CABINET

DRAFT WHITE PAPER ON INFLATION

Note by the Secretary of the Cabinet

1. A Group of Ministers, under the chairmanship of the Prime Minister, has been overseeing the negotiations with the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) and also the preparation of the White Paper which has to be published on Friday 11 July.

2. The Group cannot reach final recommendations to Cabinet until after meetings of the CBI and TUC General Council tomorrow, 9 July. The Prime Minister has however directed me to circulate the attached draft of the White Paper so that members of the Cabinet who are not on the Ministerial Group may have a chance of reading it during the course of tomorrow. This is however on the clear understanding that on a number of points, and in particular on the question of reserve powers, the Group has not yet reached final conclusions. Their conclusions will be reported to Cabinet on Thursday 10 July. In the meantime special steps should be taken to ensure the confidentiality of this draft.

Signed JOHN HUNT

Cabinet Office

8 July 1975
1. Inflation is the most serious economic problem facing the country. Our rate of inflation has been much higher in the 1970's than in earlier periods and recently it has accelerated sharply. In common with many countries we have experienced in the past 2 years a big increase in the rate at which costs and prices have risen. Like other countries we suffered in 1972/73 the great increase in the cost of imported food and raw materials and in 1973/74 the even greater increase in oil prices which have cut back what is available to us to maintain and improve our national standard of living. But whereas most other countries have succeeded in bringing down their rates of inflation, we have not. Our prices are 25% above those a year ago. The figures for our competitors are nearer 10%.

2. This is unacceptable. There is a strong belief throughout the country that the inflation must be curbed. The Government is determined to achieve this, and believe they will have the support and co-operation of the whole nation in doing so.

As the Chancellor said in his statement on 1 July, "A sharp reduction in the rate of inflation is an overriding priority for millions of our fellow citizens, particularly the housewives and pensioners. It is also a pre-condition for the reduction of unemployment and the increase in investment which the Government, the TUC and the CBI all want to see."

3. The Government reject a solution to the problem of inflation which relies on the generation of large-scale unemployment and under-utilisation of our productive equipment. This would be wasteful, socially evil and against our long-term economic interests. But if we continue with pay settlements at levels at and above 25%, we shall not match the performance of our rivals with whom we need to remain in competition if we are to survive. The largest element in our prices, both on the home market and for exports, is the cost, direct or indirect, of domestic labour; in other words, what we pay ourselves. It is the rapid increase in labour costs which now accounts for much the greater part of our inflation.
4. The solution therefore lies in reducing our rate of increase in wages and salaries. The Government, the TUC and CBI are agreed that this rate should be brought down to a level which will ensure that by the late summer of next year the year-on-year increase in prices will be no more than 10%. They have also agreed on the pay limit needed to achieve this objective. This is described in the succeeding paragraphs.

5. The universal pay limit of £6 a week, and the other measures linked with it, are a simple but rough and ready approach to the need for pay restraint, which is appropriate to an emergency situation. The limit rightly gives preference to the low paid in a period of national difficulty. It is not intended to be a long-term approach, and it will be essential to devise more just and flexible arrangements for controlling domestic inflation and preventing any resurgence of present rates of price increase in the future. It will be a long step forward to reduce inflation to 10%, but further efforts will be needed to get down to the rates of our competitors, and stay there.

6. The Government realise that the sacrifices called for will not be easy. This applies particularly to the early months of the policy because of the inflation already in the pipeline. But the alternative is much worse. A continuation of present rates of inflation would gravely damage the social and economic fabric of the nation and threaten us with external bankruptcy. To cure inflation by unemployment would cause widespread misery, industrial strife and the degeneration of our productive capacity. The only sensible course is to exercise pay restraint and to reduce our domestic inflation without sacrificing our long-term economic goals.
8. The Government have said that they are determined to bring the rate of domestic inflation down to 10 per cent by the third quarter of 1976 and to single figures by the end of 1976.

9. To achieve this the TUC have agreed that there should be a limit of £6 per week on pay increases for those with incomes up to £10,000 a year. Those with incomes of £10,000 or over should forego any increase for the present. This is the maximum increase in pay compatible with the objective of achieving the 10 per cent rate of inflation by the third quarter of 1976. The CBI as well as the TUC have agreed to support the pay limit and they, like the TUC, will recommend their members to adhere to it.

10. Annexed to this White Paper is a copy of the guidance which the TUC will be issuing to negotiators. It sets out the requirements which should be observed by those implementing pay settlements over the 12 months from 1 August.

