CS Pay

1 Civil Service

MR MOUNT

cc Mr Walters
Mr Scholar ✓

THE 1983 CIVIL SERVICE PAY NEGOTIATIONS

The Official Group (MISC 67) had its first discussion today of the line to be taken with the unions in the Civil Service pay negotiations this year. In the light of the discussion, the Treasury will be preparing a draft report for Ministers, and the Chancellor will probably Chair the Ministerial Group (MISC 66) towards the end of next week. I shall certainly not recommend that the Prime Minister exercises her right to Chair the Ministerial Group, both because at this stage the issues are not particularly difficult, and because her own diary would make it virtually impossible.

The background to the negotiations is quite encouraging. The unions are in tremendous disarray, scarcely able to agree on a common claim, still reeling from the unsuccessful strike in 1981, and more recently battered by the failure of their industrial action over local DHSS offices in Birmingham (which cost them over £1 million). The Government is not committed to arbitration; the Treasury admit privately that the 3½% pay factor could probably be made to accommodate a pay settlement of up to 5%; and the going rate in the public services is pretty firmly established at 4½%. The Treasury negotiators think it highly unlikely that they can reach an agreed settlement with the unions, but would expect that they could impose a pay rise of around 4½% without serious industrial action. However, it is as well to remember that although widespread industrial action is unlikely, comparatively limited and selective strikes can be very much more expensive than one percentage point on the pay rise, which costs only £60 million.

Peter Le Cheminant, who will be the leading Treasury negotiator, does not believe that an opening offer below 3% would be taken seriously - and if it were, believes that it would provoke some immediate industrial action. But an opening offer of around 3%, together with a few detailed propositions designed to provide room for negotiation is generally regarded by MISC 67 as realistic, although most of the major employing departments would then hope that it would be raised in negotiation to at least 4%.

I have said my usual piece, pointing out that Ministers are constantly urging the need for another step down in pay, that the civil servants had a nice arbitrated award last year, and enjoyed great job security; and that public services in Germany, Japan and the United States were being offered 2% or less this year. I suggested that Ministers might well want the negotiations to end no higher than 3½%, and that they would certainly be unhappy with a figure as high as 4½%, which was achieved by the NHS only after eight months of industrial action.

There are of course more radical options open to us, including following President Reagan's example and offering nothing. We could almost certainly win the ensuing strike, although the cost in lost revenue would be high. But any gains would be temporary, because under the Megaw system a few percentage points lost now by the civil servants would rapidly be recovered in the comparability procedure.

J.S.

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