

SECRET



Pune Minister (2) *A. 24*
This will be discussed at MISC 66 on Wednesday and reported to Cabinet on Thursday. To Chancellor's proposed line.

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

AT
2/7

2 July 1984

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

John Michael

Armed

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS 1984

The Civil Service unions have carried out the consultation referred to in my minute to the Prime Minister of 6 June. They advised rejection of the offer and claim a 5 or 6 to 1 endorsement of this. This is scarcely surprising in view of the terms in which the question was put. I enclose at Annex 1 an example of the campaign literature.

We now need to decide our next steps. It could be argued that we should make some further marginal improvement in the offer in the hope of making it more acceptable to staff generally. But my own view is that we should stand by what is already on the table. The unions and staff were told at the time the offer was made that it represented the limit of what could be afforded. If we increase it, we shall lose credibility and would give the wrong signals for the teachers' arbitration and to the other public service groups who have yet to settle. In any case, we should need more than a marginal improvement to avoid a request for arbitration.

We have already agreed that we will refuse arbitration on grounds of policy - the need to restrain public expenditure. This is consistent with our decisions on the Review Body Reports and with the stand taken by the Secretary of State for Education and Science in the teachers' arbitration. It is also consistent with the Megaw view that arbitration should only be available at the request of both parties. Nevertheless the unions will no doubt attack us for a breach of the present arbitration agreement.

If we go down this road, I think we should move quickly. Time is not on our side and in any case staff will wish to get their pay increases (including back pay to April) without



unnecessary further delay. We need to start the process of implementing the new rates by 20 July if as many people as possible are to get their increases by the end of August. But we should not move precipitately. This will be the first time that a pay award has been imposed on the Civil Service in this way. It will be a serious step and needs careful handling to minimise damage to our relationships with the unions both generally and on the longer-term pay talks. I therefore believe we should give the unions an opportunity to make representations at Ministerial level if they so wish. A possible timetable is at Annex 2.

I do not expect imposition of the settlement to lead to widespread industrial action in the Civil Service. But there are likely to be pockets of trouble, mainly in areas where there are already matters of local dispute, and there might well be a call by the unions for a token one-day strike. There are no signs, however, that either unions or staff are ready for any sustained action.

I shall therefore recommend at our meeting on 4 July that:-

- (a) we do not make any improved offer. =
- (b) we refuse arbitration on grounds of cost. =
- (c) we should be ready to see the unions at Ministerial level if necessary and =
- (d) we should move to impose the current offer not later than 20 July.

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

NIGEL LAWSON

eg DHSS at
Newcastle

S'g.

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The Claim

A general increase of 7 per cent or £7, whichever is the greater, based on the independent OME evidence.

The Offer

The Treasury's latest pay offer is:

£3 per week for the low paid aged 18 and over;

4 per cent on scales;

5 per cent on the maximum and flat rates;

Plus other minor improvements.

They say the offer is worth 4½ per cent overall. For the fourth year running this would mean a cut in the value of your pay.

The Future

If we accept this offer we will jeopardise any settled pay system based on outside evidence. Civil servants will continue to fall behind.

Your negotiators are opposed to the offer. We believe further progress can be made in negotiations. If there is not a satisfactory negotiated settlement, the government must go to arbitration. Your union will be consulting you and recommending rejection.

SAY NO

HOW DOES THE OFFER COMPARE?

The Office of Manpower Economics survey of private sector white collar workers was jointly commissioned by the Treasury and the unions. It shows that:

- Only one in ten received increases of 4 per cent or less
- Two thirds received increases above 5 per cent
- The average increase was 6 per cent
- One third received increases of 7 per cent or more.

The offer fails to match outside increases.

WHAT ABOUT INFLATION?

Since 1980 the real value of pay has fallen by 15 per cent. This year inflation is running at 5.2 per cent.

So, even for this year, the offer fails to match the rise in the cost of living.

WHAT ABOUT LOW PAY?

The offer gives no real help to the low paid. Less than one in five of those on salaries below £100 per week would benefit from the £3 minimum. And their increase will still be far less than the rise in the cost of living.

WHAT ABOUT OTHER PUBLIC SECTOR WORKERS?

Other public sector workers are holding out for more than 4.5 per cent. **Postal workers** have rejected an offer of 4.9 per cent on basic rates. **The teachers** have rejected 4.5 per cent, as have **college lecturers**. The **Nurses Pay Review Body** is reported to have recommended increases of 6 to 8 per cent.

WHAT NEXT?

The Government has declared there is no more money available. Yet only last month the Prime Minister boasted in the House of Commons that staff reductions in the Civil Service have cut over £750 million from this year's pay bill – amounting to 17 per cent of the total.

The money is there.

Our claim can be met.

