

PREM 19/401

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SECRET

Confidential filing.

Pay and Pensions.

CIVIL SERVICE.

Part 1: May 1979.

Part 4: April 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
11.4.81							
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6.5.81							
8.5.81							
18.5.81							
ENDS							
<p>PREM 19/4401</p> <p>Material used by official Historian DO NOT DESTROY</p>							

PART 4 ends:-

RTA to TL (A04934) of 18/5/81.

PART 5 begins:-

RTA to CAW (A04944) of 19/5/81.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(81) 50	28/04/81
CC(81) 17 th Conclusions, Item 4	30/04/81
CC(81) 17 th Conclusions, Min 4 - Limited Circulation	
Annexe <i>(LCA)</i>	30/04/81
CC(81) 19 th Conclusions, Min 4 <i>(LCA)</i>	14/05/81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *A Wayland*

Date *15 February 2011*

PREM Records Team



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Civil
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Service

MR. LANKESTER

Civil Service Dispute

Tomorrow morning's meeting will presumably look at two notes:-

✓ (ii) The terms of reference and composition for an independent inquiry on Civil Service pay arrangements. I have briefed separately on that.

✓ (ii) The letter sent to you by the Lord President's Office on 15th May enclosing a note about ways in which it might be possible for the Government to escalate the action.

2. You will also wish to take stock of the feelers which seem to be being put out by the Civil Service unions over the weekend about the possibility of some kind of negotiated settlement between now and the end of the month. I do not think that these are surprising: as I said in the brief which I prepared for the meeting of Cabinet last week, though resolutions have been passed at the annual conferences in favour of all-out strike action, the union leaders will not be at all anxious to be obliged to proceed that far, since the support for a call for all-out strike action is likely to be patchy and poor. It may well be ~~through that~~ ^{that we have a} "window" next week and the week after, during which there is some possibility of settling the dispute.

3. Of the courses of action for possible escalation described in the note to Mr. Buckley's letter of 15th May, I believe that the only real starters are no. 5 (withdrawing the operative date of 1st April) and no. 6 (imposing a settlement).

Withdrawing the Operative Date

4. What the CSD note proposes is announcing that, if the industrial action continues beyond a certain date the operative date will be not 1st April but the date of the settlement. But at this stage this is surely much too hard; all that the Government needs to do for the time being is to say something much vaguer, to the effect that, if the dispute were to be drawn out for a further long period, the Government would be bound to consider whether the operative date of 1st April could still be maintained.


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5. One advantage of some such hypothetical line would be that it would not be necessary to consider the proposal to withdraw the operative date only in respect of staff who strike after the named date. While I can see the attractions of this idea, in that it would not penalise those who continued to work normally - and even harder than normally - I believe that in terms of tactics as well as of administrative ease of operation, it would be right to apply whatever is said about the date to everybody. If the postponement of the operative date were to apply only to those who went on strike after a named date, there would be no kind of incentive on other people to seek to persuade their colleagues to stay at work. I have never heard of an industrial dispute in which, because of industrial action, the date of settlement was postponed for some but not for others.

No

Imposition of the Settlement

6. At the right time this could be a sensible move. But it is a move to make when the strike can be seen to be crumbling, and I believe that it would be a move better taken after a week-long strike than before: if there is any significant possibility of settling the dispute between now and the first week of June, it will be better not to take this move, the short term effect of which would certainly be provocative.

7. An alternative to imposing the settlement would be to put the proposed settlement to ballot by the Civil Service over the heads of the unions. But I am not sure that the offer is quite sure enough of bringing about the right result of a ballot: I believe that the Government would have to add the conditional agreement to arbitration in 1982 which was envisaged in earlier discussion and was authorised, subject to agreement with the Chancellor (this would be an agreement to go to arbitration, ^{if need be} but reserving the right to over-ride the result of arbitration with the approval of the House of Commons if necessary).

Negotiated Settlement Now?

