



Prime Minister 201

For the 11.30 a.m.
meeting tomorrow.

FEB

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

29.3.

PRIME MINISTER

CIVIL SERVICE PAY NEGOTIATIONS

Following intensive discussions with my officials, the leaders of the Civil Service white collar unions asked to see me this evening. They strongly reaffirmed their desire for a negotiated settlement; pointed to the substantial concessions from their original claim which they had made as evidence of this; and expressed recognition of the Government's willingness to contemplate a settlement going some way towards meeting their concern for the lower paid. They then went on to outline the nature of a settlement which they would be prepared to recommend to their members.

2. The details are complex and include some elements of considerable presentational value to us - including acceptance in principle of the introduction of a lower rate of London Weighting payment for juveniles and some shading of the pay increase to be received by juveniles throughout the country. They also indicated their willingness to reach a general London Weighting settlement with us built around our concept of the introduction of a new "intermediate" zone with only modest increases (2½ per cent) in the London Weighting payable in the present inner zone (where the bulk of London civil servants work) and acceptance that there should be no increase in the London Weighting payments beyond the new intermediate zone. They also indicated that they would be prepared, in the context of a general settlement, to defer until next year pursuit of their claim for reduced working hours.

3. In return they proposed a settlement which would be worth (all in) 5.3 per cent of the pay bill and would include a larger element of

/flat rate



flat rate cash increase than we have previously been prepared to contemplate. They did not indicate what their sticking point was on the balance of percentage and cash but said that at their 5.3 level their preferred shape would be 3 per cent plus £3 a week for all adults.

4. I took delivery of their proposals and undertook to consult colleagues about them. I did not enter into substantive discussion or hint at possible areas of compromise.

5. My assessment of the position is that we cannot get them to recommend a settlement at 4½ per cent. I am clear that for our part we should not in any case contemplate going above 5 per cent, among other reasons because of the potential repercussions on other pending settlements like that of the English school teachers. Equally, I do not think that the unions can now be expected to put forward a further modified claim. The onus is now on us to decide how far we are prepared to go in making an offer to them - on a "without prejudice" basis and only made public if it is to be recommended by them to their members.

6. The opportunity for a settlement may be there. We can only find out if it is by putting our best offer on the table for them to accept or reject. I hope we can agree our position on quantum while leaving some flexibility about how the quantum is divided up between percentage and cash sums.

7. The union leaders are clearly anxious to reach an agreement before Easter, for their conference season, which could lead to a hardening of attitudes, follows shortly. So I believe that we need to take our decision tomorrow. If we fail to reach a settlement now we will need to consider our alternative options.

SECRET AND PERSONAL



7. Copies of this minute go to Keith Joseph, Michael Heseltine, Norman Fowler, Janet Young, Norman Tebbit and Barney Hayhoe; and to Sir Robert Armstrong and Mr Gregson at the Cabinet Office.

J. Kew.

PP.

(G.H.)

29 March 1983