

RESTRICTED

1. MR LANKESTER
to see

cc Mr Ingham
Mr Verden



2. PRIME MINISTER

I doubt if we
need a statement
pub
Content that Lord Soames and
Mr Hayhoe should make statements
along these lines tomorrow?

PRIME MINISTER

CIVIL SERVICE PAY

MS
4/3

The Civil Service unions yesterday came to see Barney Hayhoe, at their request. As you know I had offered them a meeting when I wrote to Mr. Kendall on 2nd March.

Barney Hayhoe made it quite clear that there was no prospect of increasing the 7% figure.

As to the future arrangements, he emphasised that it would take time to work out the changes and it was therefore impossible to give assurances now about the new system. Since it was clear that yesterday's meeting was not going to lead to them calling off the industrial action, he did not go so far as giving them a particular form of words, but speaking generally said that he would expect matters such as independent fact-finding, comparisons with outside rates and arbitration to be included in the review. He gave no assurances about what would happen in 1982.

The unions are evidently committed to industrial action. I believe that they now accept that there can be no increase on 7% and they appreciate that it is to more progress on the future - 1982 and beyond - that they must look for further movement.

I see advantage in taking every opportunity to get our message across, and I would like to make a statement on the lines of the attached in the Lords tomorrow. Barney Hayhoe would repeat it in the Commons.

I am sending copies of this minute to Cabinet colleagues and Sir Robert Armstrong.

SOAMES

4th March, 1981

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My Lords, I want to take this opportunity to explain to the House and to the country the present situation regarding the threatened Civil Service strike on Monday. The Government have offered to non-industrial civil servants an increase of 7% from 1 April together with a clear statement of our desire and intention to establish for the future a new, ordered and agreed system for determining Civil Service pay.

For 1981-82 all the public services are operating within pay factors of 6% for their cash limits. For the Civil Service, where the Government is the direct paymaster, it will be possible albeit with considerable difficulty to squeeze a pay increase of 7% from the resources available within the cash limit. That is simply as far as we can go. Other groups like the local authority manual workers and the teachers in England and Wales and in Scotland are settling at about the same level within the constraints imposed by the cash limit. It is evident from this that there is no question of discrimination against the Civil Service.

There are many people in private industry, and in the public sector too, who would feel that such an offer at this time could be classed as a good one, given the general economic climate and civil servants' relative job security.

I know that civil servants are concerned as much about future arrangements for determining Civil Service pay as they are about

this year's cash offer. In August last year I explained to the union leaders that, given the overriding need in the broad national interest for increases in pay to be very restricted, the emphasis in 1981 would have to be on cash limits, reflecting what the Government felt the nation could afford. It was not therefore possible for the Government to operate the existing pay research arrangements in the normal way and in October I suspended them.

A further cause for concern is the pay research system itself which is now more than 25 years old. Over the years it has become top heavy and cumbersome in its operations. It no longer commands general confidence. What is now needed is a thorough overhaul - and this is something I believe to be recognised by the unions as well as by ourselves.

I recognise that civil servants fear that the imposition of increases based on cash limits this year coupled with the suspension of the present arrangements could mean that the Government intends that Civil Service pay should be imposed by fiat each year. But this is not the case. I told the union leaders on 23 February:

"The Government intends to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance".

Evidently that review has to take place before we can see clearly how the new system will be shaped. We have made every effort to clarify the Government's position and, so far as possible at this stage, to explain our intentions to the union leaders. Recognising their concern about such matters as independent fact-finding, comparisons with outside rates and arbitration, we have made clear to them ^{of pay + conditions} ~~that~~ these and other relevant factors would be covered in the review. We will welcome further discussions as the review proceeds.

The Government therefore finds it hard to understand how in these circumstances the union leaders justify their recourse to the extreme step of recommending industrial action to their members. Surely it would be in the best interests of the Civil Service if the union leaders concentrated on making their contribution to the thinking on the new system rather than calling for industrial action from which no-one can gain and from which the country is bound to suffer.

MS