



Ref. A04889

PRIME MINISTER

Cabinet: Civil Service Pay

## BACKGROUND

This item is on the agenda to enable the Lord President to bring colleagues up to date on the progress of the Civil Service pay dispute. It will not be a suitable occasion for taking decisions - colleagues will have no papers before them - though the letter which the Council of Civil Service Unions sent to the Lord President today will require urgent Ministerial consideration. In the first instance, however, it is for the Lord President to make proposals and any necessary meeting can be arranged when these are available.

2. The Lord President's report should cover three elements:-

- (a) The progress and effects of the dispute. The basic situation appears to be little changed.
- (b) The results of the Civil Service Union conferences held so far. What conclusions can be drawn from them?
- (c) The CCSU letter. This is a major statement of the Union's present position. What conclusions can be drawn from it?

in the  
file

17. HANDLING

3. You will wish to call the Lord President to make a general statement and then to invite the Chancellor of the Exchequer and the Secretary of State for Employment to comment. The main focus of the discussion is likely to be on the CCSU letter and whether it offers an opportunity of opening a fruitful dialogue.

4. We are approaching what could be a crucial period. Resolutions calling for a one-week all-out strike have been passed at the conferences of the Civil and Public Services Association and the Society of Civil and Public Servants. A decision on whether to call such a strike is unlikely to be considered before Tuesday 26 May; after a decision to call the strike had been taken, it would take several days to organise. The union leaders are likely (in my judgment) to be pretty reluctant to call an all-out strike lasting a week: they could not afford





strike pay, and the call could, therefore, receive a very half-hearted and partial response. The union leaders will not wish to run that risk, if they can avoid it. There may, therefore, be a chance to get some kind of dialogue going next week: so long as "negotiations" were continuing, they could defend not calling a strike.

5. At this stage any conclusions which the Cabinet may draw should be limited to tactics, procedure and timing rather than the substance of the points made by the CCSU. Even if the conclusion is that there should be early contact with the unions, it is not necessary for the Lord President to seek fresh negotiating instructions yet; and when he does need such instructions it may be preferable, or indeed inevitable, that they be sought outside meetings of the full Cabinet.

#### CONCLUSIONS

6. Subject to discussion the main conclusion is likely to be simply that the Cabinet take note of the position reached.

13 May 1981

ROBERT ARMSTRONG

(Approved by Sir R.  
Armstrong and signed  
on his behalf)



# COUNCIL OF CIVIL SERVICE UNIONS

*J. Verker*

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W L KENDALL

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The Rt Hon. Lord Soames GCMG,  
Lord President of the Council,  
Civil Service Department,  
Whitehall,  
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13 May 1981

*Pin Hurst*

1. You make reference in your letter of 6 May to "wise counsel". Had such counsel prevailed on your side some months ago we would not be in the present situation. The Government unilaterally abandoned the normal pay system, suppressed information, refused to negotiate and denied the Trade Union Side recourse to arbitration. No sensible person on our side obtains satisfaction from industrial action. This action was the only possible response open to us given the unyielding attitude of Government. But, of course, we are eager to achieve a just and equitable settlement and our letter of 23 April was intended as a positive contribution towards that end.

2. For the longer term beyond 1982, and your suggestion to set up an outside inquiry, we genuinely question the need for this. We assert - and no case has been put by your side to the contrary - that the basic Priestley Royal Commission principles (fairness to the taxpayers' interest and fairness to the civil servant as employee) remain valid and defensible. What other principles, as distinct from procedures, have we to consider?

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17/5



3. You said at our meeting on 23 April there were two possible paths to deliver a new and agreed system - "the two sides could try to reach agreement in direct negotiation" or move to an "outside inquiry". As a first step, the sensible way would surely be to proceed in negotiation to establish the area of agreement which exists between us and any substantial differences in approach. We could, in the right circumstances, negotiate with speed but in whatever fashion discussions develop it would be essential to start from the point that any new agreed pay system should be fully operative for the 1983 pay settlement, with an unequivocal commitment by both sides to determine 1983 pay by that system.

4. If there were genuine negotiations without a predetermined cash limit, it should be possible to discuss quickly - again in the right circumstances - the arguments and factors regarded as significant for a 1982 pay settlement. You have accepted that comparability will be a factor. For our part we believe that this is vital on the basis of the Priestley "fair comparison" principles. It would be a requirement that there be independent fact-finding and the Pay Research Unit should supply the parties, on a basis to be agreed, with all necessary data. It would also be essential, and would give reality to negotiations, to have an agreed form of arbitration available.

5. You refer in your letter of 6 May to significant numbers of public sector workers who have settled at or around the offer made by Government to the Civil Service, and the average level of settlements in both the private and public sectors. The realities are that large areas of the public sector have produced settlements above 7%. In other areas of the public sector, settlements have not as yet emerged and, when they do, they will be above your offer to the Civil Service. The widely-reported decision of the Government on the recommendations from the Armed Forces Review Body involve increases well above your offer to us. If this is justified because of Government commitments, can I remind you that the Conservative Manifesto also produced a commitment to the Civil Service, i.e. in consultation with the unions, to reconcile long standing pay research arrangements with cash limits.