Have your say through your union

1984 PAY NEGOTIATION

Outline timetable

Wednesday 4 July

MISC 66 meeting

Thursday 5 July

Possible oral report to Cabinet

Monday 9 July

Officials tell unions of decision that the offer cannot be improved, that Ministers would not agree to arbitration if requested, and that intention is to implement the offer. Message sent to staff.

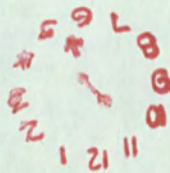
9 July - 19 July

Period available for representation by unions, receipt and formal rejection of arbitration request, Ministers' meeting with unions etc.

By 20 July

Formal decision to implement offer. Further message to staff.

CIVIL SERVICE - Pay.



2 JUL 1984



Ref. A084/1905

PRIME MINISTER

Cabinet: Industrial Affairs
Non-industrial Civil Service Pay Negotiations 1984

Following this afternoon's meeting of the Ministerial Group on Civil Service Pay Negotiations (MISC 66) the Chancellor of the Exchequer will wish to tell the Cabinet of the steps he proposes to take which were set out in his letter to the Secretary of State for Defence of 2 July.

FLAG A

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ROBERT ARMSTRONG

4 July 1984

conqueror



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY
 Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 London SW1P 3AG

CCNO
 NBPM
 AT
 27/2

June 27 1984

Nigel

CIVIL SERVICE INDUSTRIAL GRADES: 1984 PAY NEGOTIATIONS

You wrote to Michael Heseltine on 21 June about the handling of these negotiations. I am quite content with your strategy, but I would like, with some hesitation, to ask whether you might be able to give me some help on timing.

Negotiations with the NHS Ancillaries are due to begin on 2 July within the new negotiating limit recently agreed by E(PSP). Our negotiators have a very difficult hand to play and your officials are in touch with ours on tactics. An offer of 4½ per cent to civil service industrials immediately before the negotiations recommence would make the atmosphere much more difficult and could substantially reduce our room for manoeuvre.

It would therefore be of considerable help to us if you could delay your offer until after 2 July, either by not putting a figure on the table on 28 June or by postponing the meeting until next week. I have no wish to suggest a course which might lead to industrial unrest in the defence establishments as a result of delaying too long. But I understand that contacts between officials indicate that what I have suggested might be manageable.

After 2 July our respective tactics will probably depend on the position reached with the non-industrial Civil Service and in the ancillaries' negotiations. Our officials will obviously need to remain in close touch but I accept that you must be in a position to settle with the industrials as soon as the non-industrials are settled.

I am copying this letter to the recipients of yours.

Yours ever.

Norman Fowler

NORMAN FOWLER

Civil Service pt 14

pay



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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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MO 20/17/6

26th June 1984

De Nigel

CIVIL SERVICE INDUSTRIAL GRADES: 1984 PAY NEGOTIATIONS

Thank you for your letter of 21st June. As you say, it does not seem worthwhile at this stage trying to achieve a lower limit of settlement for industrials than for non-industrials. I therefore agree that negotiations should begin within the limits set by our current offer for thenon-industrials.

I confirm that I will absorb the additional cost of a settlement at this level within existing cash provisions.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

Yours ever

Michael Heseltine

The Rt Hon Nigel Lawson MP

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

21 June 1984

The Rt. Hon. Michael Heseltine MP
Secretary of State for Defence

Stan Michael

CIVIL SERVICE INDUSTRIAL GRADES: 1984 PAY NEGOTIATIONS

As you will be aware, we received a pay claim from the industrial unions on 9 April. Their pay review date is 1 July. We now need to decide how to handle the negotiations.

Although the claim was unrealistically high, there are signs that the unions will settle for the same figure as the non-industrials, though they have said very plainly that they will not accept less. This, as you know, has been the pattern each year since we gave up pay research and I do not think it will be easy to break it until we have some different way of dealing with industrials' pay. If we tried to enforce a lower settlement on the industrial unions, it would be bound to cause strong resistance and I doubt if it would be worthwhile provoking a confrontation with them in the hope of getting some small reduction in the settlement.

If you and other colleagues agree, I will therefore authorise officials to begin negotiations with the unions on 28 June within the limit set by our current offer for the non-industrials. This should enable us to make progress towards agreement on the structure of a final deal, even though the industrial unions are unlikely to settle before the non-industrials do. An offer at this level should cause no difficulty for negotiations with any other public service group.

I should be grateful if you and Patrick Jenkin, as the other employer of significant numbers of industrials, could confirm that you will absorb the additional cost of a settlement at this level within your existing cash provisions. I assume other departments will find no difficulty in doing so since they employ much smaller numbers of industrial staff.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

NIGEL LAWSON

John
Nigel