



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

LCE No. ① 3
Prime Minister
Agree with the approach
formulated by MISC 66?

AT
12/4

PRIME MINISTER

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS 1984

The Ministerial Group on Civil Service Pay (MISC 66) met under my chairmanship on 9 April for a first discussion of the impending negotiations with the trade unions on this year's non-industrial civil service pay settlement. We had before us the report from the Official Group circulated with my letter of 5 April.

2. MISC 66 noted the assessment of the Official Group that there was little chance of an agreed settlement below 5 per cent: this is the lower quartile of the settlements in the report which we commissioned from the Office of Manpower Economics, and so the minimum that we could offer under the system recommended by Megaw. But MISC 66 was clear that this would be too high. In particular, it would make it more difficult to hold the line for other public service groups. MISC 66 agreed that we should aim at an outcome not higher than 4½ per cent. The Official Group will be examining a number of matters, such as increments and the level of pension contributions, which may not have been fully taken into account in the OME report, with a view to strengthening the arguments which we could use to defend a settlement at this level.
3. Since there is little chance of agreement below 5 per cent, there is a case for moving quickly towards an imposed settlement. The chances are that the pay round may move unfavourably in the next month or so: in particular, the impending Review Body reports



may well be unhelpful. A settlement at 4½ per cent would reinforce the line established by the settlement with the local authority manuals and the offer on which the Scottish teachers are balloting.

4. However, MISC 66 agreed that it would be wrong to force the pace in this way. The demonstration effect on other negotiations of an imposed settlement might not be large. Quick imposition would be at odds with the assurances we have given to the trade unions that there will be genuine negotiations. In the aftermath of the GCHQ affair it might look like a policy of determining civil service pay by unilateral dictation.

5. The timing of the negotiations depends on the unions as well as on us. But MISC 66 considered that on present information the right course was to play them long. The unions have not yet formulated a specific claim. We should wait for them to do so before tabling our offer, which should be at around 3 per cent, in line with the pay factor. We should not be quick to move away from this. It will be possible to spend some time exploring the details of the unions' claim; and there may be room to elaborate our own offer so as to provide material for discussion.

6. It is likely that the claim from the unions will include a reduction in working hours. MISC 66 agreed that this should be resisted: the OME Report suggests that fewer than 5 per cent of non-manual employees in the private sector had a reduction in their basic working hours in the period surveyed.

7. The unions are also likely to look for preferential treatment for the low paid. MISC 66 saw little merit in this - market factors point the other way - and any substantial concessions could have unwelcome repercussions on other services. However, they agreed that some modest move to favour the lower paid, within the total cost envelope we eventually agree, need not



be excluded, particularly if it were a necessary condition of securing an agreed settlement (unlikely though an agreed settlement may be).

8. I am sending copies of this minute to the other members of MISC 66 and to Sir Robert Armstrong.

N.L.

N.L.
11 April 1984

Civ Service Pay



COMPTROLLER

1911

SECRET AND PERSONAL



10 DOWNING STREET

From the Private Secretary

13 April, 1984

file SH
cc: MOD 4
DHSS
Emp.
M/S, PCO
M/S, HMT
Mr Kemp (HMT)
CO
Mr Owen

Dear Margaret,

Non-Industrial Civil Service

Pay Negotiations 1984

The Prime Minister has seen the Chancellor's minute of 11 April reporting on the discussion at MISC 66. She has noted and approved the approach which the Committee has developed.

I am copying this letter to the Private Secretaries to members of MISC 66 and to Richard Hatfield (Cabinet Office).

*Your sincerely
Andrew*

ANDREW TURNBULL

Miss Margaret O'Mara,
H.M. Treasury

SECRET AND PERSONAL

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