

PRIME MINISTER

Barney Hayhoe ploughed through the Civil Service Inquiry statement, despite Opposition attempts to make fun of it. In practice, the more difficult questions came from the Government backbenchers. (At the start, the only support on the Government front bench was the Chief Whip and one other Whip: Norman Tebbit appeared after the opening exchanges.)

For the Opposition, Alan Williams found it grotesque that, just over two years ago, you had been a most enthusiastic supporter of pay research: since then, it had been suspended, then abolished, and now there was to be an Inquiry to re-invent it under a new name. He found in the statement absolutely nothing to help the present situation. The Government were enforcing a pay limit of 7 per cent when only 380,000 public sector workers had settled at that figure or below, with over 2 million getting more than 7 per cent. Mr. Hayhoe responded that over 2 million in the public sector had settled within the 6 per cent cash limit. He pointed out that the Government's record on PRU based settlements was much better than the Opposition's, as Conservatives had negotiated four of the five settlements based on pay research in the last ten years.

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Terence Higgins rose early to ask whether the absence of a predetermined cash limit in the future meant that the civil servants were to be a special case, or whether other groups - nurses, teachers, national industry employees - would get the same treatment. Mr. Hayhoe simply repeated the terms of the undertaking offered by Lord Soames in relation to 1982. A little later, Peter Emery rose to support the thrust of the Inquiry, but asked for a straight answer to Terence Higgins' question. Mr. Hayhoe once again merely read the terms of the undertaking.

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Most of the other interventions simply echoed points already raised in the course of the dispute. But Michael English asked how the Chairman could be expected to bring a fresh approach to these issues when he himself benefited from an inflation-proof pension with a fifteen-year accrual rate, which was much better than that available to any civil servant. And Teddy Taylor, no doubt with his Southend constituents in mind, wanted the Minister to consider an arbitration element in the 1982 arrangements. Mr. Hayhoe said that now was not the time to consider this for 1982. There would be genuine negotiations which the Government trusted would lead to a settlement. Arbitration was neither ruled out nor in. At the end, Bob Cryer described the Inquiry as a plot to hoodwink people over the present dispute. He described it as a new Clegg, introduced because the civil servants, like the miners, believed that only industrial muscle would move this Government, unless you were lucky enough to be an MP with an 18 per cent pay-off.

Mr. Hayhoe did not have an opportunity to hint at reconsideration of the operative date for the 1981 settlement. But I understand that Lord Soames did touch on this in supplementaries to the statement in the Lords.

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29 June 1981

STATEMENT BY THE LORD PRESIDENT: 29 JUNE 1981

INQUIRY INTO CIVIL SERVICE PAY

In the Statement which I made to the House about the Civil Service dispute on 8 June I explained that our talks with the Civil Service Unions had concerned both this year's pay increase, and the future arrangements for determining Civil Service pay. I made clear that the Government was satisfied that it would not be right to increase our 7% offer for the 1981 settlement; but that in response to the Unions' anxieties about the future we had told them that we were ready to set up an independent outside inquiry to advise on the best up-to-date arrangements.

I want to emphasise our concern to establish new and acceptable pay arrangements as soon as practicable. To this end the Government has appointed the Rt Hon Sir John Megaw, a retired Lord Justice of Appeal, as Chairman of an Inquiry into non-industrial Civil Service pay. Membership of the Inquiry is being discussed with Sir John Megaw and will be announced later. The Inquiry will have the following terms of reference:-

"Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and in the orderly conduct of the business

/of Government

of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; to the need for good industrial relations in the Civil Service; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service: to consider and make recommendations on the principles and the system by which the remuneration of the non-industrial Civil Service should be determined, taking account of other conditions of service and other matters related to pay, including management, structure, recruitment and grading."

I have already given the unions an assurance of our commitment to genuine negotiations in 1982 in advance of the fixing of cash limits. We will ask the Inquiry to report by next summer, so that the recommendations can be considered in good time before the 1983 Civil Service pay settlement.

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The terms of reference for the Inquiry take account of earlier discussions with the Unions. They have been widely drawn to allow full consideration, without impediment, of all questions relevant to the determination of Civil Service pay. It is my earnest hope that the Service will see this as opening the way to a constructive and honourable resolution of the important longer term issues underlying the present dispute.

The setting up of this independent inquiry underlines in the clearest possible way the Government's concern to establish a fair and sound basis for the future determination of Civil Service pay. The public has a right to expect the Civil Service unions to respond now equally constructively by bringing their disruptive action to an end. I hope they will do so without further delay.