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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

CIVIL SERVICE PAY

Memorandum by the Lord President of the Council

Introduction

At E Committee on 23 July I was invited to continue negotiations with the Civil Service unions on the improvements to the pay research system endorsed by the Committee on 17 June; and to report back to my colleagues. At the same meeting we agreed that in 1981 cash limits should be overriding in the determination of public sector pay including the Civil Service, although the evidence from pay research might be helpful in deciding on the distribution of a settlement.

Progress report

2. I had a formal meeting with the Council of Civil Service Unions on 1 August and conveyed this message to them. I also put before them our proposed improvements to the pay research system. There have since been further exploratory meetings between my officials and union representatives.
3. The unions reacted forcefully to what I told them about the 1981 pay settlement. But they are discussing our suggestions on the pay research system and have put forward proposals of their own.
4. It is clear that the discussions with the unions will be long drawn out. Since we have already declared our position on the need for a cash limit settlement in 1981 there would be no advantage in trying to conclude the discussions in time for the negotiations on that settlement.

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The 1981 negotiations

5. It will not be easy for us to get through these without major trouble. But our prospects of doing so will be influenced by two factors. First we must not fix an unrealistically low cash limit. This would in any case not be in the Government's longer term interests as we would be creating a catching up problem for future years. Second we must see that the cash limits for the public sector apply in an even-handed way. The Civil Service unions must see that they are not being singled out for discriminatory treatment.

Future years

6. In the long run there are really only two options. We can aim for arrangements which would preserve full control for the Government over the outcome of the pay negotiations to ensure consistency with a pre-determined arbitrary cash limit. In the last analysis this involves annual pay determination by Government fiat. But I do not believe this would be tenable as a permanent system. It would lead to frequent strife and rapid deterioration in our industrial relations in areas which are crucial to our public life.

7. The alternative course is to have an improved system of comparability which involves a commitment from both Government and unions to a way of settling Civil Service pay in normal circumstances accepted by both sides. I believe this should be our objective but it is too early yet to reach a final view on this.

8. I therefore think it right to continue discussions with the unions on changes in the Pay Agreement for the longer term until we can form a view on whether there is a satisfactory basis for a new agreement with them.

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Civil Service Department

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