

SECRET

DSG

Subject

FILE

Copy No. 11
of 11 copies

9



10 DOWNING STREET

cc Master

28 March 1985

From the Principal Private Secretary

Dear Rachel,

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

The Prime Minister held a discussion this morning with colleagues about the Chancellor of the Exchequer's minute of 26 March, about which the Prime Minister also had a word with the Chancellor at their bilateral yesterday evening. In addition to the Chancellor of the Exchequer, the Secretaries of State for Defence, Trade and Industry, Social Services, Environment, the Chancellor of the Duchy of Lancaster and the Minister of State, Treasury, were also present at this morning's meeting. The Secretary of State for Education and Science and the Secretary of State for Employment were not able to attend at the short notice with which the meeting had to be arranged.

The Chancellor of the Exchequer said that there was a strong case for making a move on civil servants' pay and the issue was one of timing. In his view, there was a case for making a move to 4.4% now without prejudice to a subsequent decision whether arbitration should be allowed. In any case the arbitrator would take into account any reasonable moves which the Government had made. But the present juncture, when the trade unions were in some disarray over their plans for balloting their members, was an advantageous one for making an offer which might swing a majority against voting for industrial action. This was also the view of those involved directly in the negotiations. In putting forward the offer, it would be made clear that no extra public expenditure could be made available to finance it.

In discussion, it was pointed out that the report by officials attached to the Chancellor's minute discussed two options, either an offer of the order now proposed combined with arbitration or a larger offer without arbitration. The present proposal fell between these two alternatives. It could also make more difficult the achievement of a settlement with the NHS Non Review Body groups which enabled the funds provided for the Health Service to be used to achieve some real growth in services. Negotiations with NHS ancillaries were due to start on 3 April. However, the majority of Ministers, while recognising the importance of

JG2AFW

SECRET

gl

supporting the Secretary of State for Social Services in regard to the NHS negotiations, agreed that there would be advantage in making a limited move on civil servants' pay on the lines proposed by the Chancellor of the Exchequer. The remaining scope for increasing efficiency in the NHS was probably greater than that in the Civil Service where considerable recruitment difficulties were being experienced, particularly in some specialist grades. It was understood that the Secretary of State for Employment supported an offer on the lines proposed by the Chancellor without prejudice to a decision on arbitration.

Summing up the discussion, the Prime Minister said that the meeting accepted the Chancellor's recommendation that an improved offer worth 4.4% on the 1985-86 pay bill could now be made, without prejudice to a subsequent decision on arbitration. When the offer was made it should be made clear that no additional public expenditure could be provided to finance it.

I am sending copies of this letter to the Private Secretaries to the members of MISC 66, to John Ballard (Department of the Environment), Elizabeth Hodgkinson (Department of Education and Science) and to Sir Robert Armstrong.

Yours ever,

Robin Butler

Mrs. Rachel Lomax,
H.M. Treasury.