6. Your statements regarding current pay movements require a detailed answer. Before doing this, however, I must repeat our complaint that the real position would have been clearly established if you had not suppressed the PRU evidence for the 1st April 1981 settlement. At meetings on 5 February and 23 February 1981, I gave specific details regarding the level of outside pay movements and other relevant factors which fully justified our claim for a 15% settlement this year. The most recent information available confirms these statements. The Department of Employment Earnings Index covering the whole economy shows an increase of 16.4% in the year to February. It is perhaps worthy of particular note that the increase relating to manufacturing industries over the same period is 16.1%. The scale of these increases was echoed by the British Institute of Management's Salary Survey which showed that for managerial grades increases of 17.3% were given during 1980.

7. In addition, I attach annexes giving other detailed information. Annex 1 gives a summary of public sector settlements both by percentage increase and other details included on the wages bill. This shows no settlement at the level of the offer in respect of the Civil Service but does show 9 out of 14 where the settlements are in excess of 10%. Annexes 2, 3 and 4 are taken from Incomes Data Services Reports. Annex 2 is composed of a chart of increases on the lowest basic rates. It specifically shows that since 1 January 1981, out of 82 settlements monitored, by far the majority were for more than the offer to the Civil Service. Annex 3 details Wages Council settlements where the rate shown is that for adult workers in the lowest paid category. Here, of the 30 settlements since 1 August 1980, 29 were over 7%. Annex 4 records settlements operative between August-December 1980; of 59 listed, 54 were over 7%.

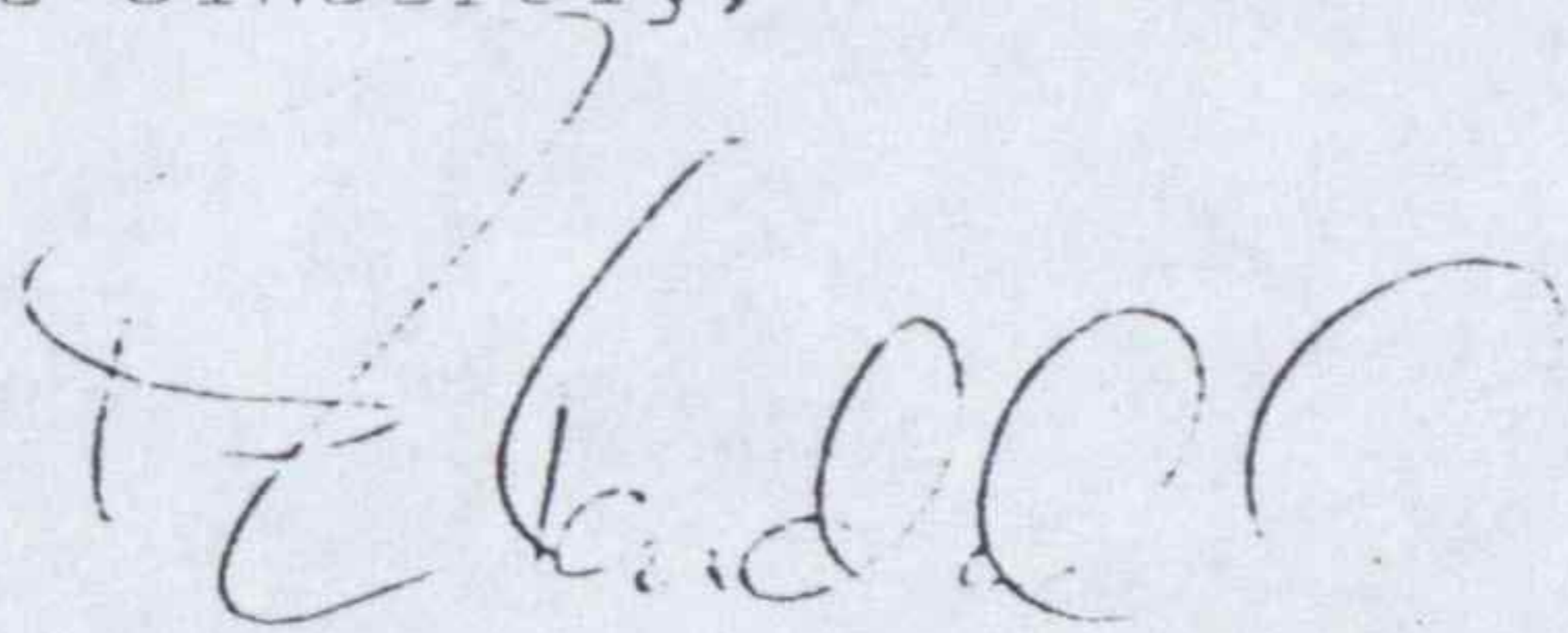
8. In short form, the Council believe that, for this year, there has to be further negotiation to improve significantly on the current 7% offer.

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9. In this letter, we refer to the "right circumstances" for negotiation. So that there can be no misunderstanding, I must make it absolutely clear that the above proposals are to be taken as an entity. Each one is dependent upon the other. We believe that this is a constructive response to your letter of 6 May.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "W. L. Kendall". The signature is written in dark ink and is positioned below the typed name.

W L KENDALL  
Secretary General