

Prime Minister ②
To Note AS 5/4

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MR TURNBULL

5 April 1984

CIVIL SERVICE PAY NEGOTIATIONS 1984

Next Monday, MISC 66 will discuss this subject. You may find it useful to know something of the official discussion underlying the paper which will be taken at that meeting.

Treasury negotiators have to find a path between, on the one hand, the 3% pay factor and on the other, the results of the data gathering exercise undertaken as a prelude to Megaw, which reveals that settlements for non-manual, private sector employees over the most recent nine month period lie within an interquartile range of 5-7%, with a median of 6% - double the pay factor. This data is designed to "inform but not constrain" this year's negotiation.

There are two credible options: we prefer the second.

(i) to try for a quick negotiated settlement at, say 5% - a lower quartile figure, before the Review Bodies recommendations are published and in time to catch the Civil Service unions' annual conference;

(ii) to embark on a "slow bicycle race" at the 3% level, aiming to negotiate a settlement at 4.5-4.75% by end-May.

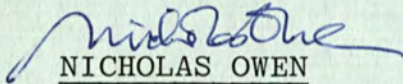
There can, I am sure, be no question of imposing a settlement, unless as a last resort. Such high-handedness would be counter-productive in several ways, particularly after the GCHQ affair. It would mean that the 1985 negotiations would not start from a clean slate and would merely postpone part of the costs.

I expect Ministers to go for Option ii on Monday. Ministers in whose areas settlements have been or are likely to be struck at around 4.5% (Mr Jenkin, Sir Keith Joseph, Mr Fowler) will not want to see the ground cut from under them by an immediate 5% offer. Many civil servants, particularly those out of London, do not expect more than 4.5%. In any case, the tactic of speed is unlikely to be effective; the unions will be anticipating Review Board recommendations of higher than 5% and will want to wait

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until publication before settling. The Civil Service unions will argue that a 3% opening offer makes a nonsense of the data collection exercise. In what sense does it "inform" the Government's offer? The Government has a sufficient answer to this point - the data is just one factor amongst several. If the unions decide to withdraw from Megaw discussions as a result, I see no disadvantages to the Government whatever.

A Megaw-type negotiation this year would have implied an opening offer of 5 per cent, and a settlement of perhaps around 6 per cent.


NICHOLAS OWEN



File

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10 DOWNING STREET

Prime Minister ②

You will want to know how
and Service negotiations are
looking. The choice is a
quick settlement at 5 percent
or delaying it long to try
and get 4½ percent. The
Chancellor prefers the latter
as does the Policy Unit.
Other Ministers may also
support this

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