8. The meeting may wish to spend some time discussing whether Ministers would be prepared to contemplate any more than what is now on the table, in the hope of settling the dispute in the next two weeks. There are two areas for possible concessions:-

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- (a) Arbitration in 1982. At an earlier stage the Cabinet agreed that, if the Chancellor of the Exchequer was content, the Lord President should be authorised to accept a commitment to go to arbitration in 1982 if need be, subject to retaining the right to seek the approval of the House of Commons for over-riding the arbitration if the Government felt obliged to do so. This concession has not been offered; the question is whether it should be reaffirmed at this stage, so that the Lord President can offer it if the course of the negotiation suggests that that would be useful. My own judgment is that this would be a useful negotiating card in the present situation, though clearly it is a hostage to fortune for the future.
- (b) The amount of the increase in 1981. The Government has offered 7 per cent, within a cash limit of 6 per cent. According to the papers, the unions are talking in terms of an increase of $9\frac{1}{2}$ per cent, to run from 1st April to 31st December 1981, so that we should have a new operative date of 1st January for future settlements. They argue that $9\frac{1}{2}$ per cent for 9 months is within a cash limit of 6 per cent. The logic is crazy, since we should be paying at least $9\frac{1}{2}$ per cent and presumably more than that for the three months from 1st January to 31st March 1982. So what the unions are proposing certainly does not help the cash limit.

9. But this suggests a new area of movement. Is the Government interested in bringing the operative date forward from 1st April to 1st January? Civil Service pay settlements always used to run from 1st January but the date was changed to 1st April to coincide with the financial year. Now it would in many respects be convenient to bring the date forward to 1st January, since it would then be easier to agree a settlement before the cash limit had to be finally determined. If we wanted to change the operative date to 1st January, the current increase would have to cover either a period of 9 months or a period of 21 months. If it were to cover a period of 9 months, an increase of 5 per cent would be the most that ^{could} ~~can~~ be justified; if it were to cover a period



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of 21 months, it would then be easier to contemplate an increase of $9\frac{1}{2}$ or 10 per cent. It might well be worthwhile the Lord President exploring these possibilities in his informal discussions with the Civil Service unions over the next few days, if (as seems likely) they are really interested in the possibility of reaching a settlement before the end of the month.

REA

(Robert Armstrong)

18th May 1981

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PRIME MINISTER

cc Mr Vereker

CIVIL SERVICE DISPUTE

The Lord President spoke to me on the telephone this morning to say that he hoped that tomorrow's meeting on the civil service pay dispute could cover the following three main areas:-

Tactics for the next two weeks

Lord Soames said that he saw next week as the watershed in the dispute. Although the leaks and rumours flowing from the unions over the weekend (and he particularly blamed Mr McCall of the IPCS for them) had made things more difficult, he was still hoping that there would be an unannounced and informal meeting between officials and the unions over the bank holiday weekend, which would lead to a meeting between himself and the unions. He therefore needed to begin now to establish with his colleagues what his position should be if such a meeting were to take place. In particular he wanted to be clear on the following points:-

- a) There could be no movement whatever that breached the 6 per cent cash limit. But he was pretty certain that because the manpower run down was going more quickly than had been expected, there would be an underspend on this year's cash limit, and this would make it possible to increase the present offer of 7 per cent to at least 7½ per cent and perhaps to 8 per cent, without breaching the 6 per cent cash limit. Another way of presenting such an increase - still within the cash limit of 6 per cent - would be to leave the present offer of 7 per cent but to supplement it with the offer of a "bonus" at the end of the year comprised of financial savings resulting from a faster than expected run down of staff. The question

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was whether we used this room for manoeuvre or not.

I said to the Lord President that I thought that it would be difficult to convince the public after all we had said that we could find this extra money and still remain within the 6 per cent cash limit. People would suspect a fiddle. Moreover, I thought that there might be repercussions for other groups, particularly the nurses whose numbers were being deliberately increased at the moment and who therefore did not have the opportunity of "earning" a bigger pay increase out of staff savings.

- b) Was there to be any movement on our position on arbitration for 1982? Could we offer arbitration, with Government reserving its final position by being able to refer an arbitration award to Parliament for confirmation or rejection?

I reminded Lord Soames that you had said that arbitration was not negotiable.

- c) He thought that how to proceed on the question of the longer term arrangements (see below) would be easier than the problems of 1981 and 1982.

II. Longer term inquiry : terms of reference and membership

III. Escalation measures

On both these subjects Lord Soames really had nothing to add to what he had said in the papers which ~~would~~^{will} be under discussion tomorrow.

John

18 May 1981

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See
by TL+CAW

PRIME MINISTER

CIVIL SERVICE DISPUTE

1. The Civil Service dispute, like other public sector confrontations, presents Government with an opportunity as well as a problem. The public want and expect the Government to win this trial of strength decisively. If we can do that without losing public goodwill or creating widespread grievance within the Service, we gain several advantages. First, the chance of further strike action by the Civil Service in 1982 will be greatly reduced. Second, the Government's image of "firmness and fairness" will be heightened. Third, there will be a beneficial effect on attitudes in other unions (for example, NUM).

