

Civil Service

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

PRIME MINISTER

THE 1983 NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

At its meeting on 2 February the Ministerial Group on Civil Service Pay Negotiations (MISC 66) had a first discussion of the handling of the 1983 non-industrial Civil Service pay negotiations and of the broad shape of the Government's opening offer. No final decisions are required at this stage. But I thought you would want to be told of how our thinking was developing.

2. At this early stage the two main issues for consideration are the timetable for the negotiations and what our tactics should be. On timing, the Group felt that there would be advantage in prolonging the negotiations until after the Budget. It seems unlikely that the negotiations could anyway be concluded before then. The first negotiating meeting, and possibly a subsequent meeting, will be taken up with exploring the details of the unions' claim, which is complex. It seems unlikely that the Government will need to table an opening offer much before the end of this month. It is, of course, not inconceivable that an opportunity might arise for a settlement to be concluded quickly. An early settlement would clearly be in the Government's interests, provided that it could be achieved at an acceptable level. MISC 66 therefore agreed that the Government's negotiators should be

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ready to respond to such an opportunity.

3. MISC 66 recognised that the Government's tactics would have to be substantially shaped by two main considerations. First, there are the considerations of timing to which I have referred above. These point to an opening offer which would provide substantial scope for negotiation. Second, the trade unions are deeply divided and may well find it impossible to agree to any realistic pay settlement. In these circumstances the possibility cannot be ruled out that the negotiations will end in arbitration or in the imposition of a settlement by the Government. This points to an offer which includes elements which will be attractive to particular staff groups and individual trade unions.

4. For these reasons the Group inclined towards an opening offer consisting essentially of a flat-rate percentage increase in pay (with perhaps some variation at the top and bottom of the scales as in last year's arbitration award to reflect recruitment and retention data) plus a number of additional and relatively cheap elements such as the rationalisation of pay scales, which would in any case be desirable on management grounds, and possibly changes in the system of London Weighting. Officials are preparing detailed proposals on all these elements as a basis for final decisions by Ministers, probably towards the middle of February.

5. The Group had a very preliminary discussion of what the proposed flat-rate percentage increase in pay might be. A decision will not, of course, be required on this aspect for some time. Some members

/of the Group,



of the Group, particularly the Secretary of State for Social Services, argued that it should not be assumed that all departments would find it possible to accommodate within cash limits an increase in pay above the 3½ per cent adopted for the purpose of planning public expenditure. They therefore took the view that the Government's opening offer should be pitched at around 3½ per cent, with a willingness to make some improvement in negotiation provided that it could be accommodated within the existing public expenditure provision. Other members of the Group argued that such an offer, which would be markedly below the current level of pay settlements elsewhere in the public services, would not be regarded as credible by a majority of civil servants and might well prove counter-productive in industrial relations terms. Their view was that the Government's opening offer should be pitched rather higher, say 4 per cent, with only limited room for manoeuvre available thereafter. They argued that it ought to prove possible to accommodate an increase of, say 4½ per cent, within cash limits; pay increases greater than allowed for in calculating the cash limits had proved possible in 1981 and 1982.

6. This is clearly an issue which the Group will wish to consider further in some detail. Meanwhile, officials have been asked to look in greater depth at, and to report on, the level of pay settlement that could be accommodated within the existing cash limits; and on tactics in relation to the level of the opening offer and to what might be the Government's sticking point.

7. In all this, we shall need to have a reasonably clear idea of how the negotiations might be brought

/to a conclusion



to a conclusion. As I have said, the possibility cannot be ruled out that this may be by arbitration or imposition. Neither course would be easy. We rejected imposition as a solution to both the 1981 Civil Service and the 1982 National Health Service (NHS) disputes. Arbitration is much the most attractive way out for the union leadership; and they will probably press hard for it. But it is far from certain to be the right solution for us. It will be important to avoid saying things in the context of the water workers' dispute which can be quoted against us by our own unions: they too have an agreement ostensibly providing unilateral access to arbitration.

8. Nevertheless, we need to do some contingency planning, in case arbitration proves to be the best course. One variant, which the Group will be considering in detail, would be for the outcome of arbitration to be constrained within the inter-quartile range of pay settlements in the private sector, which would reflect the approach advocated by the Megaw Committee. It will probably not be possible to form a reliable view on what the inter-quartile range in the private sector is until March, although present very incomplete indications are that the lower quartile may be a little higher than we would think desirable for the Civil Service pay settlements. To assist in reaching a final view on this the Group agreed that the officials should make arrangements for data on the inter-quartile range to be collected in confidence from a range of sources, including, in particular, the Department of Employment, the Confederation of British Industry and leading management consultants, since no one source of data is likely to prove satisfactory.

/9. Finally,



9. Finally, departments will now be finalising arrangements for quick and effective communication with the staff during the negotiations. It will be important to do at least as well this year as we did in 1982 in relaying accurate information quickly to the staff. The Group also recognised that it might prove useful at some stage to have a reasonably accurate indication of the views of the staff, for example on a particular pay offer. This might best be achieved through taking some form of opinion poll of a sample of staff. Officials are therefore considering urgently how this might be organised, and will if necessary take professional advice in strict confidence.

10. I am sending a copy of this minute to the members of MISC 66, to the Minister of State, Treasury (Mr Hayhoe) and to Mr Sparrow and Sir Robert Armstrong.

G.H.
4 February 1983

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SECRET AND PERSONAL



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10 DOWNING STREET

From the Private Secretary

8 February 1983

Dear Margaret,

The 1983 Non-Industrial Civil Service Pay
Negotiations

The Prime Minister was grateful for the
Chancellor's minute of 4 February, which she
has noted without comment.

I am sending a copy of this letter to the
Private Secretaries to members of MISC 66, to
Harry Bush (Office of the Minister of State,
Treasury), Gerry Spence (CPRS) and Richard
Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Miss Margaret O'Mara,
HM Treasury.

SECRET AND PERSONAL

cc MOD
LPSO
DHSS
D/M
Min/DMT
CPRS
CO

Prime Minister (2) 5
 Please see the
 Chancellor's minute (attached).

MR SCHOLAR

1983 CIVIL SERVICE PAY NEGOTIATIONS

To note.

MUS 7/2

The Chancellor's note of 4 February reports the outcome of the Ministerial discussion of the Official Group's Paper which the Prime Minister has already seen. I do not think there is cause for the Prime Minister to be concerned about the way this is turning out, but there are just two points she might like to note:

(i) There is clearly some debate among Ministers about whether to open at around 3½% or around 4%; it does seem to me that an offer above 3½% leaves very little room for further negotiation, and gives very little hope of a settlement below 4½%. But this judgement should be left for another week or two while we see how pay negotiations in the public utilities develop: I fear it is by no means impossible that the water workers will succeed in establishing a going rate there of around 8%, which could upset the whole apple cart;

(ii) Arbitration is being taken seriously as a possibility, and the Chancellor proposes that some work be done to see what might be the outcome of arbitration within the Megaw interquartile limits. Given the present trend of pay settlements I cannot believe that would be helpful, but we must be prepared for the argument that having urged arbitration in the case of the water workers, the Government cannot refuse it for its own employees.

7 February 1983