



PRIME MINISTER

CIVIL SERVICE PAY

As you know I told the Civil Service Unions on 1 August that the cash limit would be the main determinant of the next Civil Service pay settlement in April 1981. At the previous E Committee we had concluded that the pay research evidence would be useful for the distribution of the settlement, and I therefore told the unions that pay research would have a part to play.

Under the terms of the Civil Service Pay Agreement the evidence collected by the Pay Research Unit is due to be delivered to both parties by 15 November. Most of it is ready now.

At E Committee last Thursday it became apparent that decisions on the cash limits for the public services will have to be taken before the pay research evidence is available to us. At the sort of levels we are now discussing, I see little prospect of varying the distribution of the pay increase for the Civil Service between different groups; nor, as I said at E last week, will we have agreed anything with the Unions on changes to the pay research system in time for the 1981 settlement.

I have concluded that no point would now be served in allowing the pay research evidence to come in. We cannot make any practical use of it ourselves. The unions would only use the figures - which will reflect the "going rate" in the first half of this year - to support their case for higher increases than we are ready to allow.

I therefore propose that we should now formally suspend the operation of the Civil Service Pay Agreement for the April 1981 settlement, to enable us to halt the delivery of the pay research evidence to the two Sides. We shall be accused (and rightly) of breaching the agreement but I do not think we should allow that consideration to deter us.

Ideally we would suspend the Pay Agreement at the same time as we announce our general position on public service pay and our decisions on cash limits. But on the basis of the present timetable for that announcement we should be leaving the suspension of the Pay Agreement too late to prevent the delivery of the Reports to the parties. I therefore propose that we should go ahead with this during the next few days.

Prime Minister

Ld Soames wants to suspend the Civil Service Pay Agreement. This seems inevitable, and I am sure the Chancellor will agree. Content?

Yes not

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I enclose a draft letter which I would propose to give to Mr Kendall, Secretary General of the Council of Civil Service Unions, announcing our decision. I will also need to inform the Chairman of the Pay Research Unit Board, Lord Shepherd, and Director of the Pay Research Unit. I would make clear to them that the Board and Unit will remain in being while we are continuing our discussions with the Unions about the longer term.

I am sending copies of this minute to Geoffrey Howe and Jim Prior.

SOAMES

20 October 1980

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