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Civil Service ✓ J. Vercher
A. Daywid



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PRIME MINISTER

1982 CIVIL SERVICE PAY NEGOTIATIONS

Although we are not yet out of the wood on this year's negotiations with the Civil Service, I need soon to turn my mind to next year's negotiations.

As part of the public expenditure survey we are now examining Departments' manpower requirements for 1982/83. So far this is going well and we should be able to get the figures significantly below those which we have provided for in the present public expenditure plans: so much so that we might have £100 million, say 2% of the pay bill, available.

Bearing in mind the difficulties we are likely to have next year, particularly the need to associate pay rises with staff reductions, I propose that we should hold on to these savings (including those which under the normal conventions would be "redeployed" elsewhere within the Defence budget rather than used to reduce public expenditure).

We should thus not reflect them in revised public expenditure totals nor redeploy the MOD monies. This does not commit us to using any of the savings for Civil Service pay. But it keeps open the opportunity to do so, if that seems right after collective discussion nearer the time; and provides a measure of flexibility without increasing planned levels of public expenditure.

Are you content that I should proceed in this way? Nothing will be lost. But if we take the other route we shall have boxed ourselves in more than we need just now.

A copy of this goes to the Chancellor of the Exchequer, the Secretaries of State for Employment and Defence and to Sir Robert Armstrong.

SOAMES

23 July 1981

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