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*Original on  
Comparability*

Ref. A03236

PRIME MINISTER

Comparability and Cash Limits

(E(80) 115 and 119)

BACKGROUND

In his paper on public service pay in the summer (E(80) 71) the Chancellor pointed (in paragraph 11) to a range of options for settling Civil Service pay in the longer term. At the meeting which took his paper (E(80) 27th Meeting, Item 1) he was asked to arrange for officials to elaborate these options for further consideration by colleagues. The report attached to his present paper is the result. In addition the CPRS have circulated a paper (E(80) 119) commenting on the range of options now before the Committee. In his cover note to the officials' paper the Chancellor says that his own first impression is "that it does not deal sufficiently with the fundamental issues". He does not elaborate further than this, though the evidence in his other paper (E(80) 118) which will have been discussed at the outset of the present meeting suggests that he is really hankering after a system whereby public service pay is determined by the monetary targets for at least the next two years. It is likely that the main issue here - whether, and if so for how long, cash limits can lead pay settlements - will have been extensively discussed. If the view of the Committee has proved to be, as the Lord President puts it in his paper, that pay in the public services is to be determined by Government fiat, the options in the paper do not arise. If on the other hand the Committee feel that this approach is unrealistic and that, in reality, the choice is between agreement with the staff on how pay is to be determined or free collective bargaining (neither compatible with tough cash limits set in advance), then the choice of options rests on a judgment about which gives the best overall result (including in the balance sheet the costs of disruption). The CPRS clearly believe that the choice, if there is to be a structured system at all, lies between option B (improved comparability) and option E (topping up and periodic pay research).

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If (at the end of what may be a long and difficult meeting) your colleagues are not inclined to come to a specific conclusion, it may be enough for present purposes to seek a collective view on whether your colleagues prefer straightforward bargaining or a structured agreement containing an element of comparability. If they prefer the latter, it would help (but is not essential) if they could narrow down the options to perhaps two alternatives which officials could be asked to study further. Such a study would usefully extend beyond the options themselves into the difficult areas of the NHS and local authority employees.

HANDLING

2. In introducing his paper you might ask the Chancellor to expand upon the doubts he refers to in his covering note. You might then invite your colleagues to consider the three basic questions:-

- (a) Is it conceivable that the Government can impose pay settlements on the public services beyond next year unrelated to movements in pay in the rest of the economy?
- (b) If not, do they prefer a system which is essentially one of free collective bargaining or a structured system with an element of comparability agreed with the staff?
- (c) If the latter, can they narrow down the options for further consideration?

CONCLUSIONS

3. These might follow the three questions set out in the preceding paragraph coupled, if that is the view, with an invitation to the Chancellor of the Exchequer to arrange for the interdepartmental group of officials who produced the present report to bring forward a further report, taking account of the discussion, as quickly as possible.

ROBERT ARMSTRONG

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15th October, 1980