

MANAGEMENT IN CONFIDENCE AND CONFIDENTIAL

*Master*  
~~Covering letter filed on Civil Service (May 77) 'Pay and Pensions'~~

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND REPRESENTATIVES  
OF THE CIVIL SERVICE NATIONAL STAFF SIDE HELD AT 10 DOWNING STREET  
AT 1130 HOURS ON 27 FEBRUARY 1980

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PRESENT

Prime Minister

Mr. Paul Channon, M.P.,  
Minister of State,  
CSD

Mr. C. A. Whitmore

Mr. M. A. Pattison

Mr. W. L. Kendall, Secretary  
General, Civil Service  
National Whitley Council  
Staff Side

Mr. G. Gillman, National Staff  
Side Chairman

Mr. Kendall thanked the Prime Minister for seeing the Staff Side representatives, and apologised for adding to her burdens at a busy time. He and Mr. Gillman did not view this as a negotiating session. The Staff Side, as custodians of the National Pay Agreement, wanted to stress their interest in preserving orderly pay bargaining. He briefly reviewed the history of the National Pay Agreement. It was a comparability system, perhaps the most sophisticated one in operation. Recent criticisms of it reflected a failure to compare like with like. The Conservative Manifesto had given notice of the Government's intention to reconcile pay research with cash limits. The Staff Side wished to express their concern to the Prime Minister about this. It was possible that the package emerging from negotiations would present no problem. But if the Government intervened to breach the Pay Agreement, there would be real difficulties.

Mr. Kendall stressed that the Pay Agreement should be the only criterion. If cash limits were to assume greater importance than pay research, this would not be a reconciliation. The same would be true if the Pay Agreement were suspended in whole or part, for example by denying some element of the pay research figures or by deferring - staging - part of the award as in the past. Unions were frequently exhorted to respect their agreements. The Civil Service unions did so.

Mr. Kendall reminded the Prime Minister that the Pay Agreement included provision for arbitration. In the past, arbitration had been denied. The Staff Side were most concerned about this. He saw 1980 as a water-shed for industrial relations in the Civil Service.

/If the

If the Pay Agreement was breached, there would be long-term consequences as well as immediate action. The Agreement offered an orderly approach and a framework for sensible bargaining. It prevented huge claims unrelated to hard evidence. In negotiation, the differences between the two sides were not normally wide. It offered great advantages to the Government as an employer. There were some signs of disenchantment with the Agreement both inside and outside the Civil Service. But last year's difficulties had been the result of the previous Government's breach of the Agreement. Another breach would make industrial action inevitable. This was not the Staff Side's style, but just a statement of fact. If arbitration were to be circumscribed, this would add fuel to the flames.

Mr. Kendall stressed that the Pay Agreement had limited the aggravation and industrial action over the years. In handling the IPCS claim, Lord Soames had stressed the value of proceeding to arbitration. Civil Service militancy had grown in recent years as a result of Governments breaching the Pay Agreement. The long-term consequences of further disaffection would spill out from pay to all other issues. The Staff Side were not insensitive to national economic problems. But these would remain for some time, and the Government would require the co-operation of its staff in facing them. The Staff Side therefore hoped that the Agreement would be honoured. If it had to be changed, there were due processes: these could not, of course, be applied for the 1980 negotiations.

Mr. Gillman stressed that civil servants had a great sense of equality. Their limited displays of industrial action had been a response to a deep-seated sense of unfair treatment. In entering the Pay Agreement, the unions' side had given up the right to select their own basis for pay claims, and had agreed to base their bargaining on the independently collected and assessed PRU evidence. They had agreed never to lead in pay claims, only to follow national patterns. They had agreed not to seek more than others, and in return the Government had agreed not to offer less than others received. Explosive situations arose only when Civil Servants felt unfairly treated. For this reason, he hoped that the Government, unlike its predecessors, would honour the National Pay Agreement. They foresaw hard negotiations with the tough negotiators from CSD, but within the rules of the claim.

/The Prime Minister

The Prime Minister appreciated the co-operation which the Civil Service had shown the Government in the exceptionally busy period since the General Election. The Government hoped to get through the pay negotiations without industrial trouble. That would be the best basis for the future from all sides. There were always difficulties. She could not comment on the previous Government, which had had its own ways of tackling difficulties. She noted that the Staff Side put the maximum emphasis on the Pay Agreement, including the provisions for arbitration. The Government therefore had to seek some manoeuvrability elsewhere, given its cash limits policy. There was unfortunately no bottomless pit to meet the requirements. The negotiations would be tough, and the Government would have to find some way of maintaining its objectives.

Mr. Kendall said that the Staff Side had been informed that the PRU evidence would be reconciled with the cash limits. They expected the Government to see all the PRU evidence before setting its figure. The PAC and the Select Committee on the Civil Service had accepted this approach, while noting the possibility of difficulties in the future. If the sums were right, there would be no problem. Ideally, he would like to hear the Prime Minister say firmly that the Government would honour the Pay Agreement. The Prime Minister said that she would have to discuss these matters with her colleagues. She had therefore agreed to see Mr. Kendall and Mr. Gillman ahead of these discussions. It was essential that everyone should strive for greater efficiency in the use of resources. She had perhaps over-emphasised the need for harder work when she should have stressed the need to use existing resources with greater efficiency. Mr. Gillman believed that the Civil Service unions had a good record over the years on improved techniques, for example, for the introduction of ADP. The unions had taken the initiative on discussions of a new technology agreement. The Prime Minister welcomed this approach. Efficiency had to be maximised. She did not believe that this meant throwing people out of work. The most efficient organisations were generally the most successful. She recognised that the Staff Side regarded the Pay Agreement as paramount. They would have to recognise the Government's need to keep numbers down. She assured Mr. Kendall and Mr. Gillman that decisions would not be taken lightly. The meeting had been valuable to her.

/Mr. Kendall

Mr. Kendall said that they would not be seeking publicity for this informal meeting, but they would have to report to the union General Secretaries. If asked, they would say that they had seen the Prime Minister for a private and informal talk about current Civil Service problems. The Prime Minister confirmed that No. 10 would not publicise the meeting but would not deny it if asked. If asked whether pay had been discussed, she would confirm that it had been among the current problems.

MA

27 February 1980