11. Strict adherence to the £6 limit is crucial to the achievement of the objective. If it is not observed the economy will be seriously damaged and we shall all suffer. The Government will ensure strict observance throughout the public sector. Private sector employers will be expected similarly to observe the limit. Furthermore the Government intend to introduce a number of measures to encourage compliance with that limit.

12. The Government have already announced that in line with the limit on pay increases, increases on dividends must be limited to 10 per cent. An Order to give effect to this was made on 1 July. The powers necessary to enforce this limit are already available to the Government but under present legislation they expire on 31 March 1976 and the Government propose to ask Parliament to extend them for a further year. The charges and profits of the self-employed will continue to be subject to the price control.
13. The Government have made and will continue to make every possible effort to achieve the necessary restraint on incomes by consent. They have said that they are opposed to criminal sanctions on work people. It has been amply demonstrated that these don't work. Nor do the Government favour detailed intervention in collective bargaining. They are very glad therefore that it has been possible to reach agreement with the TUC on new guidance to negotiators within the framework of the Social Contract, which is consistent with the anti-inflation target.

14. However, neither the Government, the TUC nor the CBI believe that it would be acceptable if de-centralised collective bargaining were to lead to accelerating inflation. The Government therefore propose to support the guidance given by the TUC to negotiators with effective sanctions. These will include some further powers in the public sector to ensure that they can discharge fully their responsibility for securing observance of the pay limit in that area. They will also take powers, which will be held in reserve and activated only by a fresh vote of Parliament, to introduce legal control over particular employers who do not observe the limit. They expect however that the recommendations made to their members by the TUC and CBI, together with the policy measures described below, will be sufficient to make that unnecessary.
THE PAY LIMIT AND ITS APPLICATION IN THE PUBLIC SECTOR

The Government as Employer

15. The government are directly involved as employer in pay settlements affecting 2 million people. These include the civil service, the national health service and armed forces. In these fields the government will of course ensure that settlements comply with the pay limit.

16. The government will be asking the review bodies for the armed forces, for doctors' and dentists' remuneration, and for top salaries in the public sector, to comply in their recommendations with the pay limit. It will also be necessary to suspend the operation of pay research in the non-industrial civil service for the period of the policy.

Local authorities

17. Local authorities and public transport authorities employ 2½ million people. Within this total the government is directly concerned with pay settlements for teachers and the police. But there is no other major group of local authority employees whose pay comes under direct Ministerial control. Nevertheless it is necessary that local authorities should abide by the policy set out in this White Paper.

18. To this end the government will have discussions with the new joint Consultative Council. It will be a major item in the new approach that rate support grant payable to local authorities will be restricted so that no increase in grant will be payable for expenditure which results from settlements in excess of the pay limit. Moreover legislation will be brought before Parliament to enable the government to restrict payment of rate support grant to individual local authorities which do not observe the pay limit.

19. As regards the rate support grant settlement for next year, 1976-77, the calculation of the grant will be on the basis that pay settlements both in the remainder of this year and in next year conform to the pay limit. No extra grant will be payable either in the main settlement or in increase orders for 1976-77 on account of settlements which exceed the norm. Furthermore the total of grant will be calculated on the basis that there will be no increase in local authority staff beyond present numbers. And no allowance
will be made in any increase orders for 1976-77 for any increase in staff which occur during the year.]

20. In addition the Government will be prepared to use its powers of control over local authority borrowing, including access to the capital market, to reduce the capital programmes of particular local authorities, if this proves necessary to offset any excess expenditure on pay settlements.

21. [Finally, if there is a serious breakdown in the observance of the pay limits by local authorities, the Government will consider taking powers to impose Ministerial supervision on all major local authority pay settlements.]
The nationalised industries

22. The Government intend that the policy should be strictly applied by the nationalised industries, by other public corporations and boards, and by Government-owned companies. To ensure this, the Government are holding discussions with the chairmen of the principal nationalised industries. Together these industries are responsible for pay settlements affecting about two million people.

23. In accordance with this policy, the existing arrangements for financial control and budgeting will be strengthened so as to ensure that no additional funds are made available to these industries in order to finance pay settlements outside the limit. In addition, any element in proposed price increases due to disregard of pay limits will be disallowed in the same way as is intended for the private sector (see paragraph 25 below). Thus, the consequence of any excess pay settlement would be the institution of measures to secure offsetting cash reductions in the industry, which would be bound directly or indirectly to affect employment in the industry.
24. The Government have no direct control over pay in the private sector. But there is a legal price control over most goods and services produced for the home market. Moreover the Government purchases a substantial part of the output of some industries and provide extensive assistance to industry. This gives the Government a number of economic instruments with which to support the pay policy. An employer who adheres to the policy will not suffer but where pay settlements are excessive the instruments will be applied.

