

C.E.D.
2

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

PRIME MINISTER

LONDON WEIGHTING FOR THE CIVIL SERVICE

You will recall our earlier decision (your Private Secretary's letter to mine of 23 July) that officials should be authorised to seek a negotiated settlement of the Civil Service London Weighting claim at "up to 9 per cent" and that, if a negotiated settlement did not prove possible, the matter should then be referred to arbitration.

2. You will also recall that the Unions' claim was for an average increase of 22 per cent in the London Weighting allowances including the 5 per cent or so we withheld last year. This figure is based on the indices of the relative extra cost of living in London published by the Department of Employment and used by many employers as the basis for their own London allowances (indices which we are, of course, about to discontinue).

3. Negotiations by my officials have now reached the point where the Civil Service Unions have offered privately to settle at an overall increase of 14½ per cent in the London Weighting figures. They have indicated, even more privately, that they might be prepared to accept a counter-offer at 12 per cent. The judgement of officials is that this is the best we can hope to achieve in negotiation and I agree with them (a 12 per cent settlement would meet little more than half of the Unions' claim; is at the limit of what they could defend to their members as a negotiated settlement; and must be well in the area of the award they could reasonably hope to achieve at arbitration - though of course they might do better or worse).

4. As part of the settlement the Unions would wish to have assurances from us on the general lines that the 1982 settlement would not be quoted as a precedent for future years; had been reached entirely without prejudice to the position of either side in any future London Weighting negotiations; and would not be quoted by the Official Side as evidence that the CCSU has accepted any



or all of the arguments put forward by the Official Side in the course of the present negotiations. A precise text would need to be negotiated but I do not see any difficulty in giving assurances on these lines. The Unions would also expect a low key announcement of the settlement with no attempt to justify the agreed figures by arithmetical calculations. For their part they would be likely to present the settlement as being, in their judgement, the best that could be achieved in the circumstances.

5. The issue for us to decide therefore is whether to indicate to the Civil Service Union leadership that a settlement at 12 per cent is acceptable to us or to set the arbitration processes in train. The cost of going to 12 per cent, as opposed to the 9 per cent we have already authorised, is minimal (about £3 million a year) and our judgement has to be made on wider considerations. Among these are:-

- a. The impact on the NHS pay negotiations of what might be represented as a Government concession of 12 per cent.
- b. The impact on the parallel negotiations on London Weighting for teachers and, eventually, the NHS where a Civil Service settlement well below the indices would no doubt help to obtain moderate outcomes.
- c. The impact on our industrial relations in the Civil Service where evidence given to the Arbitration Tribunal might be bruising whereas a negotiated settlement might show that both we and the Civil Service Unions were capable of doing serious business together.

6. Were we to be free to consider this question in isolation I would be tempted to try and reach agreement at 12 per cent with the Civil Service Unions. But I am conscious that NHS considerations may well point to arbitration for the Civil Service - the results of which would not emerge for 6 weeks or so. In order to come to a final decision it would be most helpful to have the views of colleagues, and particularly those of Keith Joseph and Norman Fowler whose special interests are directly involved. If it would help I am very willing to call a quick and early meeting of E(PSP) at which we can review the position.



7. Copies of this minute go to the Secretary of State for Education and Science, the Secretary of State for Defence, the Secretary of State for Social Services, the Secretary of State for Employment, the Lord Privy Seal, and Sir Robert Armstrong. All will, I know, recognise and respect the sensitivity of the information contained in this minute.

(G.H.)
13 October 1982

CONQUEROR



Civil Service, Aug. P+12



14 OCT 1962

11 12 1 2 3 4
10 9 8 7 6 5

CONFIDENTIAL

11