that the true value of the settlement can be fairly calculated.

8. I am sending a copy of this minute to the Private Secretaries to the members of E Committee and other Ministers invited to attend, and to Sir Robert Armstrong.

13 January 1981

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ANNEX

Alternative Values of the Miners' Pay Settlement

1. Taking as a base of 100 the average weekly earnings in the ten months to 31 December 1980, average weekly earnings since November 1979 are roughly:

November 1979 to December 1979	83
January 1980 to February 1980	91
March 1980 to December 1980	100
January 1981 to October 1981	109.7

2. Value over years ending 31 October. For the twelve months to 31 October 1981, average earnings will be about 13% up on the twelve months to 31 October 1980.

3. Value over calendar years. In order to calculate the rise for calendar year 1981, there must be an assumption about the settlement that will be reached this November. If the settlement is for 6% say, average earnings would be 116.3 in the last two months of 1981. On that basis, average earnings over 1981 as a whole would be 12½% up on those for 1980.

[Note: These figures have been checked with Department of Energy officials, but not with the National Coal Board.]