



10 DOWNING STREET

From the Private Secretary

Prime Minister

Colleagues, including Mr Heseltine, are content with the Chancellor's proposals for the next offer to the Civil Service unions. Mr King - see attached letter - has however suggested it would be a mistake to move nearer the union position if there is any chance of arbitration.

This point can be dealt with quite speedily so I have made the following arrangements

- (i) Mr King's letter to be dealt with at the start of the Review Body meeting
- (ii) Ministers of State, Treasury and Mr Kemp to attend for this item.

Are you content?

A Turner

Yes, and

21/5

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The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
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21 May 1984

Nigel,

1984 PAY NEGOTIATION FOR NON-INDUSTRIAL CIVIL SERVANTS

In your minute to the Prime Minister of 17 May you sought comments on your proposals for an informal meeting with the unions today. I nevertheless very much hope that there will be the opportunity for a brief discussion at our meeting later today.

I agree that there is advantage in an early informal exchange with the unions, particularly as some of the General Secretaries have asked for a meeting. I am also content with the way in which you propose that an offer within a total cost of 4½% should be structured. Tactically there is advantage in offering 5% to the majority of civil servants, reflecting the OME findings, and in making a limited response to the strength of feeling exhibited at union conferences on low pay. Such an offer would make use of incremental progression and would not, in my view, distort salary structures.

The key point then is what is our position if they reject the informal offer. If as you say, it may then leak, we need to be clearer about the next step. I do not see how we could contemplate agreeing to arbitration and we need to decide how and when we make this clear to the unions. If arbitration were an option, it would clearly be a grave mistake to offer 4½%, however informally.

I would welcome a discussion.

I am copying this letter to the Prime Minister and the other members of MISC 66 and to Sir Robert Armstrong.

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