

Prime Minister

MUS 26/11

01-211-6402

cc JV ✓

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1

25 November 1981

*Dear Chancellor*

## NUM WAGE NEGOTIATIONS

Today's negotiations started with a short plenary session, at which it soon became obvious that the NUM had not agreed their position in advance. The meeting was then adjourned for 1½ hours in order to agree a position.

When the morning session was resumed, Joe Gormley said that the Union needed more money on the table. He claimed that the money the Board were saving through high redundancies should be added to the £100m on offer. The NUM also wanted more movement on non-wage items. The so called moderates also called for increased sums of money, while the left remained silent. No interest was shown in re-jigging the £100m to increase the offer on basic rates at the expense of incentive payments.

James Cowan reiterated that the Board just had no more money to offer. Indeed they had already offered more than the Board could afford. In February the NUM had given priority to maintaining maximum employment in the industry. Now they were looking for maximum wage increases. It was just not possible. How long did the NUM think the taxpayer would be prepared to go on providing substantial funds for investment while at the same time providing for maximum employment and high wages?



-2-

On a number of occasions the NUM came close to grasping the fact (or at least acknowledging it openly) that the offer only amounted to 7.3% on earnings. On each occasion Cowan diverted them by saying that they could juggle figures as they liked, but the fact remained the Board only had £99.97m to offer.

At the end of the morning session Joe Gormley asked the Board to consider carefully all that the NUM had said and to respond to the NUM's wish for more money. Cowan closed the meeting by agreeing to give him a response at the afternoon session. However, during the lunch break Gormley again took the line that another meeting was necessary after the Presidential ballot, by which time the moderates would no longer have to behave as extremists.

The Board, therefore, agreed to defer giving their formal response until 8 December. The Board, however, considered the matter over lunch and agreed that they should stick by their present offer.

In debriefing us, Cowan said he was reasonably confident that an offer equivalent to about 9.13% on basic rates would eventually be accepted at a pithead ballot. He reiterated, as I told you this morning, that the position of the negotiators would be very much more difficult if there were announcements about council house rents, National Insurance contributions, etc. before 8 December. The pressure on the Board to increase their offer to compensate for such increases would be intense. If such announcements came between that meeting and the ballot, they could well make all the difference between acceptance and rejection of the Board's offer. The dangers of such an outcome need no stressing. Derek Ezra and James Cowan will no doubt elaborate on these points when they come to see John Moore on 27 November.

Contacts in the NUM have told my officials that the NUM Executive (except for Gormley) all still believe that the Board has not yet reached the limit of what they can offer, and that a new offer equivalent to at least 10% on basic rates (compared with the present 9.1%) will be needed if a settlement is to be reached on 8 December. If there are no further negotiations after 8 December, the NUM believe that a pithead ballot in the week beginning 14 December is likely, with the result announced close to Christmas.



As far as it goes the outcome of the meeting is reasonably satisfactory. The Board did not increase their offer and, other things being equal, do not propose to increase it on 8 December. The NEC may well reject the offer on that day, but such an outcome has always been possible. We must hope that the Board's judgment that the offer will be accepted in a pithead ballot proves correct. All this underlines the crucial importance of the timing and presentation of any announcements you are planning to make before Christmas.

I am sending copies of this letter to recipients of the earlier reports.

*Yours sincerely*

*David Huley*

pp

NIGEL LAWSON

(approved by the Secretary of State  
and signed in his absence)