



CONFIDENTIAL

PRIME MINISTER

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Civil Service Pay  
(E(80) 114)

BACKGROUND

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Although the Lord President's paper is in the form of a progress on his negotiations with the Civil Service unions on reforms to the PRU system, it also conveys his judgments that the Civil Service pay cash limit for 1981 should not be set "unrealistically low"; that the cash limits for the public sector should be applied in an even-handed way so that the Civil Service are not seen to be singled out for discriminatory treatment; and that in the longer run Civil Service pay must be settled by "an improved system of comparability", acceptable to both sides, and not by Government fiat. The Lord President will no doubt be able to expand orally to the Committee on the progress so far made in the negotiations with the Civil Service unions on PRU. But the main thrust of his paper is directed to the longer term and links closely to the options for the future of pay determination set out in the Chancellor's paper E(80) 115 and due to be discussed as the next item on the agenda.

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Public Sector  
Pay*

HANDLING

2. In asking the Lord President to speak to his paper you might particularly invite him to report on the progress made in his negotiations so far and - because it will be an important element in discussion of the later options paper - ask whether he can hazard any assessment of the financial benefits which might flow if the staff were to accept the various proposals he has made to them for improvements in the PRU system. You might also ask him for his assessment of the state of morale - and of militancy - among the Government's employees. There is no doubt - as the Chancellor's first paper E(80) 118 shows - that whatever arrangements are made for Civil Service pay in the coming year will involve a substantial cut in the real value of pay - perhaps compounded by the implementation of whatever recommendations the Scott Committee comes to on the contribution for pensions and the impact of job loss and possible redundancy. Given that the Civil Service

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3 unions undoubtedly have the power, if pushed too far, to cause very serious disruption to the Government's activities, a judgment from the responsible Minister on the threshold between acquiescence and defiance will be a critical input to the decisions as a whole.

3. When the Lord President has given his views there is probably no need for specific discussion of them outside the context of the next item on the agenda.

#### CONCLUSION

4. The only conclusion needed will be to invite the Lord President to report further on the progress of his negotiations.

REA

(Robert Armstrong)

14th October 1980

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