

COVERING CONFIDENTIAL



✓ Mr. Ingham
Mr. Vaneke
Mr. Walters

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P. Smith

PRIME MINISTER

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I attach my Department's pay brief for January.

I am sending copies to the members of E, E(PSP) and E(EA) Committees, and to Sir Robert Armstrong.

J P

27 January 1981

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PAY BRIEF - POSITION IN MID-JANUARY

SETTLEMENTS

1 Since the December pay brief 70 settlements covering 277,000 employees have been reported. In the private sector the weighted average level of settlements over the last month was just under 9½%. There were only 4 settlements (10,000 employees) in the public sector averaging 5½%.

2 The cumulative average level of settlements this round in the private sector is just over 10% (238 settlements covering 1,239,000 employees). Most of the settlements recorded so far have been in manufacturing industry, where the average level is just under 10%. The average in non-manufacturing is just over 10½%, but few settlements have been made in this sector and the average is heavily biased by the low settlement in Agriculture (9%). There is a wide range of settlements (see Appendix 2). About a third are in single figures, almost all in engineering and clothing industries. A quarter of settlements included improvements in holidays.

3 In the public sector (16 settlements covering 432,000 employees) the cumulative average is just under 14%. The average for the trading sector is 9½% and for the services sector - mainly Police and Firemen - is 19½%. If the LA manual settlement at 7½% is ratified this will reduce the average for the services sector to about 9%.

NEGOTIATIONS

4 In the PUBLIC SECTOR, agreement has been reached for a 7½% increase for Local Authority manuals (4 November - 1,100,000), subject to ratification by workers. Negotiations have not yet begun on claims for substantial increases and reduction in hours for NHS ancillaries (13 December - 213,000), Ambulancemen (1 January - 17,000) and Local Authority craftsmen (4 November - 95,000). Discussions are continuing on a claim by NHS craftsmen and maintenance workers (1 January - 14,500) for parity with the electrical contracting industry estimated to be worth 20%. University teachers (1 October - 38,000) have rejected an offer of 6%. Committee 'A' are considering new proposals to submit to DES. In British Steel (1 January - 140,000) a proposal to defer a settlement for 6 months with a 7% increase from 1 July has been accepted by the craft and general unions but rejected by ISTC. Some British Airways employees (1 January - 50,000) are staging a one day strike on 23 January in response to a proposal for a 3 month pay freeze to be followed by an 8% increase. Unions for Water Service manuals (7 December - 33,000) are recommending industrial action following rejection of a 'final' offer of a 9.9% increase in rates, estimated at 7.9% on earnings. Gas Supply manuals (18 January - 41,000) have rejected an offer

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costed at 8% on the paybill. Negotiations resume on 30 January. Employers are expected to reply on 5 February to a claim by Electricity Supply manuals (20 March - 92,000) for substantial increases and other improvements. National Bus Company platform and maintenance staff (1 March - 38,930) are considering an offer of 5% on rates and talks for similar grades on Municipal Buses (1 January - 20,750) are due to begin on 26 February.

5 In the PRIVATE SECTOR, Merchant Navy seamen (2 January - 26,000) have rejected an improved offer of 12% and mediation by ACAS has failed to stop industrial action being taken. Officers (1 November - 36,000) are considering an improved offer of 12%. The majority of Ford manuals (26 November - 57,000) have voted to accept an offer of 9.5% on rates. Negotiations in Road Haulage (November 80/February 81 - 200,000) are taking place on a regional basis. Over half of the regions have settled for between 3.0% and 6.8% on rates. Guardian Royal Exchange staff (1 January - 8,700) are considering a revised offer of 10% and Royal Insurance Group staff (1 January - 9,500) have voted to accept an offer of 14%. The two unions (BIFU and CBU) representing London Clearing Bank staff (1 April - 146,000) have presented claims for increases of up to 20%. Newspaper Publishers Association production workers (1 January - 33,000) have rejected an offer of 5%. The claim is for about 15% in line with inflation.

PRICES AND EARNINGS INDICES

PRICES

6 In December the year on year increase in retail prices was 15.1% compared with 15.3% in November.

EARNINGS

7 In November the year on year increase in average earnings for the whole economy was 18.7% compared with 20.1% in October.