2. ESCALATE TO WIN

2.1 We think that option 5 in the CSD note - withdrawing the 1 April operative date for 1981 - should be our next move. It should not be done yet. We suggest that before the Council of Civil Service Unions meets, the Government should say that such a move may become necessary. This could help to discourage them. If they then decide on a week's strike, we should escalate quite swiftly. If they decide not to strike, we can reconsider. Escalation may not then be necessary.

2.2 In order to be seen to be fair, and to give time for moderate forces to work, the Government should give plenty of notice before it acts to drop the 1 April date. We suggest three weeks.

2.3 As the CSD note says, there are two alternative ways of deploying this weapon: treating everyone alike (see 2.4 below); or penalising the strikers (see 2.5 below).

2.4 Treating Everyone Alike

2.4.1 On this approach, we would explain that the mounting cost of the strike to the taxpayer obliged Government to act to end it, and to find ways of offsetting the cost. Accordingly, if it is not settled within three weeks, no-one would receive backdated payments. We could explain how unfair this is on those who have

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worked loyally, etc. That's all part of the moral pressure that would be directed against the strike organisers. To put extra pressure we could announce our intention to hold a management-organised ballot before the three weeks expired.

2.5 Penalising the Strikers

2.5.1 This would entail the same messages. It would be made clear that anyone striking after the three weeks were over would not have his pay backdated. (We assume there is no difficulty identifying strikers after a certain date.) Their pay will be subject to deductions for striking anyway.) This approach could be dramatised by an offer to each employee asking him to accept the 7% and agree not to participate in further strike action. The results of these offers could be published. They would have much the same status as a ballot.

2.6 Our own preference is for the first approach, because it maximises pressure on the unions to bring about a final end to the dispute. The risk with the second approach is that small numbers will continue to strike with the union promising to make good their lost back payments. The dispute might drag on. We also see difficulties about the treatment of those laid off as a result of strike action. Some will be willing supporters of the strike; others will be completely innocent.

2.7 Either approach will be criticised as rough justice, but we think the vast majority of the public would support it. The short point is that whenever strike action is used with intent to gain, innocent parties get hurt. After all, the impact of the dispute on the public has also been very arbitrary: some people have had holidays and business trips and livelihoods disrupted; others have not.

3. LEGISLATION ON LAY-OFF PAY

3.1 The present inability to lay off white collar workers in the public or private sector when there is no work for them as a result of strike action by their own colleagues is ridiculous. It provides a permanent temptation to all white collar unions to practise and perfect the selective strike. We have seen this used

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occasionally but very effectively in the last few years (eg the Post Office). Technology will provide much more opportunity in the future. Putting right this anomaly would be a valuable step towards our Manifesto objective of restoring a better bargaining balance between management and unions throughout the economy. We therefore think the change should be made not just for civil servants, but for all white collar workers.

3.2 The present dispute provides an excellent peg on which to hang this much-needed reform. It could be done swiftly during the dispute. Alternatively, we could use the dispute to publicise the need for it, commit ourselves to putting it right, and do it in the next session when the need has been better understood.

3.3 We agree with CSD that the industrials should receive the assurances necessary to avoid antagonising them by this legislative change. Indeed, we should be able to make a virtue of aligning the treatment of industrials with non-industrials in this respect.

4. INTERNAL AND EXTERNAL COMMUNICATION

4.1 The Government's position remains strong. But it is important that Ministers should keep up their efforts to sell and explain it. If a ballot is contemplated, it is especially important that those who take little interest in the dispute do not fall prey to the unions' propaganda. Sometime ago, I raised with Mr Whitmore the possibility that senior Civil Service management could play a rather more active - though non-political - role of explanation. I understand CSD saw objections to this, but it might be worth considering again now.

I am sending copies of this note to Geoffrey Howe and to Sir Robert Armstrong.



JOHN HOSKYNS

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18 May 1981

Policy Unit

PRIME MINISTER

Seen by

INDEPENDENT INQUIRY INTO CIVIL SERVICE PAY

TL + CW.

