Mr Vereker

Prime Minister

Ref: A04275

Content!

CONFIDENTIAL

PRIME MINISTER

Civil Service Pay

We need to follow up the decision of E last week that there should be preliminary consideration within Government of the elements which might form part of a new long-term pay agreement with the Civil Service unions. Subject to your agreement I propose that we should establish a MISC group of officials for this purpose. The chairmanship would fall naturally to the CSD. Others who would need to take part are representatives of the Treasury, Department of Employment and the CPRS, the No. 10 Policy Unit and, for the big battalions, the Ministry of Defence, DHSS and the Inland Revenue. The terms of reference might be:-

"To consider, against the background of the Ministerial discussion in E on 12th February and the proposals prepared by CPRS, the elements which might form part of a new long-term pay agreement with the Civil Service unions; the possible extension of similar arrangements to the NHS; and to report."

2. In addition there will also need to be early consideration of the inter-relationship of any new arrangements with the cash limit system. As recent experience shows the issues here are difficult and contentious - they are indeed at the heart of the problem. I do not think it would help to mix them up with the immediate work. Once this is out of the way, however, the Treasury, in consultation with other Departments, will need to come up with specific proposals. If you agree, I will make sure the point is not overlooked.

RTA

Robert Armstrong

16th February 1981

CONFIDENTIAL