



PRIME MINISTER

Tactics and communications

(MISC 66(82)5)

In MISC 66(82)5 the chairman of the Office Group (MISC 67) sets out the proposed tactics for the 1982 pay negotiations in the non-industrial civil service. In paragraph 2 the paper stresses the objective that the Government should be seen to have fulfilled its assurance that there would be "room for genuine negotiations". To this end the following timetable is suggested:

- i. an exploratory meeting on Thursday 4 February at which the Official Side will listen while the unions argue their case;
- ii. a second meeting around the middle of February at which the Government's offer would be tabled;
- iii. unless the unions break off discussions, a third meeting at which some advance would be negotiated on the Government's initial offer;
- iv. arbitration beginning in late February/early March with a view to an award around end-March/early April.

Flag A
2. It is proposed that the meeting on 4 February should be held in a low key at official level but that the statement at Annex A to MISC 66(82)5 should be issued; no decisions are sought about the handling of the second meeting at this stage.

Flag B
3. In his minute of 1 February the Chancellor of the Exchequer has drawn attention to the link between the announcement of any improved pay offer above 4 per cent to the nurses and other NHS groups and the handling of the civil service pay negotiations. If the public expenditure issues can be resolved, the proposal is that about half those employed in the NHS (some 600,000) should receive increases of 6-6½ per cent while the remainder should get no less than



4 per cent. The Secretary of State for Social Services wants to be in a position to make this offer as soon as possible.

MAIN ISSUES

4. The most immediate issue concerns the handling of the meeting on 4 February. There appears to be no difficulty about the proposal that this should be a low key exploratory meeting at official level. The Government would not be ready to deploy an initial offer on Thursday, and there is a clear need for the Government to make some move. The statement at Annex A is designed to lessen the risk that the unions will make all the running in publicity after the meeting, and to get across both publicly and to the staff some key points - that the assurances about genuine negotiation and access to arbitration still stand, that the union claim is unrealistically high; and that the Government will soon be making an offer which takes account both of its duty to the public and its managerial obligations, and reflects the recruitment and retention position.

5. The crucial stage is however the second meeting. If this meeting is to succeed the Government's offer has to appear both credible and reasonable, so that the unions do not have the excuse of claiming that the Government is not entering into genuine negotiations. In part this depends on the decisions which Ministers take about the nature of the offer. The perception of that offer will however be strongly influenced by expectations about the general level of public service pay. The timing of the announcement of the NHS pay offer is therefore a major tactical issue.

6. The Government's present position on public service pay generally was set out in the announcement about public expenditure cash factors on 15 September 1981:

"The pay factor does not imply that all public service pay increases will or should be 4 per cent. Some may be less, and some may be more. There is no automatic entitlement to any particular pay increase: each must be justified on its merits. The pay factor is a broad measure of what the Government thinks reasonable and can be afforded as a general allowance for increases in pay, at this stage of fixing the programme from which the public service wage bill has to be met."



7. Although that statement was drafted so as not to rule out the possibility of a higher offer for some NHS staff, as well as a possible civil service arbitration award in excess of 4 per cent, the kind of offer now envisaged for the NHS may well seem a substantial relaxation of the Government's stance. There are three main options:

- i. to announce the NHS offer before the civil service offer;
- ii. to announce both offers simultaneously (which E(PSP) seemed to favour);
- iii. to delay the NHS offer until after the civil service offer.

8. If either option i. or ii. is chosen there seems to be a considerable danger that the civil service unions would reject the Government's initial offer out of hand. This argues for option iii. and for delaying the NHS offer until the civil service unions have had ^{time} to react to the civil service offer on its merits. There are however two considerations which argue in a contrary direction: first that the Government's later disclosure of the NHS offer could seem like sharp practice, and secondly that delaying the NHS offer could make the nurses more difficult to handle and could lead to an even higher NHS settlement in the long run.

HANDLING

9. Unless you wish to give the chairman of the Official Group an opportunity to introduce his paper, you will wish to invite comments first from the Chancellor of the Exchequer, and then from the Secretary of State for Social Services on the relationship with the NHS pay offer. The Chancellor of the Duchy of Lancaster may wish to comment on the implications for civil servants' morale and efficiency.

CONCLUSIONS

10. You will wish to reach conclusions on the following:



- i. the broad tactical plan set out in MISC 66(82)5;
- ii. the detailed proposals for handling the meeting on 4 February and in particular the draft statement at Annex A in MISC 66(82)5;
- iii. the timing of the NHS offer in relation to the timing of the initial offer to the non-industrial civil service.

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ROBERT ARMSTRONG