1. Your meeting tomorrow will discuss the terms of reference and possible composition of the inquiry team.

Terms of Reference

2. You have already accepted the case for wide terms of reference, including matters of organisation and structure. Although Christopher Soames and Jim Prior do not like this idea, Robert Armstrong and Robin Ibbs both support a wider inquiry. However, Derek Rayner's doubts about the words "organisation and structure" are understandable. We are not proposing that Departmental organisation should be included; the emphasis should be on management practice, and, in Derek's words, "pay as a motivator". It could turn out that pay at some senior levels needs to be higher, removing an obstacle to interchange with the outside world.
3. The opportunity for outside comment on the organisation and recruitment practices for the Civil Service, which are closely related to pay questions, is unlikely to recur during the decade. We are convinced that the Civil Service could benefit from a greater sense of individual accountability and more interchange at senior levels of both people and management practices with the outside world. These points will not arise if the terms of reference are strictly confined to pay.
4. It is very relevant that in 1955 the Priestley Commission devoted a chapter to "the limitations imposed by our terms of reference". They said that it was "extraordinarily difficult" to advise on pay rates without the opportunity of making positive proposals on intimately related matters like structure, grading, complementing, recruitment, training and promotion procedures. (For reference see Annex A - particularly paragraph 55.)
5. It is essential that we do not make the same mistake of narrowing the terms of reference. Scott provides a clear example of the dangers in that. Lord Soames's preamble with its explicit

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reference to inflation is now about right, but the substantive section of the terms of reference needs to be along the lines of that originally proposed by Sir Robert Armstrong.

6. If we are serious about relating these wider questions to pay, it seems important to include the TSRB groups within the study. You can't raise fundamental management questions in a study which excludes the top grades. The team would not be precluded from recommending the continuation of TSRB arrangements if they thought that appropriate. In any event, next year's TSRB report will be highly inconvenient - containing a large catching-up element. The inquiry's existence will provide a good reason for rejecting it.

Composition

7. We agree with Robert Armstrong that the Chairman should be from the private sector. If the team are able to devote enough time to the work, it should be possible to get results - despite the wider terms of reference - for 1983. This will be a paramount consideration in selecting people. This must rule out busy, full-time executives like Alan Lord.
8. We also favour a smallish team which will enable it to work more quickly. We think that team should contain two or three hard-headed people with practical experience of industrial relations in the private sector who are also numerate. I have discussed this with Walter Goldsmith, who says that the following are in this category:

Len Peach - Personnel Director IBM
(very well regarded in the personnel field).

~~Ian~~ Ian Lockyer - Personnel Director of Mars
(recently returned from a tour of duty in USA).

Peter Brown - Reward Regional Survey.

Tony Vernon-Harcourt - Charterhouse.

R.B. Ellis - Group Personnel Director, Corn Products.

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9. Another good choice in our view would be Christopher Foster: relevant business experience at Coopers and Lybrand; heavyweight academic; past experience of Whitehall. He could well be Chairman. From brief personal contact, and experience of friends, we expect that Dahrendorf would prove disappointingly woolly-minded.
10. Among the women suggested by Christopher Soames, Detta O'Cathain is forceful, numerate and has extensive commercial private sector experience. Another might be Mary Goldring - highly intelligent and economically literate.
11. A useful member of the team would be Bernard Donoghue. This would look like a concession to political balance, but he is known to have very strong views about high relative pay of many Civil Servants and the need for reform. There is a case for having a member from the old PRUB in terms of experience. Lord Shepherd has been suggested. We must beware of co-opting a PRUB member with an "ego-investment" at stake. Another member may have been more sceptical about PRU and therefore more useful now.
12. As far as trade unionists are concerned, we suspect that Frank Chapple would be seen as an enemy by the Civil Service unions. We cannot think of any economically literate union leaders though there are, of course, several who are at least well intentioned. For example Roy Grantham or John Lyons. They would not be much help but they would do no damage provided the rest of the team are hard-headed realists.
13. I am copying this to Sir Robert Armstrong.



JOHN HOSKYNS

18 May 1981

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CHAPTER III

THE LIMITATIONS IMPOSED BY OUR TERMS OF REFERENCE

54. We think it right to point out that the terms of our reference have been drawn more narrowly than those of the Tomlin Commission. Theirs were as follows:—

“ . . . to enquire into and report on:—

(a) The structure and organisation of the Civil Service, including methods of recruitment;

(b) Conditions of service in the Civil Service, with particular reference to

(i) the general standard of remuneration of civil servants and the existing differentiation between the rates and scales of remuneration payable respectively to men and women civil servants;

(ii) the machinery for the discussion and settlement of questions relating to conditions of service; and

(iii) the position of ex-Service civil servants in unestablished employment;

(c) Conditions of retirement from the Civil Service, including the retirement of women civil servants on marriage.”

