



CC/ATO 18
 Prime Minister ②
 Chancellor is likely to raise this at the bilateral. His conclusions look sound.
 AT
 23/5

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

PRIME MINISTER

Yes me

CIVIL SERVICE PAY NEGOTIATIONS

My officials made the agreed "without prejudice" offer on Monday.

2. Since then I am told that there have been further, very informal, discussions. It is quite clear that the General Secretaries are in a dilemma. On the one hand, they say our offer is lower than anything they could conscientiously recommend for acceptance. On the other, they recognise it would commend itself to a great many of their members who accept that we are unlikely to increase our total offer beyond 4.5 per cent, who will be among the two-thirds of staff due to receive 5 per cent and who will be attracted by the underpinning for the lower paid. The union leaders therefore face the choice of acquiescing in our offer or opposing it, and thereby putting their status and reputation very much at risk.

3. A substantial group (including the left-wing SCPS) would apparently be prepared to recommend acceptance if we moved just a little. But two of the bigger unions (including the CPSA with its new Executive) say they cannot recommend acceptance at anything less than, say, 6 per cent overall. We thus have three options:-

a. To buy everyone in at, say, 6 per cent. This must be out of the question.

b. To stand on our informal position of around 4.5 per cent. This would still enable us to make some marginal improvements at the cost of staging the London Weighting increase and the EO/CO alignment.



c. To make a further marginal improvement to, say, 4.6 or 4.7 per cent. This might just conceivably bring in the more moderate (in this context) unions and thus cause a useful split in the CCSU.

4. My own view is that we should stand firm, along the lines of option (b). Any settlement greater than 4.5 per cent would add further to public expenditure and would be bound to have repercussions on the teachers' negotiations. Moreover, it is not as if a move to 4.6 per cent or 4.7 per cent would be likely to lead to a settlement: the unions will still seek to go to arbitration and we will simply end up imposing 4.7 per cent instead of 4.5 per cent.

5. The decisions we have taken on the Review Bodies' Reports are, of course, helpful. They will demonstrate firmly that cost is an important consideration and thus buttress the arguments which the Secretary of State for Employment will have to use in rejecting a request for arbitration on grounds of "national policy".

6. Those decisions also ease the timing constraints under which we have been operating. Indeed there could be advantage in letting the Civil Service unions hear the Review Body outcome before they themselves take a final decision on our offer. But we nevertheless need to make an open offer soon. I therefore propose that we should make a public offer next week at 4.5 per cent, broadly as we floated it on Monday. We should also make it clear that we are not prepared to concede arbitration.

7. Copies of this minute go to the other members of MISC 66 and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.' with a flourish.

(N.L.)

23 May 1984



COMBINATION

1964

1964

SECRET

MISC 66

289

File



cc:

Ch/Ex
Min/State (Tsy) 20
S/S Defence
S/S Social Services
S/S Employment
Min/State (PCO)
25 May 1984

10 DOWNING STREET

From the Private Secretary

The Prime Minister has seen the Chancellor's minute of 23 May about the Civil Service pay negotiations. Subject to the views of colleagues, she agrees that we should adopt option (b) in paragraph 3 of the Chancellor's minute.

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

Timothy Flesher

Miss Judith Simpson,
H.M. Treasury.

SECRET

NR.



10 DOWNING STREET

ON 16X TO PM 23/5

Prime Minister

You did not manage
to discuss this at the
Chancellor's bilateral.

Subject to views of colleagues,
are you content with option
3 (b)?

AT

24/5

SECRET



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400

Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

nbpm
DWS
29/5
cc NO.
~~18~~ 21

Prime Minister (1)

The Chancellor has now persuaded Mr King that the Government must stick to 4.5% rather than 4.6%.

Agree 25 May 1984
with Chancellor?
DWS
29/5

Dear Nigel,

CIVIL SERVICE PAY NEGOTIATIONS

You minuted the Prime Minister on ^{with AT?} 23 May with your proposals.

I agree that a public offer should be made next week and certainly agree that we cannot contemplate an offer near the level at which all the unions would now be able to recommend acceptance. The offer made will need to be our final offer on which we stand firm and which we will probably need finally to impose. This being so, I would see advantage if it could be presented as, say 4.6% (with no more than the marginal improvements you already contemplate) rather than 4.5%. I think this could have a useful psychological impact at relatively little additional cost and would do something to defuse accusations from public service unions generally that we were determined to impose a single arbitrary figure across the board. I would not see this as undermining the negotiating position for other groups.

As for arbitration, I agree that the unions will need to be told when the formal offer is made that we cannot agree to arbitration. They may then of course seek a meeting with Ministers and we have already discussed how such a request would be handled. Alternatively however, they may see advantage in simply formally submitting their claim to me for reference to the Civil Service Arbitration Tribunal. If they do this, we will need to consider how we would respond tactically, the options being either for me to make an equally formal reply (which almost certainly would result in a subsequent request for a meeting with Ministers) or to offer a meeting at the outset.

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

2
→
la

SECRET

Civil Service: Pay Pt 14

1974

1975

1976

1977

1978

1979

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993





19

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 20/17/6

24th May 1984

*See Nigel*1984 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

In your minute to the Prime Minister of 23rd May, you suggested that we should make a public offer to the Civil Service Unions in the week beginning 28th May at 4.5%, making it clear that we were not prepared to go to arbitration. I agree with this approach. Any other would be inconsistent with the decisions we have taken on the Review Bodies' reports, which should be helpful in making the Civil Service Unions believe that the offer which has been made to them is reasonable in current circumstances.

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

yes

Michael Heseltine

The Rt Hon Nigel Lawson MP