



10 DOWNING STREET

From the Private Secretary

7 January 1982

Dear John,

The Prime Minister held a meeting this morning on public service pay. The Chancellor of the Exchequer, the Secretaries of State for Education, Environment and Employment, the Chancellor of the Duchy of Lancaster, the Minister of State for the Armed Services (Mr. Blaker) and the Minister of State at the Department of Health and Social Security (Dr. Vaughan) were present. On Civil Service pay, the conclusions of the meeting are recorded separately.

On teachers pay, the Secretary of State for Education and Science said that the danger here was that the negotiators would be too much influenced by the 6.9% offer for local authority manual workers. The unions would certainly be watching the progress of the Civil Service pay claim closely, and if the latter went to arbitration, it seemed very likely that the teachers would similarly seek arbitration. His advice was that although the union's unilateral right to arbitration had now gone, the management side could agree to arbitration without Government consent. It would be impossible for the Government to exercise a veto on the outcome of arbitration. So far as higher education was concerned, the Vice-Chancellors had indicated that they would like to achieve a settlement below 4%, on the basis that they could use the difference between the settlement level and 4% to finance their redundancy and slimming costs. The Chancellor of the Exchequer was asked to consider urgently whether this might be an acceptable way of proceeding.

On local authority pay, the Secretary of State for the Environment expressed the hope that the approach proposed for the Civil Service might be extended to the AP and TC group of white collar workers whose claim was expected towards the end of this month.

On nurses pay, a paper was being prepared for E(PSP) and there would also be a further discussion in the Nurses and Midwives Whitley Council early next month, as envisaged in the Prime Minister's meeting with the Staff Side on 18 December. Given the substantial recent increases in the nurses and midwives pay bill, it was agreed that urgent consideration should be given to ensuring that there was no further increase in their numbers.

/The Chancellor

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The Chancellor of the Exchequer was asked to consider the practicability of earmarking part of the contingency reserve for capital spending late in the financial year, so as to allow the argument to be advanced in pay discussions that a moderate settlement would provide room in the current financial year for procurement of, for example, additional medical equipment, school books, or steel pipe for improved sewerage and water services. Such an approach might also be extended to the local authority field.

Mr. Blaker outlined the problem of fleet auxiliary officers. It was agreed that the Chancellor would make early proposals about the treatment of these people, together with other single outside analogue grades.

I am copying this letter to Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Barnaby Shaw (Department of Employment), Jim Buckley (Office of the Chancellor of the Duchy of Lancaster), John Halliday (Home Office), Peter Craine (Ministry of Defence), Craig Muir (Department of Health and Social Security) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar.

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John Kerr, Esq.,
HM Treasury.

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