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RECORD OF A MEETING HELD AT 2030 HOURS AT NO. 10 ON WEDNESDAY  
2 JULY BETWEEN THE PRIME MINISTER AND THE COUNCIL OF CIVIL SERVICE  
UNIONS

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<u>Present:</u>	Prime Minister	Mr Kendall,
	Lord President	Secretary General, CCSU
	Minister of State, Civil Service Department	Mr. Gillman, SCPS
	Sir Ian Bancroft	Mr Ward, FDA
	Mr. Whitmore	Mr McCall, IPCS
	Mr. Lankester	

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Mr. Kendall said that he and his colleagues were very concerned about press reports that the Government was considering not implementing the Boyle recommendations on senior public servants' pay. In reaching their final decisions, he hoped the Cabinet would take into account the following considerations. The Top Salaries Review Body (TSRB) was as independent as any review body could be. Their report was making recommendations relating to the end of the current pay round, and it would be wrong to consider them as if they related to the next pay round. Successive Governments had piled up trouble for themselves by failing to implement the TSRB's recommendations. The Review Body had been especially asked to deal with the problem of compressed differentials, and consequently an across-the-board flat increase would be quite unsatisfactory. If the Government decided not to implement their recommendations, this would have implications not just for senior civil servants but for the Civil Service as a whole. Relations between the Government and civil servants would be inevitably soured. He understood the political and economic difficulties which Ministers had to

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face if the full increases were implemented; but he still hoped they would have the courage to do so.

Mr. McCall said that he was deeply conscious of the Government's difficulties on this issue. But senior Civil Service pay had always been a problem for Governments. If the Review Body recommendations were not implemented, it would store up even greater problems for the future. He was particularly concerned about the problem of differentials, on which the Review Body had sought the unions' views. In this context, he quoted the case of the Eastern Electricity Board (of which he was a part-time member), where there were many people at second and third level in the management hierarchy who were earning more than the Chairman. He hoped that the Government would not discriminate against those public servants whose motivation was absolutely vital if the Government's programme was to be achieved.

Mr. Ward said that he would be attending a meeting with the Lord President the following day about Civil Service morale and motivation. If the Review Body's recommendations were not implemented, morale would suffer greatly. In addition, in so far as the Government had recently accepted the recommendations of two other Review Bodies & this was in the same pay round, FDA members would consider it grossly unfair if they were discriminated against.

Mr. Gillman commented that he was particularly interested in the grades below Under-Secretary - namely Assistant Secretary and Senior Principal. There was clear evidence from PRU that rates of pay in the private sector for comparable work were far above what these grades were currently getting. Whatever was decided on Boyle would inevitably affect the pay of these grades. Lower grades in the Civil Service would be looking carefully at the Government's decision to see whether they were acting fairly. If Ministers were to postpone the increases this early in the lifetime of the Government, they would have to solve the problem that they had created themselves: they could not pass it on to a successor administration. The Government ought to

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stick by its own philosophy - that skill and responsibility should be properly rewarded.

The Prime Minister said that the Government's spending in April and May was 30% up on the previous year; it was likely to be high in June as well. Much of the increase was due to higher Civil Service pay; and this had been criticised by the Select Committee on the Treasury and the Civil Service. Admittedly the increased pay bill was partly the consequence of staging, but this did not obviate the fact that the public sector was putting an excessive burden on the private sector. The Government was saying that the private sector must pay its employees increases related to the monetary target and improved productivity. It must play its own part in deciding the salary levels of its own employees. Unless pay increases in the public sector came down, there would have to be further volume cuts. The groups covered by TSRB were in leadership positions, and it was reasonable to ask them to provide a lead. In any case, like other top salary earners, they had done very well out of the tax reductions in last year's budget. It was simply untrue that the public distinguished between pay rounds; settlements at the end of one round inevitably influenced settlements at the beginning of the next.

The Prime Minister went on to say that it was unlikely that the Government would be able to implement the Review Body's recommendations. The recommendations (which she was telling them about in confidence) were for increases ranging from 15-30% - with the higher figures for under-secretaries and others affected by the differential problem. She could not predict what the Cabinet's decision would be; but the increases which they were likely to approve would be considerably less than this. However, she hoped to be able to do something about the differential problem.

Mr. McCall said that the total cost of the increases recommended was small, and therefore he did not think the public expenditure point was relevant. He agreed that leadership was important; but it was unfair to ask senior civil servants to show leadership by foregoing salary increases that were their due at the end of a pay round. Top civil servants had been underpaid for over a decade.

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Mr Ward added that it was hard to expect leadership from people if they were being treated unfairly.

The Prime Minister said that she disagreed. If public servants did not give a lead, it was hard to expect employees in the private sector. In any case, she doubted the validity of many of the PRU and TSRB analogues. To the extent that they were valid, the total cost of the Civil Service had to "add up". The Government could not go on spending money irrespective of the effect it had on interest rates in the private sector.

Mr Kendall said that the Prime Minister seemed to be saying that the top civil servants had to help deal with the problems of the future, when in fact the issue was about the past - the ending of the current pay round. He would like to have a fuller discussion with the Prime Minister some time about morale and motivation in the Civil Service. Suffice it to say at the present time he found that there was a crisis of morale at the top end of the Civil Service.

The Prime Minister said that she doubted that was the case. But even if it were true, the Government could not ignore the effect on morale in the private sector if the Review Body's recommendations were fully implemented.

The meeting ended at about 21~~50~~.

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12.

3 July, 1980

Distribution: PS/Lord President  
Minister of State, CSD  
Sir Robert Armstrong

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File

sub

b.c. Hoskyns  
Wolton

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10 DOWNING STREET

*From the Private Secretary*

3 July 1980

Dear Jim,

I enclose the record of last evening's meeting with the Council of Civil Service Unions.

I am sending a copy of this letter and enclosure to Geoffrey Green in your Department, Sir Ian Bancroft and Sir Robert Armstrong.

*[Handwritten flourish]*

Tim Laker.

Jim Buckley, Esq.,  
Lord President's Office.

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