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Mr Lawson's letter when
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MR SCHOLAR

cc John Hoskyns

Miners' Pay

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Mr. Lawson's letter of 3 September to the Chancellor does not reveal any new developments on miners' pay as a result of discussions with Derek Ezra. The likely way forward on the tactics of the negotiations seems sensible; and I am sure it is right to postpone the public announcement about the reference of the NCB to the Monopolies and Mergers Commission. However there is one point of some importance, of which I think the Prime Minister should be aware; the desirability of presenting the eventual settlement as higher than it really is.

The Prime Minister will recall that last year, amid a good deal of confusion about what actually had been negotiated, a settlement containing a 9.7% increase in average earnings over a 10 month period was widely presented as about 13%. As a result, 12 to 13 per cent became a sort of target for the other public sector monopolies. The strong advice from the NCB and the Department of Energy was that presenting the offer as 9.7% would make it unacceptable to the miners.

It now transpires that the NCB's own calculations about the likely effect of the settlement on average earnings was wrong. The Department of Employment in the process of gathering data for the New Earnings Survey which will be published on 29 October have told me that it seems that total earnings have actually increased by 8%, although basic rates probably increased by 10.3%. Clearly the publication of these figures will lead to a good deal of aggravation on the part of the miners, who will feel both that they were misled last time and that they have further to go to meet their claim for £100 in the minimum grading rate.

/The Department

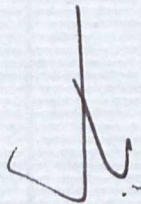
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The Department of Employment will find some way round the problem of the embarrassment of these figures, perhaps by delaying publication, but there is an important lesson here which should lead us to question the assumption in Mr. Lawson's letter that it may be necessary to play the same game again this year. As long as the wool can be successfully pulled over the eyes of the NUM, it may make it easier to settle at a particular figure if it can be presented as higher. But there are severe drawbacks. First, it is risky: the calculations, although complicated, are not beyond exposure by an astute journalist. Second, it is found out sooner or later, with consequent damage to subsequent pay rounds. And third, the higher figure affects other pay settlements. This last point will be particularly important this pay round, in which the miners' settlement date has been advanced by two months to 1 November, and will be regarded as even more of a benchmark than usual by other public sector unions.

X If the Prime Minister agrees, therefore, I think it would be helpful for you to write to Mr. Lawson's office saying that she has noted this point, but feels that the assumption that the settlement may have to be presented as higher than it really is is questionable, and will have to be examined very carefully when the outline of the negotiations is known.



1 October 1981

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