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C(80) 65

28 October 1980

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CABINET

1981-82 CASH LIMITS AND VOTES:  
ANCILLARY QUESTIONS ON PAY

Memorandum by the Chancellor of the Exchequer

1. Paragraph 6 of C(80) 60 stated that certain ancillary questions relating to the pay provision in the 1981-82 cash limits were under separate discussion. This note sets out the recommendations I have put to the Ministerial Committee on Economic Strategy. My impression is that they will prove acceptable.
2. First, we should oppose any further staging of pay awards from now on. If staging does take place cash limits would be set in a way that ensured no financial advantage was gained by those concerned.
3. Certain awards were staged in 1980-81, and as a result the total pay costs of the groups in question will be higher in 1981-82 than during the current year, without any increase in current pay rates. The 1981-82 cash limits should provide for this increase in costs over and above the general pay factor to be agreed in the light of paragraph 5 of C(80) 60.
4. Second, the early awards in the new pay round are influenced by the cash limit provision in 1980-81 as well as that in 1981-82. The 1980-81 cash limits provide 13 - 14 per cent for these awards. Rather than reduce the 1980-81 cash limits, we should make clear that the 1981-82 cash limits will only finance these awards to the extent of the pay factor to be agreed in the light of paragraph 5 of C(80) 60.
5. If Cabinet were to decide on a pay factor for the current round markedly different from 6 per cent, it might be necessary to reconsider the conclusions set out in paragraphs 3 and 4 above.
6. There is one final point. The 1981-82 cash limits include an element in respect of certain settlements in the pay round starting on 1 August 1981. In order to make clear the need for continued de-escalation of settlements and to avoid a repetition of the problem of over-provision described in paragraph 4 above, I propose that the figure used for this round should be 2 percentage points below the figure Cabinet agree for the current pay round (ie 4 per cent if Cabinet agreed 6 per cent for the current round). This figure would be described as provisional.

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7. I invite Cabinet to note paragraphs 3 to 5 above and to endorse the approach in paragraph 6.

G H

Treasury Chambers

28 October 1980

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