The Price Code

25. The Government will not allow firms which make excessive pay settlements to reflect these settlements in higher prices to the consumer. With every application to the Price Commission for a price increase, employers will have to notify details of any pay settlement underlying the application. The Government will advise the Commission whether settlements conform to the limit. Where an employer breaks the pay limit the whole pay increase will be disallowed for price increases. This disallowance, which will require new legislation, will apply even if the employer is covered by one of the low profit safeguards in the Price Code. Similar arrangements will be applied to nationalised industry prices. A consultative document describing the proposed changes in detail will be published shortly.

26. From now on the Government, in handling applications for assistance under the Industry Act 1972, will interpret the national interest as including observance of the pay limit. The Government will not give discretionary assistance under the Industry Act to companies which have broken the pay limit. When it is in full operation the National Enterprise Board, in discharging its duties, will also take these considerations into account.

27. The Government will also take account of a firm's record of observance of the pay limit in its general purchasing policy and in the awarding of contracts.
The Self-Employed

28. Last year self-employed people whose expenses amount to less than 10 per cent of turnover were exempted from the Price Code. They will now be brought back under the Code. A number of self-employed groups who are remunerated from public funds - doctors, dentists, chemists, opticians and subpostmasters - will continue to be outside the Price Code, but in settling their remuneration the Government will take account of the pay limit.
29. The Government trust that the measures described above will be adequate to secure compliance with the policy by private sector employers. As stated above, the Government will be taking further powers to reinforce its ability to secure full observance of the policy throughout the public sector. If however in the case of the private sector the Government were to find that the policy needed to be enforced by applying a legal power of compulsion to individual employers who break the limit, they would not hesitate to do this.

30. In order that the Government should be in a position to do this they propose to invite Parliament to enact reserve powers which, if applied in particular cases, would make it illegal for the employer to exceed the pay limit. These powers would be activated by statutory instrument requiring Affirmative Resolution by both Houses of Parliament if it became clear that the pay limit was being endangered with resultant unfairness to the great majority of those who were keeping to the limit.

OR (in the event of Ministers' deciding to go for reserve powers covering both public and private sector employers)

RESERVE POWERS

29A. The Government trust that the measures described above will be adequate to secure compliance with the policy by all employers. If however they were to find that the policy needed to be enforced by applying a legal power of compulsion they would not hesitate to do this.

30A. In order that the Government should be in a position to do this they propose to invite Parliament to enact reserve powers which, if applied in particular cases, would make it illegal for the employer to exceed the pay limit. These powers would be activated by statutory instrument requiring Affirmative Resolution by both Houses of Parliament if it became clear that the pay limit was being endangered with resultant unfairness to the great majority of those who were keeping to the limit.]
31. It is not enough to have a policy. It must be complied with. The pay limit must be given effect in pay settlements and the effect of lower pay increases must be carried through to prices. The Government need to know that this is happening before they can for example take reflationary measures or introduce the special price restraint programme on essentials described in paragraph 38.

32. The Government intend therefore to undertake jointly with the TUC and CBI a regular review of developments in the economic situation in order to determine progress towards the objectives of this policy. For this purpose the parties will need to be accurately informed of the true facts on pay settlements and the Government propose to require notification by employers of major pay settlements. This monitoring will be carried out as an extension of the Department of Employment's existing activities. The pay of 90 per cent of employees is determined by settlements covering 1,000 or more and it is intended to secure information about all such settlements on a consistent basis. [The Government will therefore be seeking compulsory powers to oblige employers to notify the details of intended pay settlements.]

33. Not only will this information serve to keep the Government and the community fully informed of compliance with the policy, it will also be used to support the Price Commission in the disallowance of any excess increases in pay.
PRICES AND THE PROTECTION OF THE CONSUMER

34. The government recognise and share the concern that if pay is restrained prices must also be restrained. They would like to be able to freeze prices but this is simply not possible. At any time there are in the pipeline many increases in costs which are coming through in prices and this is particularly true at present following the big increases in pay and other costs of recent months. It takes time for these costs to affect prices in the shops. Similarly if pay increases are slowed down it takes some time before price increases slow down also. Nevertheless, if pay increases do not slow down, there can never be a slow down in price increases.

