

Public Sector
Pay PHS

Mr. Ingham
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CONFIDENTIAL

MR. PATTISON

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Questions: Public Sector Pay

The Prime Minister may face criticism this week on the Government's handling of public sector pay, in view of recent developments in negotiations with the miners, water workers, and local authorities. I suggest below a possible Question which might come to her, and a possible reply which I have cleared with both halves of the Treasury.

If this comes up, I think we must try and re-instate the credibility of the 4% pay factor. If the Prime Minister does not mention it, it may be assumed that the newspapers are right in saying that recent developments have torn it to shreds. Even if the newspapers are right - and there is no doubt that the Chancellor's package, and negotiations with the three groups I have mentioned, have established a higher going rate than we had hoped - we still need to re-assert it in order to keep expectations of the final outcome to a minimum.

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CONFIDENTIAL

Q. Has the Prime Minister seen the figures in the Economic Progress Report published today which indicate that in all cases the public sector is better paid relative to the private sector than it was 10 years ago; do not the recent pay offers to the miners, the water workers and the local authority manual workers make it more likely that their relative advantage will be increased; and what does the Government propose to do about it?

A. Yes, Mr. Speaker, I confirm that the figures recently published do indicate that public sector earnings have recently moved faster than the private sector. Where the Government is the employer, it will negotiate against the background of cash limits fixed on the basis of a 4% pay factor in cash limits. Where the Government is not a party to the negotiations, it cannot determine what pay offer will be made: that is up to the employer to judge, in the light of what they can afford. The House will have noted that in the case of the local authority manual workers an offer, subsequently described by a representative of the employers as more than they could afford, was made as a result of the casting vote of a Labour chairman. I hope the House finds that as deplorable as I do.

/If necessary/

No, I am not saying that the Government's employees in the Health Service and Civil Service will be given 4%, but that we will have regard to cash limits fixed on the basis of a 4% pay factor.