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Treasury Chambers, Parliament Street, SW1P 3AG
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29 May 1986

The Rt. Hon. George Younger MP
Secretary of State for Defence

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CIVIL SERVICE INDUSTRIAL PAY NEGOTIATIONS 1986

As you will be aware we received a pay claim from the industrial unions on 11 March for their 1 July pay review. Our officials and Kenneth Baker's (as was) have had some informal exploratory meetings with them and we now need to decide on an offer.

The claim was for "a substantial increase in pay", without figures, and for unquantified improvements in hours, leave, overtime rates and some allowances. There is some pressure to acknowledge the existence of the multi-skilled high technology craftsmen. I think we should try to get a settlement based on increases in pay alone, with a leaning towards favouring the craftsmen, and there are signs that we might be able to do this reasonably peacefully if we agree to continuing discussions on restructuring which were begun last year (this will embrace their clear concern over the craftsman issue) and to review the shift duty allowance payments systems (but without putting any additional money on the latter this year).

Clearly the acceptability of such an approach will depend upon the size of the offer. We must try to contain the cost of the settlement and with inflation coming down, and the need for pay restraint generally, there are great attractions in going for something significantly below the recent non-industrials' settlement.

On the other hand the industrials have had a series of quite low settlements; other groups are pressing for, or have achieved, 6 per cent or more. The industrial Civil Service unions are the same ones who are involved with the electricity industry and local authorities. They will certainly be looking for at least the figure of 6 per cent which we agreed for the non-industrials and are likely to resist any attempt to enforce a lower settlement on them, in the belief that we would eventually be prepared to move to the non-industrial



figure. I am mindful that they are employed in areas of great importance for our defence effort. Having carefully considered the issue, I doubt whether it would therefore be worthwhile to provoke a confrontation with them in the hope of getting a slightly lower settlement. I would therefore intend to instruct our officials to try for a lower settlement, but to authorise them to go to 6 per cent if need be to reach agreement.

If you and colleagues agree, I will authorise officials to explore the ground informally, on the lines I have suggested, at the JCC Sub-Committee on 2 June and then to make formal proposals at the full meeting scheduled for 9 June, attempting to get a settlement as quickly as they can. It goes without saying that, consistently with the Cabinet decision on 1 May on the non-industrials pay settlement, the cost will have to be absorbed within departmental running costs limits.

I am copying this letter to the Prime Minister, other members of E(PSP) and to Sir Robert Armstrong.

NIGEL LAWSON

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