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MISC 66(86) 2nd Meeting

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CABINET

MINISTERIAL GROUP ON CIVIL SERVICE PAY NEGOTIATIONS

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 4 DECEMBER 1986 at 11.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science

The Rt Hon Paul Channon MP
Secretary of State for Trade
and Industry

The Hon Peter Brooke MP
Minister of State, Treasury

Lord Trefgarne
Minister of State for Defence
Procurement, Ministry of Defence

Mr E P Kemp
Treasury

SECRETARIAT

Mr J B Unwin
Mr A J Wiggins
Mr J E Roberts

SUBJECT

CIVIL SERVICE PAY NEGOTIATIONS - 1987

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CIVIL SERVICE PAY NEGOTIATIONS - 1987

The Group considered the Government's strategy for the non-industrial civil service pay negotiations for 1987. They had before them Minutes of 2 and 3 December from the Chancellor of the Exchequer and the Minister of State, Privy Council Office respectively.

THE CHANCELLOR OF THE EXCHEQUER said that in each of the three years 1983-85 the Civil Service pay increase had been less than the rate of inflation. In 1986, however, the increase had exceeded the Retail Price Index (RPI), and was higher than average settlements for all employees in the private sector. This year the Government should therefore seek a settlement with only a very modest increase, on the grounds both of restraining public expenditure and running costs and of setting an example to employers in the private sector. It was not likely to be possible to achieve a settlement below the rate of inflation, but the Government could not afford to go much above it.

Within whatever money was available, it would be desirable to use as much as possible for management initiatives to tackle problems in recruiting and retaining staff in particular geographical areas or with particular skills. But a careful judgement would be needed about the minimum size of the across-the-board increase which could realistically be negotiated.

Only one immediate decision was required. If the Government again wished the Office of Manpower Economics (OME) to undertake a study of pay movements in the private sector, this would need to be commissioned shortly. In his judgement it would be a mistake to undertake a survey this year. The results would constrain the Government's negotiating position, without the unions being similarly constrained, and the ultimate settlement would be more expensive. The OME machinery had been offered to them as part of the Government's proposals for a long-term pay agreement, which were still on the table, but the unions had so far rejected them.

THE PRIME MINISTER, summing up the discussion, said that the Group attached great importance to introducing greater geographical variation in Civil Service and other pay scales. The cost of living (particularly housing and travel) in London and the South East was substantially greater than in other parts of the United Kingdom, and Departments were facing increasing difficulty in recruiting or persuading staff to move to jobs in the South East, especially for certain skills such as word processing, accountancy, and law. While it might take three or four years to make significant progress towards greater flexibility in the civil service pay structure, the Treasury should ensure that a start was made in the 1987 negotiations.

The Group agreed that the Government should not commission an OME survey this year. The Government's proposals for a long-term pay agreement remained on the table, and if the unions wished to see an OME survey undertaken it was open to them to take up the Government's offer.

The Group -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Agreed that the Government should not commission an Office of Manpower Economics survey of pay movements in the private sector for the 1987 negotiations.
3. Invited the Treasury to bring forward proposals in due course for the Government's opening offer, taking account of the points made in the Prime Minister's summing up.

Cabinet Office

4 December 1986