

cc: CO

P. Gregson, CO

P. Le Cheminant, HMT

Mr. Hayhoe's Office, HMT

EMP

LPS

DHSS

MOD

DES



10 DOWNING STREET

From the Private Secretary

30 March 1983

Dear John,

CIVIL SERVICE PAY NEGOTIATIONS

The Prime Minister took a meeting this morning to discuss the Civil Service pay negotiations. The Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence, Social Services, the Lord Privy Seal, the Secretary of State for Employment, the Minister of State, Treasury, Mr. Peter Le Cheminant and Mr. Peter Gregson were present.

The Chancellor said that following intensive discussions between Treasury officials and the Leaders of the Civil Service white collar unions he had had a meeting with the unions yesterday evening. They had reaffirmed their desire for a negotiated settlement, and expressed recognition of the Government's willingness to contemplate a settlement going some way to meet their concern for the lower paid. They then outlined a settlement which they would be prepared to recommend to their members, including the introduction of an intermediate zone for the London Weighting payment, an overall London Weighting settlement worth 0.15 per cent, deferment until next year of their claim for reduced working hours, and a general settlement worth 5.3 per cent of the total pay bill. This would include a significant element of flat-rate cash increase: they had indicated that their preferred solution at the 5.3 per cent level would be a 3 per cent increase plus £3 a week for all adults.

In discussion it was agreed that 5.3 per cent was too high. Such a settlement would cause great difficulty with the nurses and other National Health Service workers, whose 4½ per cent increase had been described by the Government as an exceptional settlement. This difficulty would be compounded by the fact that the Government was manifestly responsible, as employers, for Civil Service pay. There appeared to be little disposition to strike amongst the Civil Service unions at the present time. The Government welcomed the improved industrial relations within the Civil Service, and wished both to secure the lowest possible settlement, and also to maintain these improved relations. Indeed, 4.9 per cent was also a high figure, particularly in relation to the National Health Service. But the Scottish teachers' settlement at 4.975 per cent and the likelihood that English and Welsh teachers would seek arbitration if they could not match the Scottish figure, together with the 4.8 per cent settlement for local authority manuals, all

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put very considerable pressure on the Government's present offer to the Civil Service unions of 4.5 per cent. It was noted that it was proposed to finance the settlement strictly within the present 3½ per cent cash limit for the Civil Service. This would be an important point in the presentation of the Civil Service settlement, in contrast with the National Health Service settlement where, because of growing demand and manpower numbers, the cash limit increase could not be set some way below 4½ per cent. There would be advantage in securing a quick settlement with the Civil Service, before the preparations for Civil Service union conferences began after Easter. There were strong arguments for avoiding arbitration in the Civil Service this year.

Summing up the discussion, the Prime Minister said that it was agreed that the Treasury should have authority to offer up to 4.9 per cent, on the basis that this would secure a quick settlement, and provided that the increase in pay would be contained in aggregate within the present cash limit for the Civil Service which was based on the 3½ per cent pay factor. The Treasury should, however, continue to seek a lower settlement than the maximum authorised, and should do their utmost to reach a settlement no higher than 4½ per cent. It would be for the Treasury and the other employing Departments to ensure that the settlement was financed within the existing cash limit in aggregate.

I am copying this letter to the offices of all those present at the meeting. I should be grateful if they would ensure that it is not circulated outside Private Offices and is seen by the smallest number of people who need to be aware of its contents.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.