

MEMORANDUM TO CABINET BY THE
HONOURABLE PRIME MINISTER

General Workers' Union claim for a 6% increase

At the last meeting of the Joint Industrial Council, the General Workers' Union again pressed for a general 6% increase. They based their claim on two arguments, viz:-

- (a) the Interim Index of Retail Prices, 1960, is unreliable and
- (b) Even though unreliable the Index itself at present justifies an increase of 4%.

2. As regards (a) it is a fact that when the Index was compiled in 1950 it was based on a Pilot survey carried out in 1955 covering only family expenditure for a period of fifteen days. Even though the weighting diagram was adjusted on the basis of then available statistics, to be truly accurate it should have been based on a more up to date survey carried out over a period of one year to take account of the seasonal fluctuations in the price of certain goods.

3. As regards (b) the General Workers' Union argue that, when an increase is granted, they accept it not only to cover actual increases in cost of living but also as an improvement on existing living standards. They argue that their claim was made in 1966, during which year the index averaged 110.5. They maintain that though this did not justify the increase of 4% granted with effect from the 1st April, 1967, the balance was an improvement gained, and as the index now stands at 114.9 an increase of 4% is justified.

4. Although the Retail Price Index can be considered unreliable, it would still have to be proved that the cost of living has in fact increased sufficiently to justify the increase claimed.

5. On the other hand, the minimum wages, as indeed all existing rates of salaries and wages, are at present 'sub judice' by the Salaries (Anomalies) Commission. Government is, in effect, presented with a claim for an increase of 6% on unknown rates. Pending the report of the Anomalies Commission, therefore, this claim should not be taken into consideration.

6. However it is not anticipated that the Anomalies Commission will submit their report in the immediate future and the General Workers Union are likely to press for an early settlement of this claim. They have indeed pressed for an early meeting of the Joint Industrial Council which stands adjourned to the 8th instant.

7. The moving average of the Retail Price Index for the last twelve months is about 113.4 but the latest figure for December stands at 114.9. These factors coupled with the present rising trend shown by the Index (112.8 in September, 113.3 in October, 114.3 in November and 114.9 in December) could reasonably warrant a 3% increase solely on the basis of the official figures if the increase is given without backdating. However the Government Statistician considers that the Government shall have serious difficulties in backing the Official Index figures should the claim eventually go to arbitration.

8. If, in spite of the argument at paragraph 5 above, the Government decides to authorise an increase, then Establishments and Finance recommend:

- (a) that Government should authorise a maximum increase of 4% in full and final settlement of this claim on consolidated rates existing on 1st April, 1966 as in the case of the 4% increase approved with effect from 1st April, 1967. In negotiating this offer the Official Side would offer 2% with effect from 1st January, 1969, i.e. without arrears in the first place, then 4% from the same date and if pressed further go up to a limit of 2% with effect from the 1st April, 1968 and a further 2% with effect from 1st January, 1969.
- (b) That the Union should be informed that Government intends to reactivate the Committee of Users of the Retail Price Index under the chairmanship of the Government Statistician in order that a household survey may be carried out to serve as a basis for the compilation of a new Index.

9. The above proposals, if approved by Cabinet, will have to be communicated to the U.K. Government representatives on the Joint Industrial Council who have so far reserved their position on the matter, before any approach is made to the Union. The three alternative offers at paragraph 8 (a) above would cost £45,000, £90,000 and £225,000 respectively during the current financial year. The cost of a 4% increase in a full year would be about £360,000.

10. Ministers are asked to state whether they agree to a rejection of the claim for the reason stated in paragraph 5 above, or whether the Union should be offered the increases recommended in paragraph 8.

3rd January, 1969
