



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

~~PRIME MINISTER~~

My com

CASH LIMIT FACTORS AND PAY

B.

In my minute to you yesterday about the possible timetable for a number of announcements, I said that I thought it was important to announce the pay and price factors in the cash limits this week, so as to get the press coverage before the CBI conference.

2. The subsequent developments in the firemen's dispute mean that we ought to do everything possible to make the announcement tomorrow (Thursday), and to secure the maximum publicity for it, in order to influence the resumed negotiations on Friday. One of the questions tabled for Oral Answer tomorrow provides a natural opportunity to do this. I would therefore like to announce in the Answer the actual factors, and then to circulate in the Official Report the fuller statement which I originally had in mind for a Written Answer.

3. Such an announcement is, of course, dependent on reaching agreement on the factors at Cabinet tomorrow. I hope that you will agree that this is of sufficient importance for you to arrange the agenda so that we can resolve this item - I do not think that it needs to be held up for those decisions on public expenditure programmes which are still outstanding.

.....

4. I attach a copy of the statement in the form in which it would be circulated in the Official Report. The fourth paragraph is there in order to ensure that we do not run into the same trouble as we had with the Select

/Committee



Committee this year. You will see that the problem of the carry-over from the staging this year is dealt with on the basis which I put to E: this too will need to be confirmed tomorrow.

5. I am sending copies of this minute to all members of Cabinet, the Minister of Transport, and Chief Whip and Sir Robert Armstrong.

Briggie

for (G.H.)

5 November 1980

(Approved by the Chancellor & signed
in his absence)

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PASSAGE FOR OFFICIAL REPORT

CASH LIMIT FACTORS FOR 1981-82

Cash limits and Votes for expenditure other than pay will provide for an average level of prices in 1981-82 11% higher than the corresponding level in 1980-81.

The cash limits and Votes for pay will include provision for increases in the level of earnings of [6]% in annual settlements which are due before 1 August 1981. For annual settlements due after that date a corresponding provision of [4]% will be made at this stage.

The cash limits set a framework for negotiations; with the outcome settlements in particular cases will depend on the way in which the cash is allocated.

In particular cash limits or Votes the actual percentage increase between 1981-82 in the provision for pay will differ from these factors because of changes in numbers employed, and because in some cases the settlement date is not 1 April, so each financial year will include a period at the rate before and a period at the rate after the due settlement date. In addition, the increase in the provision for pay between 1980-81 and 1981-82 will be affected in some cases by settlements having being staged in 1980-81 with increases paid later than the usual settlement dates, but such staging not being repeated in 1981-82: this will contribute some 1% to the increase in the total public service pay bill between the two years.

The staging of awards has in the past resulted in a higher rate of pay being carried forward into subsequent years than otherwise would have been consistent with the cash limit. This erodes the effectiveness of the cash limit system and confuses the comparisons of the growth of earnings. The Government therefore think it desirable for the future to avoid the staging of awards, and will avoid it where it is itself the employer. If, this general policy notwithstanding, an employer were to agree to staging an award, the Government

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would not allow for the element of that award which was financed by staging when it set the relevant cash limit for the subsequent years.