

MR OWEN

cc Mr Mount
Mr Scholar ✓

CIVIL SERVICE PAY

Peter Le Cheminant called a small and informal meeting this afternoon to discuss the next round in the Civil Service pay negotiations. Outside of the formal negotiating meetings, he is having a series of private discussions with the union leaders, and notably with Bill McCall, Alistair Graham and Gerry Gillman.

The position has been reached that the unions have brought down their sights quite considerably on the quantum of the offer, and are now saying that they could defend to their members an "interim settlement" (ie before the new pay system comes into force) related to the going rate, or to the end-year RPI. Peter Le Cheminant interprets this as meaning 6-7%. The unions have three requirements as to the shape of the offer. First, there must be a useful percentage increase for all - none of this zero per cent for those at the bottom of scales; second, there should be a cash sum for all, to help the lower paid; and third, there should be an under-pinning minimum, which is of particular concern to the CPSA, and it would have to be set at about £3.50.

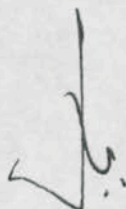
The Treasury recognise that the union's aspirations on the quantum is still much too high; but they are inclined to accept the union's views on the shape. Peter Le Cheminant believes that he could negotiate a settlement around 5% if he had authority to accept this kind of shape.

I said that I thought we could accept the union's first point on the shape: what we were proposing was a range of only about $\frac{1}{2}$ % anyway, and it was not a point of principle for Ministers. But I thought there would be vigorous opposition from No 10 to the other two points, which ran counter to management requirements

and to our view of the labour market and the absence of need to increase wages for young people. And I thought it would be dangerous to associate ourselves with the concept of an interim settlement, if that implied that it was less than it would otherwise have been because next year's settlement will be high.

This was an informal and an exploratory discussion, and no decisions were taken. But I conclude that we will need to keep a close eye on these negotiations because the Treasury will be tempted to give away some kind of slant for the lower paid without getting an adequate trade-off in return for the quantum. On the latter, you will see from our files that the Treasury negotiators have been told that they have authority only up to 4% (Michael Scholar's letter of 24 February), but Peter Le Cheminant of course knows that MISC 66 would have been prepared to go to 4½%.

I am sending a copy of this note to Michael Scholar for information only: we ought not to alarm the Prime Minister at this stage.



14 March 1983