

RESTRICTED

Prime Minister

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*To note.**MUS 26/11*

PRIME MINISTER

PUBLIC TRADING SECTOR PAY: MONITORING REPORT

In his minute to you of 16 November covering the latest monitoring report on pay in the public trading sector, Geoffrey Howe drew attention to the situation at the British Steel Corporation and asked whether there was any significant risk that a damaging confrontation might develop there.

2 There are no signs of any serious industrial unrest in BSC, either over the proposal for no central pay increase from 1 January 1982 or over the next round productivity demanning, in which about 15,000 further jobs are likely to go. It is true, as the monitoring report notes, that there are union instructions prohibiting participation in local negotiations on productivity demanning, but talks are taking place between BSC and the unions aimed at overcoming this.

3 It is essential, if BSC is to get back to break even next year and into profit in 1983, for the workforce to co-operate fully in improving productivity and reducing costs. I believe Ian MacGregor has succeed in getting this message across to the workforce and that we should not take too much notice of public posturing by the ISTC, particularly when it threatens concerted action by the "Triple Alliance".

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4 I and several colleagues will be meeting Ian MacGregor on 1 December when he will present his new Corporate Plan for 1982 to 1985. At that meeting I will ask him for his latest assessment of the industrial relations situation at BSC. If, contrary to present expectations, there were a deterioration in the situation at BSC in the next few weeks to the point where serious and prolonged industrial unrest appeared likely, I would naturally let you know.

5 I am sending copies of this minute to Geoffrey Howe and to other recipients of his minute of 16 November.

PJ

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23 November 1981

Department of Industry



23 NOV 1981