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Secretary of State for Trade and Industry

13 March 1985

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

NBPW
N

Dear Chancellor,

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

See Pt 14

I have, belatedly, received a copy of your letter of 25 February to Michael Heseltine and the enclosed note by officials.

2 After several years of restraint we are clearly facing some difficult issues on Civil Service pay this year, particularly amid signs of somewhat accelerating pay awards in the rest of the economy. There are conflicts between our objectives as an employer and what we are trying to achieve nationally with regard to pay.

3 In the circumstances I am content to be guided by your judgement on the appropriate negotiating tactics. But I do feel uneasy over the flat rate offers to juveniles and the lower paid, which will give them larger percentage rises, and which will be difficult to reconcile with our stance on the need both for moderation in real wage increases and for realistic wage rates for juveniles and apprentices. I am also concerned that the flat rate element does not sit comfortably with other measures under consideration to reduce the cost to employers of the lower paid.

4 I am copying this letter to the Prime Minister, to other members of MISC 66, to the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

Yours Sincerely,
A. Shanks

pp NORMAN TEBBIT

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(Approved by the Secretary of State and signed in his absence)

CS: Ray

Pl 15

13 MAR 1985



cc P. Namy



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CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

11 March 1985

Dear Nigel,

1985 PAY NEGOTIATIONS FOR NON INDUSTRIAL CIVIL SERVANTS

Your letter of ^{see Pt 14.} 25 February proposed that we should proceed on the basis recommended in the note by officials.

I accept your judgement that an early offer of approximately 4 per cent, tailored in the manner described in paragraph 9 of the note, would give the right signals while leaving room for us to make further decisions later on in the light of the unions' reaction.

While a meeting would not be worthwhile at this early stage, I sense that a number of issues will arise very shortly on which we shall need to have a discussion. There is no doubt from recent experience that industrial action in certain areas can be both damaging and costly, and we shall need to consider if there is more we can do to reduce our vulnerability. The Trade Union Act 1984 should help, though it will not prevent all action. I understand that guidance is to be issued shortly on its applicability to the situation which may confront us. I look forward to seeing this.

Copies of this letter go to the Prime Minister, to the other members of MISC 66, to the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

*Yours,
r/gw
2*

GOWRIE

CIVIL SERVICE: Pay: Part 15.

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RM

B/c: Mr. WARRY

10 DOWNING STREET

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From the Private Secretary

11 March, 1985

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

The Prime Minister has seen the Chancellor of the Exchequer's letter of 25 February to the Secretary of State for Defence. She is content with the approach suggested.

(Andrew Turnbull)

Miss M O'Mara
HM Treasury

S E C R E T

RESTRICTED

NBPM

AT 8/3 C/NW



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
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MO 20/17/6

8th March 1985

De l'at

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL
CIVIL SERVANTS

with AT

Thank you for your letter of 25th February 1985. I am content to proceed as you propose.

I am copying this letter to the other recipients of yours.

*yes see
lll*

Michael Heseltine

The Rt Hon Nigel Lawson MP

RESTRICTED

Civil Service Party
PAY

Prime Minister ^①

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2.

Agree?

AT 7/3

MR TURNBULL

7 March 1985

*Yes
but I expect it will
have to rise in
view of inflation
for exerts*

CIVIL SERVICE PAY

Against a background of settlements running at 5.75% and earnings at 7½%, Nigel Lawson wants to open the civil service pay round with an offer equal to 4%. This equates with the lowest figure currently being offered to any public sector body.

4% is more than one might like but, unless the Civil Service is to have a significantly lower rise than other public sector employees, then it is probably the lowest credible opening offer that can be made. (Future negotiations would be undermined by too large a gap between opening offer and ultimate settlement).

We recommend that the Prime Minister endorses Nigel Lawson's approach.

Peter Warry

PETER WARRY

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Copy 7 of 10

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

NBPM

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 W1P 3AG

7 March 1985

Dear Nigel,

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

I was glad to have a copy of your letter of 25 February ^{with AT} to Michael Heseltine. It is helpful to see the MISC 66 correspondence because of the Burnham negotiations on teachers' pay.

I intervene to support your proposal for an opening offer worth 4.01 per cent on earnings which is consistent with my stance on Burnham. A final offer of more than 5 per cent for civil servants would however create difficulties for my cash limit because of the degree to which we are struggling to move forward on ~~many~~ ^{many} policy fronts within an already very tight staffing constraint. Among minor points the proposal to recognise long hours worked by some Principals is particularly welcome.

I am copying this letter to the Prime Minister, to members of MISC 66, to the Secretary of State for the Environment and to Sir Robert Armstrong.

*Ever,
 Kevin*