



PRIME MINISTER

MBA

CIVIL SERVICE PAY

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23/10

I have seen the minute of today's date from the Secretary of State for Employment commenting on my minute of 20 October to you. I am glad that he agrees that we should stop the pay research evidence coming in.

Two events have occurred since I wrote which in my view require us to move very quickly to give effect to a decision to suspend pay research for 1981. First, the Financial Times has apparently heard a garbled report to the effect that the Government has already decided to suspend the Pay Agreement for next year and to inform the unions of the decision at a meeting tomorrow. Mr Kendall says that they have approached him for comment on it. Secondly, Mr Kendall himself has been instructed by the Council to see the Director of the Pay Research Unit tomorrow to request the immediate delivery of those of the Unit's reports which are already complete: unless we suspend the Pay Agreement, the Director may find it difficult to withstand this request for long.

I am clear that the terms of the letter of 19 September do not, in themselves, amount to formal suspension of the Pay Agreement, but I shall of course make good use of the letter in defending our action.

What is clear is that the only way of preventing the reports coming in - and we are all agreed on the need for this - is to announce the formal suspension of the Pay Agreement for 1981 and to do so quickly.

I am sending copies of this minute to those who received the earlier correspondence.

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23 October 1980