35. Although the government cannot freeze prices they intend to take the following measures to keep price increases to a minimum and to protect the consumer.

Price Controls

36. The government will continue the present strict price control enforced by the Price Commission under the Price Code. They will legislate to extend the control powers for a further year beyond 31 March 1976, when price control would have ended under the existing law. The price control already ensures that a lower rate of increase in pay is reflected in a lower rate of price increase. However, particularly with present levels of unemployment, the government do not intend to push price control to the point where it would endanger employment and investment.

Better Consumer Information

37. The government propose to encourage the expansion of the present network of consumer advice centres in local authority areas to assist consumers who have complaints or queries about particular retail prices in their district. The government will encourage more work on local price comparisons indicating best value for money and accelerate the programme of price display and unit pricing.
Prices of essentials

38. Certain goods are of particular importance in family expenditure, and the effect of inflation here can fall harshly on low-income families. Once the pay limit is being effectively observed, the Government intend to ensure that the rate of increase of prices of a range of such goods will be specially held back. The CBI and the Retail Consortium have indicated that they will be prepared to support the Government's objective and to begin immediate discussions with the Government on how to achieve this.

EITHER:-

Food subsidies

39. The present subsidy programme saves over 6p in the £ on food prices and benefits in particular the elderly and others on low incomes. In due course food subsidies will have to be phased out and the Government had intended to start this phasing out early in 1976. The phasing out will not now start during the period of this policy. Meanwhile the amount of money provided for food subsidies will remain at its present level.

Rents

40. Local authority rents were frozen by the Government between March 1974 and March 1975, but increases are now in the pipeline because of earlier increases in pay and other inflationary costs. In the Government's view it would be wrong to attempt to delay these increases. The costs would just have to be borne in other ways by the ratepayer or taxpayer. What we must now do is to tackle the problem by breaking into the sequence of large pay increases followed by large rent increases.
Food Subsidies

39A. The present subsidy programme saves over 6p in the £ on food prices and benefits in particular the elderly and others on low incomes. The Chancellor of the Exchequer announced in the April Budget that it would be necessary to phase out the food subsidies over a period, starting early in 1976. As a contribution to protecting the living standards of low income families and the pensioners during the period of the policy the Government propose to spend £70 million more on food subsidies during 1976 than the amount provided for in the April Budget.

Rents

40A. Local authority rents were frozen by the Government between March 1974 and March 1975, but increases are now in the pipeline because of pay increases and other inflationary costs. During the period of the policy the Government propose to limit rent increases so that rents do not rise faster than prices generally. This will mean that on average rent increases next spring should be of the order of 60p per week rather than £1 a week or more. The Government will provide an extra £80 million to meet the cost of this.

NOTE: Ministers in MISC 91 recommend that the total new expenditure on food/rent subsidies under these paragraphs should not exceed about £150 million in 1976-77 in view of the general public expenditure/public sector borrowing requirement position. Paragraphs 39 and 40 concentrate the whole sum on food subsidies: paragraphs 39A and 40A divide the sum between food and local authority rents.
Nationalised industry prices

41. It has been necessary to make particularly steep increases in nationalised industry prices this year because most of the industries were deeply in deficit. The phasing out of these deficits is not yet complete. However, the substantial progress already made, and the fact that the pay limit provides for a lower rate of pay increase, together offer good prospects that the rate of price increase in the nationalised industries as a whole should be markedly lower next year.

Import costs

42. We must do all we can to keep down costs and prices which are within our own control. Some prices, like the cost of imported oil, food and raw materials, are not within our control however. A big increase in import prices would impose on us a further reduction of our standard of living and it would then take longer for this policy to achieve our inflation target.
DEMAND MANAGEMENT

43. It is essential that the policy set out in this White Paper should be associated with an appropriate policy for demand management. The substantial current account deficit, and the very large imbalance in central government financing, superimposed on the recent very rapid rate of domestic price inflation, together leave the Government no other alternative than to pursue a cautious demand management policy. Expansion of the economy, when it comes, must be based on greater competitiveness of United Kingdom firms in world markets, and on the assurance of adequate resources for investment without the risk of demand pressures in particular sectors once more giving a stimulus to inflation. Deliberate action by the Government to increase domestic demand by boosting consumption levels, in advance of the achievement of the inflation target and of a soundly-based external position, would be to repeat the policies of 1973. The Government are determined to avoid a repetition of past mistakes, and will set their demand management policy to ensure that the growth of the economy in the medium term is founded on a proper allocation of resources to exports and investment.