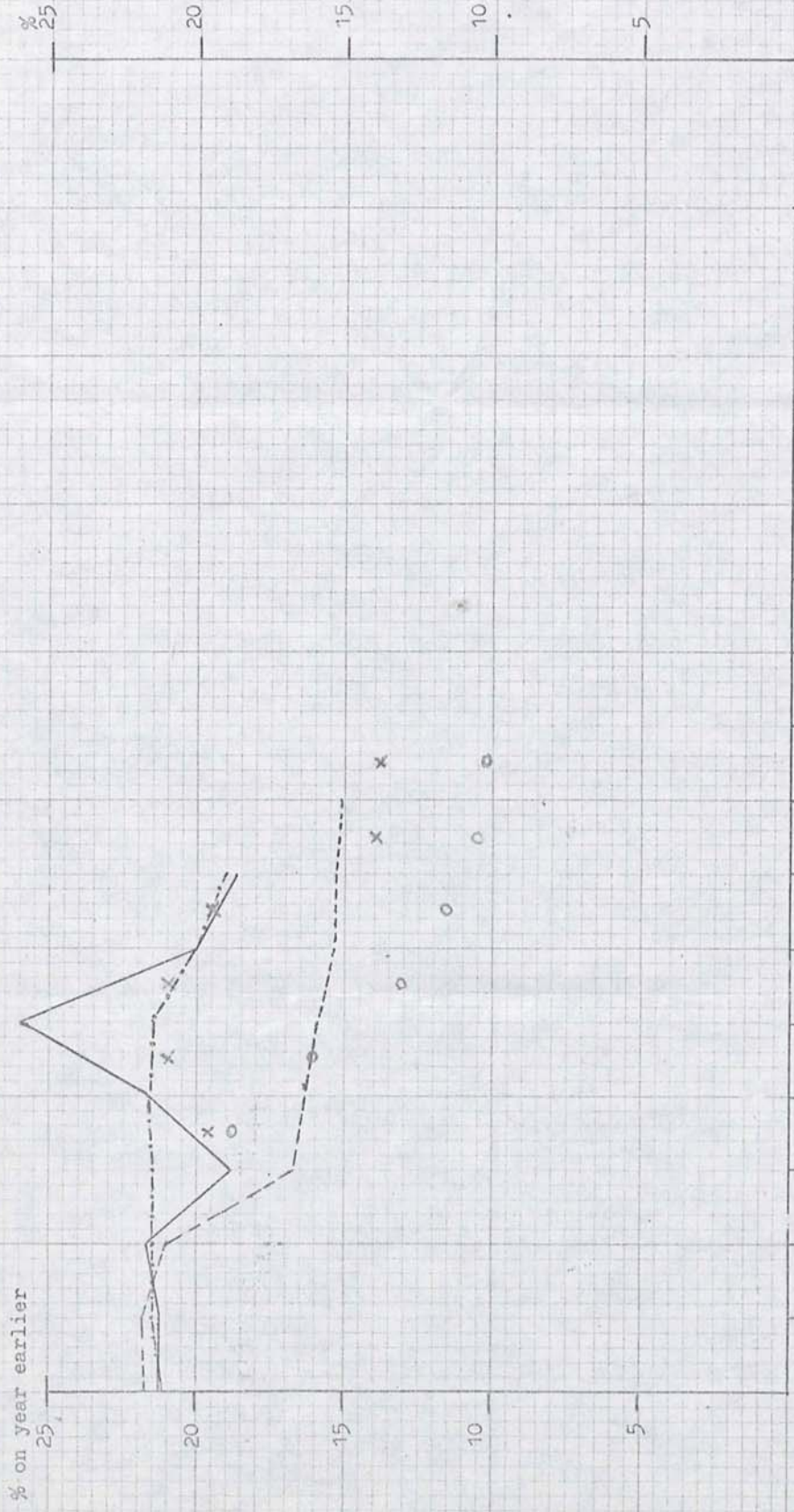
REAL DISPOSABLE INCOME

8 The real disposable income of a typical family (described in the mid-September Pay Brief) rose by just over 2 $\frac{1}{2}$ % in the year to October.

