



File  
Civil Service

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cc. Member sec

SUBJECT

10 DOWNING STREET

From the Private Secretary

7 January 1982

Dear John,

The Prime Minister held a meeting this morning on public service pay. The Chancellor of the Exchequer, the Secretaries of State for Education, Environment and Employment, the Chancellor of the Duchy of Lancaster, the Minister of State for the Armed Services (Mr. Blaker) and the Minister of State at the Department of Health and Social Security (Dr. Vaughan) were present. The conclusions of the meeting in relation to groups other than the Civil Service are recorded separately.

On Civil Service pay, it was agreed that the Government's response to the 13 per cent pay claim should be that this claim could not form the basis of negotiation; the Government would soon be making a counter-offer of its own. The Chancellor of the Exchequer would make arrangements to convey this message to the unions early next week. The intention would be to make it clear that the claim of 13 per cent was well outside anything which could sensibly form the basis for negotiation, without giving any impression that the Government was reneging on assurances it had made at the time of last year's settlement about genuine negotiations without a pre-determined cash limit. Officials should start work immediately in preparing the counter-offer, recognising that the matter would almost certainly go to arbitration, and designing the offer so that it would appear as fair and reasonable as possible to an arbitrator. The offer should not be an across-the-board percentage increase but a series of revised pay scales which reflected the supply and demand for different kinds of labour. Officials should investigate how far it would be possible to reflect in these revised scales different pay levels in different geographical regions, as well as the scope for granting small or nil increases where there were large numbers of applicants for posts.

A group of the senior Ministers most closely involved would be set up under the Chancellor of the Exchequer's chairmanship to oversee the day-to-day progress of the negotiation; and there would be a corresponding official group on which the CPRS and No. 10 Policy Unit would be represented. It was hoped to make progress with the negotiation, so that if it indeed went to arbitration, it could do so, if possible, before the settlement date of 1 April 1982.

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I am copying this letter to Barnaby Shaw (Department of Employment), Jim Buckley (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

I would be grateful if you would make further copies of this letter only where absolutely necessary, and if you would restrict to the maximum possible extent the number of people who see these copies. But in the case of most recipients of this letter, I hope that no copies need be made, and the letter will not be taken outside the Private Office concerned.

*Yours sincerely,*

*Michael Scholar*

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John Kerr Esq.,  
HM Treasury.