44. As the Government, the CBI and the TUC have constantly stressed, the United Kingdom must have an adequate level of productive investment, on which our future living standards depend. If we are to secure this, we must be ready to pay for it. In a mixed economy profits are the main way of financing investment in the private sector. But in 1974, profits were at historically low levels, and the real profits retained by companies were less than that needed just to finance the replacement of existing capital equipment and to maintain adequate stocks and work in progress. Accordingly the Government will take account in formulating its taxation, monetary and prices policies, of the need to avoid any deterioration in the prospects for future investment and employment.
Public expenditure: cash limits

45. A particular feature of the present situation is the need to contain the demands on resources made by the programmes of public expenditure. The Government are engaged in reviewing public expenditure in the medium term as a matter of urgency, with a view to securing a continuance of the reduction of the public sector borrowing requirement, which was initiated in the April Budget.

45A. However, as the Chancellor indicated in his statement on 1 July, the recent rate of inflation has emphasised the need not only to limit increases in money earnings throughout the economy, but to look more carefully at the cash requirements of the public sector. The present system of planning and control of public expenditure puts the main emphasis on the volume of resources used rather than the cash cost and has substantial advantages, especially for control in the medium term. However, at a time of rapid inflation, and with important changes in relative prices, this system needs reinforcing in appropriate programmes by placing a limit on the amount of money which the Government are prepared to pay in the year ahead towards the purchase of the planned volume of resources.

46. Cash limits already apply to a number of services financed by central government and they were recently extended to several construction programmes in central and local government. They are not a suitable method of controlling services such as social security benefits where expenditure must depend on the rate of benefit and the number of claimants. But there is a range of expenditure where they can impose greater financial discipline and precision, and where they can contribute to countering inflation by making it clear both to programme managers and to suppliers that the Government's purchases of goods and services will have to be cut back if prices rise too high. Experience with the programmes to which cash limits already apply have shown that their application needs careful preparation to be effective. Work is in hand to bring about the more extended use of cash limits in 1976-77.
Monetary Policy

47. The Government do not accept that the growth of the money supply in the past year and a half, which has been moderate, has been a factor in accelerating our rate of cost inflation. It will however be important to ensure that in the period ahead the price targets which we have set ourselves are not endangered by too loose a control over the expansion of bank credit. The Government will therefore, by the appropriate use of the instruments affecting monetary factors, take whatever steps are necessary to keep the growth of the money supply under firm control. At the same time they will, though the Bank of England's guidance to the banking system, see that priority in lending is given to the essential sectors of the economy.
CONCLUSION

49. The Government seek the support of the nation in breaking the inflation which threatens our economy. The measures the Government, the TUC and the CBI are taking are designed to last right through the next pay round until price inflation has been brought down into single figures and we have reached agreement on how to arrange our affairs so as to avoid a resurgence.

50. This is a plan to safeguard the standard of living. If we don't work together to achieve it we shall get more unemployment, more social injustice, less investment, less public expenditure, less control of our own economy and our own destiny, more restrictions on us through distrust of our economy overseas. If we do achieve it, we can look forward once again to a steady improvement in living standards.
THE GUIDELINES ON PAY

This section may consist mainly of a reproduction of TUC guidelines from a TUC document. What follows is what would be contained in the document if the guidelines were established not by the TUC but by the Government.

The Government requires negotiators to apply the following guidelines in pay settlements coming into force on or after 1st August.

The Pay Limit

2. Increases in pay in the period should be limited to £6 a week per head for each full-time adult employee. Increases to part-timers and juveniles should be pro rata.

3. Negotiators may average the £6 per head among a negotiating group so as to apply it in a way which preserves any existing pay structure recognised as equitable, but wherever possible the increase should be applied simply in a flat rate form. The increase should be applied as a straightforward supplement to earnings and should not flow through to overtime and other premium rates. The limit of £6 per head represents the total increase however earnings are determined.

High Incomes

4. Those whose incomes are at the level of £10,000 or more a year should receive no increase at all.

The 12 month Rule

5. The 12 month interval between principal pay increases must continue to apply, and no group should get any improvements less than a year after their previous increase. Negotiators should not advance their anniversary dates and settlements reached in accordance with these guidelines should continue for the following 12 months.

Other Improvements in Pay and Conditions

6. Negotiators would be expected to offset other improvements in pay and conditions against the pay figure except as set out below.

7. Equal Pay. The government remains committed to the achievement of equal pay by 29 December 1975 and improvements in pay and conditions to secure conformity with the Equal Pay Act will be allowed above the
pay limit.