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TRENDS IN EARNINGS AND PRICES

APPENDIX 1



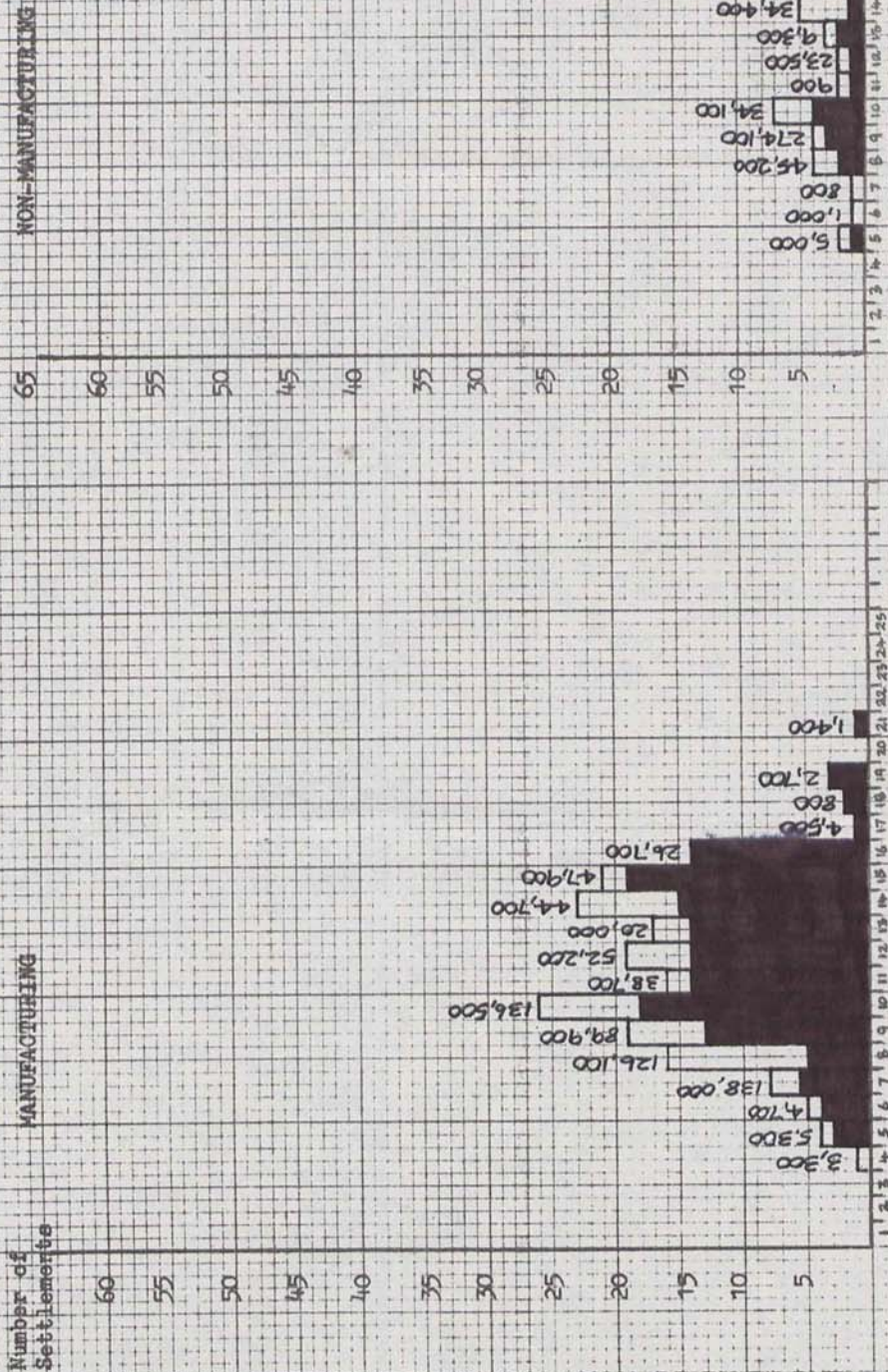
| MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT |
|------|------|------|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|-----|------|-----|
| 1980 | | | | | | | | | | | | | | | | | |
| 1981 | | | | | | | | | | | | | | | | | |

- - - - - Retail Price Index
 _____ Average Earnings Index (whole economy)
 X Public Sector Settlements) Cumulative Average Increase in Earnings (effective after 31 July 1980)
 O Private Sector Settlements)
 - . - . - . Underlying rate of increase in earnings

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DISTRIBUTION OF SETTLEMENTS IN THE PRIVATE SECTOR BY LEVEL OF SETTLEMENT FROM 1 AUGUST 1980

KEY
 ■ SETTLEMENTS UP TO THE LAST PAY BRIEF
 □ SETTLEMENTS SINCE THE LAST PAY BRIEF



LEVEL OF SETTLEMENT (ROUNDED TO THE NEAREST WHOLE NUMBER)

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