

PRIME MINISTER

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Mr
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Civil Service Pay

In the House this afternoon you said:

"I do not regard a 50% increase in pay this year compared with two years ago, and a further offer of 7%, which will lead to an increase of 11% over last year's pay, because of the way in which staging takes effect - together with job security and inflation proof pensions - as bad treatment."

I have talked at some length to the CSD, and also to the Treasury, about the figures underlying the present Civil Service pay offer, It is undoubtedly true that the full cost of the current offer is more than 7%, but I am afraid that none of us can bring it up ^{to} as much as 11%.

The CSD have sent us the attached letter about the figures, but I do not find it very illuminating. I think that the easiest way to tie the figures together is to say that the offer itself entails an extra 7% on the pay bill, assuming that the numbers and grades remain unchanged. Another 1% is to be added for incremental drift and another 1% on top of that to take account of last year's staging. That makes 9%. Everyone is content to agree that the figure of 9% is a fair reflection of the cost of the offer before taking account of any manpower reductions that may be achieved. In drawing up the estimates the CSD also included extra provision for national insurance, increased overtime working, and staging for industrial civil servants, but they would resist adding those figures in to the total drawn up in the way I have described.

No-one has yet followed your remarks up with us, but I am afraid that the unions will do so when they see them in tomorrow's papers and in Hansard. If we get press queries tonight, the Press Office stand ready to say that everyone already knows that the cost of the offer will be more than 7% because of staging, but that the exact figure will depend on the scale of manpower reductions which is achieved. I think that this is a

/sensible

sensible holding line for the moment.

MS

P.S. Can you tell us who it was who gave you the 11% figure?

No - it has come
up in discussion
and I think has been
in the press.

7 April 1981