7A Occupational Pensions. Improvements in occupational pensions will be allowed above the pay limit.

8. Hours and Holidays. Reduction in standard working hours may also be made outside the pay limit if they reduce working hours to not less than 40 hours a week (net of meal breaks). Where however there has been an agreement to increase hours to more than 40 a week that agreement must stand. Similarly, improvements in holidays may be made outside the pay limit provided that they do not increase the total holiday entitlement to more than the equivalent of 3 weeks a year (not counting 7 occasional or public holidays or rest days taken in lieu of weekends or overtime). The cost of making any other reductions in hours or holidays must be set against the pay limit.

Personal Increments

7. Personal increments of wage for age scale increases may continue to be paid provided that the incremental arrangements are such that they normally involve no overall increase in the total pay bill from year to year. No increases in the amounts of increments, or other improvements in incremental scales should be given.

Particular Methods and Systems of Payment

10. National, local and plant increases. Where settlements may be concluded at more than one level, eg. where a national settlement may be supplemented at local or plant level, the total increase in pay should be kept within the pay limit.

11. Payment by Results. Increases in the earnings of employees who are paid under any scheme of payment by results, including piecework and commission payments, or under an arrangement linked to such a scheme, should not exceed the pay limit. This restriction does not apply, however, to increases in pay arising from direct and measurable contributions by employees to increased output under a scheme which was in operation before 9 July 1975 and the terms of which have not been changed.

12. Productivity and Restructuring Schemes. No productivity or restructuring scheme should be implemented unless it has been agreed before 7 August 1975 or any increases in pay under the scheme are found within the pay limit for the group concerned.
13. **Comparability exercises.** The pay limit must override systems of pay determination based on historical comparison with other groups. This will entail, for instance, the suspension for the period of the system of pay research in the civil service and the government will invite the Pay Review Bodies for Top Salaries, Doctors and Dentists and the Armed Forces to frame their recommendations in accordance with the policy.

14. **Wages Councils.** The government will similarly expect the Wages Councils to abide by the requirements of the policy.

15. **Arbitration.** The pay limit should apply to all settlements whether reached by negotiation, conciliation, arbitration or by other methods of pay determination, whether statutory or otherwise. The government hope that, where employers and unions have difficulty in reaching agreement on pay increases which are within the pay limit, they will consider the possibility of conciliation or arbitration under their existing arrangements or through ACAS. But the parties concerned must accept responsibility for settlements which emerge from arbitration and for keeping them within the new pay limits.

**Transitional Arrangements**

16. This policy will apply to all pay increases effective on or after 1 August. This may however give rise to inequity in a few cases where groups have been expecting shortly to conclude agreements under the existing TUC guidelines, not having had a pay increase since the statutory controls ended in July 1974.

17. As a transitional easement therefore the government accepts that:

   a. agreements concluded and brought into force after 1 July for annual operative dates up to and including 1 September should not be subject to the new pay limits, provided that such agreements are in conformity with a firm offer made by the employer and attested in writing, before 1 July; and provided that the group has not had a principal pay increase in the preceding 12 months;

   b. arbitration awards may be implemented in full if the formal reference to arbitration was made before 1 July. Similarly
Wages Councils' and Agricultural Wages Boards' proposals agreed at meetings held before 11 July may be implemented;

c. any group which was due an increase before 11 July, not having had a principal increase in the preceding 12 months, and which accepts an offer from their employer for an increase in accord with the current TUC guidelines to take effect on or before 1 September, should not be subject to the new pay limit.

Prior Commitments

18. A number of collective agreements made during the current pay round includes specific commitments for pay increases over the coming 12 months in the form of staged increases or annual settlements made in advance for dates after 1 September or threshold payments. The new pay limit should be applied to employees covered by these agreements as to all other employees in order to avoid unfair discrimination as between one group and another.

19. The government therefore intend that where, under existing agreement, further increases are due to be paid at any date after 1 August they should be limited in their total amount to what would be due to the groups concerned under the new policy. This means that:

a. any part of a staged increase above the new pay limit should not be paid; and if the increase were at the limits allowed by the policy no further increase should be paid during the following 12 months;

b. the same provision as a. should apply to any principal settlement for an operative date after 1 September which has already been concluded;

c. threshold payments may continue to be paid in accordance with the current agreements but any made after 1 August should count against the groups pay limit for the new round and, if the threshold payments reach the level of the pay limit, no further payment under the threshold agreement or any principal increase should be paid for the subsequent 12 months.