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10 DOWNING STREET

From the Private Secretary

23 July 1982

Dear Peter,

LONDON WEIGHTING

The Prime Minister is content with the approach set out in paragraph 6 of the Chancellor's minute to her of 22 July: that we should make an opening offer of some 6%, that if an opportunity arises of an early negotiated settlement at no more than 9% the Government should take it; but that, failing this, the Government should be prepared to allow London Weighting for the non-industrial Civil Service to go to arbitration.

I am sending copies of this letter to John Halliday (Home Office), Imogen Wilde (DES), David Omand (Ministry of Defence), David Edmonds (DOE), David Clark (DHSS), Barnaby Shaw (Department of Employment), David Heyhoe (Lord President's Office), Terry Mathews (Chief Secretary's Office, HM Treasury), Jim Buckley (Lord Privy Seal's Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholten

Peter Jenkins, Esq.,  
H.M. Treasury.

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*Prime Minister* (1)

*Agree a 6% offer on London weighting,*

Treasury Chambers, Parliament Street, SW1P 3AG with discretion to  
01-233 3000

*Yes*

*rise to 9% - or, if this is not accepted, to go to arbitration?*

PRIME MINISTER

*Yes  
not*

*Ms 22/7*

LONDON WEIGHTING

*attached.*

The Ministerial Sub-Committee on Public Service Pay discussed on 21 July the question of London Weighting allowances in the 1982 round of public service pay negotiations (E(PSP)(82) 3rd Meeting). As you know, the Department of Employment published on 24 June its annual London Weighting indices showing increases in the year to April of 16.7 per cent for inner London and 12.8 per cent for outer London.

2. We concluded that, notwithstanding a passing reference in the Megaw Report which would be seen by the unions as implicit endorsement of cost compensation in line with the indices, the Government's general approach in the 1982 round should be based on the following main considerations:

- a. the need for employers to be able to recruit, retain and motivate staff;
- b. the need to avoid reinforcing the assumption that London Weighting should be based on cost compensation (and particularly to resist catching up claims in respect



of the Civil Service and National Health Service who did not receive full cost compensation last year); and

c. the need to stay within cash limits.

3. In accordance with these considerations, the aim should be to achieve the lowest practicable settlement for each group. Although no formal review of London Weighting allowances would be announced at this stage, it would be made clear, as necessary, in particular negotiations that the Government regarded the question of London Weighting allowances in the future as being inevitably a matter for further consideration in the light of the Megaw Report's general recommendations that pay should be adequate to recruit, retain and motivate staff.

4. We also agreed it would probably be desirable to discontinue publication of the Department of Employment's London Weighting indices which influence London Weighting settlements widely in the private as well as the public sectors. The Secretary of State for Employment will however be putting forward proposals about this later in the year, bearing in mind the undesirability of complicating decisions on the Megaw recommendations.

5. We discussed the handling of the negotiations with the various public service groups and paid particular attention to those with the non-industrial Civil Service where, because of the timing and the Government's direct involvement, there may be repercussions for the negotiations with other groups. The Civil Service unions have claimed increases in line with the indices, together with a "catching up" increase in respect of 1981.

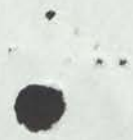


6. We agreed that the right approach would be to make an opening offer in line with the average increase in Civil Service pay in the 1982 pay settlement, i.e. of some 6 per cent. If an opportunity arose of an early negotiated settlement at no more than 9 per cent, the Government should take it. Failing this however the Government should be prepared to allow London Weighting for the non-industrial Civil Service to go to arbitration as did the main 1982 pay increase. We felt that, in the particular circumstances applying to this group this year, a settlement arising from arbitration might well be no higher than any settlement which could be otherwise achieved, and that the adverse impact on other negotiations would be less if the final figure emerged from arbitration rather than being proffered by the Government.

7. I am sending copies of this minute to the Home Secretary, the Secretaries of State for Education and Science, Defence, the Environment, Social Services, and Employment, the Lord President of the Council, the Chief Secretary, Treasury, the Lord Privy Seal, Mr Sparrow and Sir Robert Armstrong.

(G.H.)

22 July 1982



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