

Prime Minister

(2)

Good news c. Mr. Hoskyns  
Mr. Ingham  
Mr. Duguid  
MUS 2/12

MR. SCHOLAR

PAY

In the flurry of today's other economic events, one or two rather good pieces of pay news may have been over-looked, and you may feel they are worth drawing to the attention of the Prime Minister.

The latest Gallup political index contains a survey on wage and price expectations, of which I attach a copy. Like all surveys, this can be interpreted in a variety of different ways. But however you look at it there must be significance in the fact that a quarter of the sample expect no pay increase this pay round, 93% of those who expressed a view expect less than a 10% increase, and the average increase expected is 4.6%. By comparison, the average price increase expected is 9.8%, and nearly half the sample expected prices to exceed 10%. If the sample is representative, it is clear that wage bargainers have already got the message that they are to expect a fall in living standards.

The latest figures from the CBI's pay data bank, released today, based on the rather small number of settlements - 172 - during the current pay round, indicate that most pay deals are now concentrated in the 5 - 7% range. That is significantly lower than the latest figure suggested by the Department of Employment's monthly pay brief, which was about 9½%. Even on this small sample, I think we can be reasonably confident that the pay round is starting lower than it did last year. That is true of the National Engineering agreement (8.2% last year, 5.1% this year), BL (6.8% last year, 3.8% this year) and of early indications in the mining and water industries.

Finally, the Prime Minister may have seen that the threat of a tanker drivers strike has now substantially disappeared, with today's news of the announcements by Texaco and Esso of

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acceptance of the  
the 8.1% offer, in addition to BP and Mobil who have already  
settled. ~~The main outstanding company is Esso, but on their  
own they are unlikely to cause major disruption.~~

J.

2 December 1981

| Questions and answers   | Today | Comparison |
|---|-------|------------|
| 3 Over the next 12 months what, if any, percentage increase do you expect to get in your wages or salary?   |       |            |
| Nil   | 25    |            |
| 1 or 2  | 3     |            |
| 3 or 4  | 16    |            |
| 5 or 6  | 19    |            |
| 7 or 8  | 6     |            |
| 9 or 10   | 10    | NA         |
| 11 or 12  | 2     |            |
| 13 or 14  | 1     |            |
| 15-20   | 2     |            |
| Over 20   | 1     |            |
| Don't know  | 17    |            |
| Average   | 4.6   |            |
| 4 Bearing in mind the present economic situation, inflation and unemployment, what level of wage or salary increases do you think workers should aim for? |       |            |
| Nil   | 5     |            |
| 1 or 2  | 1     |            |
| 3 or 4  | 5     |            |
| 5 or 6  | 21    |            |
| 7 or 8  | 11    |            |
| 9 or 10   | 24    | NA         |
| 11 or 12  | 7     |            |
| 13 or 14  | 1     |            |
| 15-20   | 4     |            |
| Over 20   | 1     |            |
| Don't know  | 21    |            |
| Average   | 7.9   |            |
| 5 Over the next twelve months, what percentage increase in prices do you expect?  |       |            |
| Nil   | 2     |            |
| 1 or 2  | 3     |            |
| 3 or 4  | 5     |            |
| 5 or 6  | 7     |            |
| 7 or 8  | 9     |            |
| 9 or 10   | 20    |            |
| 11 or 12  | 12    | NA         |
| 13 or 14  | 5     |            |
| 15-20   | 10    |            |
| Over 20   | 3     |            |
| Don't know  | 23    |            |
| Average   | 9.8   |            |
| (21-26.11.81)   |       |            |