

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

3 March, 1981

CIVIL SERVICE INDUSTRIAL ACTION

The Lord President minuted the Prime Minister last night on the above subject, and they had a word about it this morning.

The Lord President explained that Mr Kendall had now asked for a meeting; he had not yet decided whether he or Mr Heyhoe would take the meeting. While he had no intention whatsoever of conceding anything on the 7% pay figure, he wanted to be able to give the unions some sort of a lifeline in terms of the future arrangements for pay determination. The latter had already been discussed by Ministers collectively; he now wanted the Prime Minister's agreement to the form of words suggested in his minute which might be used at the forthcoming meeting.

The Prime Minister said that, in her view, the suggested form of words in paragraph 5a of the minute gave too much emphasis to the idea that Civil Service pay should not fall behind pay outside; the emphasis ought to be on pay and conditions of service. She also hoped that it was implicit that, amongst the relevant factors to be taken into account in the "ordered and agreed system" would be supply and demand conditions.

The Lord President agreed that supply and demand considerations were indeed implicit. To meet the Prime Minister's point about pay and conditions, they agreed that the form of words in paragraph 5a should be amended as follows:-

"We have already said that an ordered and agreed system would take account of all relevant factors. In introducing such a system, it would be the Government's intention that the terms and conditions of service of its employees should not normally fall behind the terms and conditions of those employed outside."

/I am

CONFIDENTIAL

CONFIDENTIAL

- 2 -

I am sending copies of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

J. P. LANKESTER

J Buckley, Esq
Lord President's Office

CONFIDENTIAL