



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

Prime Minister

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The Chancellor mentioned

this - and you

agreed that Mr

Le Cheminant might

aim for a settlement not
above 4½%, together with
minimum tilting towards the

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

low paid - except
juveniles.

The Ministerial Group on Civil Service Pay Negotiations (MISC 66) met on 22 March under my Chairmanship to review the current state of negotiations with the trade unions. I gave some preliminary indications in my letter of 21 March to the Lord Privy Seal, of which you received a copy.

MUS 23/3

2. Officials have held lengthy discussions with the unions. In accordance with their negotiating authority they offered increases favouring those on the middle and higher points of their pay scales (as in last year's settlement) and worth, on average, 3½ per cent. The offer was made on a 'without prejudice' basis, that is, it is confidential, cannot be quoted before an arbitration tribunal, and can be withdrawn if we so decide.

3. In response, the unions have reduced their claim considerably (though not by quite so much as some press reports have suggested). They have indicated that they would be prepared to recommend to their members a settlement which officials estimate would cost about 5½ per cent, provided that this is weighted so as to favour the lower paid: the specific proposition they have put forward is for an increase of 3 per cent plus £3 a week. It is clear that they are willing to negotiate on both the overall value of the settlement and the precise /shape. But unless



shape. But unless there is some measure of preference for the lower paid, the deal will not command the necessary weighted majority in the Council of Civil Service Unions.

4. The unions have also indicated that they are willing to withdraw their claim for shorter working hours; and that they would be willing to accept that negotiations on such matters as changes in the system of London Weighting and the restructuring of certain salary scales (which MISC 66 approved at its meeting on 15 February) should be settled within a predetermined sum of money and on an agreed timetable. The estimate of 5½ per cent in the previous paragraph, like the other relevant estimates in this minute, includes an allowance of 0.3 per cent for this sum.

5. I must emphasise as strongly as I can that all this has gone on in the strictest confidence. It is essential to preserve this confidence. If it became known that the unions had reduced their claim in the way I have described they would probably be unable to hold their militants. This is what happened with the press reports referred to in paragraph 3 above: the unions have been forced to disown them, even though we have some reason to believe that they accurately described what was the unions' fallback position before the leak took place.

6. MISC 66 took the view that we should do our best to obtain a negotiated settlement which the unions will recommend to their members. Other considerations apart, the natural alternative for the unions is to ask for /arbitration.



arbitration. They have a right of access to arbitration; we should find it hard to refuse it, especially in the light of what we said about arbitration during the water workers' pay dispute; and although any arbitration award would probably be below last year's award of 5.9 per cent on average, the general level of settlements in this year's pay round suggests that it might well not be much less. The average level of settlements in the non-manufacturing private sector is just over 5½ per cent; in the private sector as a whole three-quarters of employees covered by the Department of Employment's confidential surveys have settled between 5 and 6 per cent.

7. We must, of course, take full account of our general strategy for pay, the likely repercussions of any settlement on other pay negotiations, and what can be afforded. An offer costing up to 4½ per cent overall, and probably fractionally more, could be afforded within the aggregate of departmental cash limits. Any settlement above 4½ per cent would however create particular difficulties for the Secretary of State for Social Services, in the context of the National Health Service. MISC 66 therefore took the view that the aim should be to secure a settlement at not more than 4½ per cent. If, as may be the case, the unions are not willing to settle at this level, we shall need to think again about our approach to the negotiations.

8. As for the 'shape' of the offer, the Group agreed that it would be to our tactical advantage to go some way towards the union position and concede some element of favourable treatment for the lower paid. This is of course in principle undesirable, although we did concede
/a small flat-rate



a small flat-rate element in the 1981 settlement. We therefore agreed that our negotiators should do their utmost to minimise the weighting in favour of the low paid. The flat-rate component of any offer should be in the area of £1 a week or less, rather than the £3 a week suggested by the unions. Officials should also ensure that the weighting does not extend to juvenile grades. The unions attach relatively little importance to those grades; and the recruitment position makes it quite unnecessary to offer them above-average increases.

9. It is desirable that we should try to make early progress. The longer the negotiations last, the nearer we draw to the union conferences in May (with the attendant risk of unreasonable pressure being exerted on the union negotiators), and the greater the danger of leaks. MISC 66 therefore consider, subject to your views, that officials should be authorised to negotiate with the unions on the lines I have described. Any offers would, as before, be on a 'without prejudice' basis in order to avoid raising the floor in case there should be arbitration.

10. There are difficult judgements to be made here, and you may wish to discuss them with me.

11. In view of the need to maintain secrecy, I am, with the agreement of the other members of MISC 66, sending a copy of this minute only to Sir Robert Armstrong.

G.H.
23 March, 1983