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PRIME MINISTERNon-Industrial Civil Service: Pay Claim 1982

BACKGROUND

FLAG A The meeting will have before it the paper circulated by the Chancellor of the Exchequer on 5 January. This sets out the background to the 1982 pay negotiations for the non-industrial civil service and discusses various courses of action open to the Government.

2. The paper concentrates attention in para 40 on two main negotiating routes:
- a. to assume from the outset that arbitration is inevitable and to frame offers in negotiation with this in mind; or
 - b. to seek a negotiated settlement in the hope of avoiding arbitration.

There is then a discussion in paras 42 and 43 of the kind of initial offer which would be appropriate to each of these options and an indication in para 44 of some more detailed issues on which Ministerial guidance will be needed at an early stage.

MAIN ISSUES

3. The Chancellor of the Exchequer will no doubt indicate the points on which he would particularly like guidance at this meeting. These are likely to be of two kinds: relating to procedure and machinery, and relating to broad strategy.

Procedure and machinery

- FLAG B. — 4. On procedure and machinery you (but not the others present) have the Chancellor of the Exchequer's minute of 22 December on which I commented to FLAG C — Mr Whitmore on 24 December. The Chancellor envisaged a three-stage operation, and this meeting is the first of those stages. It has also been agreed that the

*no - public service pay; the nationalised
industry ministers will not all
be present - eg Energy and Transport
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second stage - the wider Ministerial meeting - is to be the informal meeting on public sector pay generally which has been arranged for 7 January; that meeting will not have the Chancellor's paper of 5 January but he will report orally to it in the light of this meeting.

5. There remains the third stage - the continuing machinery both at Ministerial and official level. As you will recall, the proposal was that, unless you preferred to chair it yourself, the Chancellor of the Exchequer might chair a small steering group consisting of the Chancellor of the Duchy of Lancaster and the Secretaries of State for Defence, Employment and Social Services, supported by an official group under Treasury chairmanship.

Broad strategy

6. The main strategic question on which the Chancellor of the Exchequer would probably welcome guidance is whether to seek a negotiated settlement or accept that arbitration is inevitable. The arguments are summarised in paragraph 40 of the paper.

7. I wonder whether this poses the real choice. The claim is for 13 per cent. The most that we can pay within a 4 per cent pay factor in cash limits is 5 per cent. The miners have rejected just under 10 per cent. The local authority employers have already offered their manuals 7 per cent. The signs are that the public service unions are likely to seek to use the non-industrial Civil Service claim as a battering ram, behind which other groups would hope to come in. I doubt whether the Civil Service unions could accept any figure below 6 to 7 per cent. Equally, I do not see how the Government can offer anything above 5 or 5½ per cent at most. So arbitration seems to be absolutely inevitable.

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8. It does not follow from that/the Government's offer should go no higher than 4 per cent, though that is one possible choice. It would be advantageous if the Arbitration Tribunal came out with an award which was "reasonable", and which therefore did not oblige the Government to ask the House of Commons to override it. The Arbitration Tribunal is more likely to make a "reasonable" award if the Government has shown some attempt at genuine reasonable negotiation and readiness to move a little. I believe that the aim should be to go to the Arbitration Tribunal with a figure on offer which would give those who have to deploy the management's case the best possible platform. It is for discussion what that might be: but, for illustration, we might start with an offer of 3 or $3\frac{1}{2}$ per cent, and be ready to negotiate up to 5 (or perhaps $5\frac{1}{2}$) per cent as a basis for arbitration.

9. So I would frame the basic questions:

a. is arbitration inevitable?

b. If so, on what basis does the Government want to enter arbitration: in particular, does it want to enter arbitration with the object of avoiding the need to override if at all possible; or does it want to stand at arbitration on 4 per cent, and increase the risk of an unacceptable award and the need for override?

10. If agreement is reached on this basic strategic issue, the meeting may wish to move on to a general, but not definitive, discussion about the initial tactics, covering the following points:

a. If arbitration is agreed to be inevitable, should the initial offer be below 4 per cent but not so low as zero?



b. Should it be a flat-rate offer?

c. Should the Government try and force the pace by publishing an early low offer (in the hope of influencing other public service pay negotiations) or would it be preferable to let events take their normal course?

11. Unless any of those present wishes to discuss the more detailed questions (such as possible concessions on supplementary issues like London Weighting and BUPA) it would be preferable to leave them to be explored more fully in the new Ministerial steering group, and official group, when they are set up.

CONCLUSIONS

12. Depending on the discussion, you will wish to reach conclusions on the following:

- i. the handling of the wider Ministerial meeting;
- ii. the continuing machinery at Ministerial and official levels;
- iii. whether the Government should seek a negotiated settlement, or negotiate in the expectation that arbitration is inevitable;
- iv. whether, in the light of iii., Ministers are ready to reach any preliminary views on the level and timing of an initial offer.

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ROBERT ARMSTRONG

5 January 1982

