

Prime Minister  
 You will wish to see this  
 and the attached paper  
 for misc 66.

MR MOUNT

cc Mr Scholar ✓

WM  
28/1

Mr Venner

Then you might show  
 the PR this note together  
 with the misc 66  
 paper when it comes  
 round?

I think x a good idea.

27/1  
 26/1

CIVIL SERVICE PAY NEGOTIATIONS

The Treasury are at odds among themselves over their approach to this year's Civil Service pay negotiations. As you know from my earlier note, those in the Treasury responsible for negotiating with the unions have been content to contemplate a settlement up to 4½%, and the paper prepared for today's meeting of MISC 67 reflected that. The other side of the Treasury, ie those with whom I normally deal on pay in the economy generally, were being kept in the dark about this until I had a word with Alan Bailey before this afternoon's meeting. As a result they produced a representative who rather foolishly attempted to argue for an "exemplary settlement", ie in the 2-3% range. MISC 67, which is stacked with employing departments, is definitely not the place to argue that civil servants should set an example; and Peter Le Cheminant played his trump card by saying that he had reason to suppose that Treasury Ministers were content with his paper.

Oh no!

I will not trouble you with the detailed papers, because the bulk of them are concerned with various minor issues designed to give the negotiators something to talk about; they will go to MISC 66 (under the Chancellor's Chairmanship) on 2 February, and I have little doubt that a policy of opening the negotiations around 3½%, with a view to a settlement up to 4½%, will be adopted. I have said that the paper should focus Ministerial attention on the opening offer, which ought to be in the 3-3½% range, rather than on the final settlement or sticking point, which it is too soon to determine. Since the meeting, I have agreed with Peter Le Cheminant that this will be the case; and it is helpful that some of the larger departments are starting to say that the 3½% cash limit can no longer be relied upon to finance a 4½% settlement.

The draft paper for MISC 66 will be circulated tomorrow, and I shall have one more chance to comment: I shall be glad to know

whether you are broadly content with the figures now emerging,  
and whether Michael Scholar (to whom I am copying this note)  
X | feels that the Prime Minister ought to be alerted to what is  
going on before MISC 66 meets.

J.

25 January 1983