55. It will be seen that by contrast ours make no mention of a variety of matters such as structure, grading, complementing and their relationship to the size of the Civil Service; nor are we called upon to make recommendations about recruitment, training and promotion procedures. Though we have not felt debarred from enquiring into these questions, we have found it extraordinarily difficult to examine and advise on the pay rates of an organisation so complex as the Civil Service without the opportunity of making positive proposals on these intimately related matters, and we feel obliged to indicate the effect which the restricted nature of our terms of reference has had on our attempt to fulfil our task.

56. As regards structure and grading we have to assume for purposes of our enquiry that the work to be done in the Civil Service has been allocated as correctly and efficiently as possible first to the various classes and then within the classes to the various grades. Thus for example we have to accept that it is right for purposes of pay to make a clear distinction between administrative and executive work but wrong to distinguish between engineering and architecture; that within the executive class it is right to have a structure of seven grades (or six if posts higher than principal executive officer are excluded); and that within the works group it is right to have four grades on scales of pay combined with higher level posts on a variety of fixed rates. These arrangements may or may not be for the best but the obligation to accept as fixed data the existing class and grade structure imposes considerable limitations on any review of pay rates.

57. As regards recruitment we have been told that there is difficulty in obtaining sufficient recruits in a number of grades. We are not, however, authorised to explore or comment upon ways in which the situation might be improved except in so far as adjusting pay or hours or leave may contribute to increase the attractiveness of the Service to possible recruits. It is at least conceivable that a review of recruitment procedures might indicate alternative or complementary possibilities. It is evident, for example, that the length of time a candidate has to wait before he is offered a post is, in certain grades, a deterrent which diverts many persons from a civil service career.

58. Training arrangements again are relevant to recruitment and retention and so to rates of pay. We have to assume that the present arrangements will enable the best possible use to be made of the talent which we trust will be recruited with the help of the scales we propose.

59. As regards promotion it must be clear that career prospects have a bearing on recruitment of suitable staff. It is also important that such staff when recruited should be used in such a way as to ensure that the best men in a class reach positions of responsibility not too late in life. It has not, however, been within our terms of reference to examine promotion procedures to see whether they are the best that might be devised.

60. We refer in paragraph 98 to the need for formalism in recruitment procedures and other matters in order to preserve the non-political nature of the Civil Service. But whether the same degree of formalism must and should apply to all established civil servants in the changed circumstances of today is a matter that may be open to question. It is possible that the scope of what may be called full civil service status requires re-examination and such re-examination might well have a bearing on principles of pay and pay procedures generally. We discuss certain aspects of this question in Chapter XV.

61. Another limitation arises from the fact that the greater part of the industrial Civil Service is excluded from our terms of reference. These staffs number some 425,000 but we have to assume that the position of the non-industrial Civil Service (together with certain industrial staffs in the Post Office) can be examined in isolation.

62. These factors have added to the difficulties and complexities of our task. In particular we wish to emphasise that our suggestions for rates of pay are related to the duties and qualifications of the various classes as they have been described to us in evidence. We know that the Service expanded substantially and rapidly during the war and that the enlarged Service has been re-deployed since the end of hostilities. It has admittedly been difficult to keep up standards of grading under such circumstances and some deterioration would seem to have been inevitable. While we have received assurances that the steps taken to restore pre-war standards have met with a considerable degree of success, we stress that this matter should continue to be carefully watched.

63. We should go further than this. Successive Governments have emphasised that in an economy in which full employment is nearly approached, significant improvements in pay and conditions of employment (as distinct, we presume, from any which are necessary for the removal of anomalies or the alleviation of patent hardship) should be the consequence only of improved performance; and from the operation of the same principle the Civil Service cannot in our view be exempt.

64. These considerations are crucial to all our findings because the rates of pay and conditions of service which we recommend are based upon the assumption that the quality and efficiency of the Service has been fully maintained and will continue to stand up to outside comparisons. It is not enough that civil service rates of pay and conditions of service should compare fairly, in the sense we explain in Chapter IV, with those in other employment. The responsibilities with which the Service is charged and the duties which civil servants have to shoulder are such that they can be properly carried out only if the standards of efficiency and performance in the Service are at least as high as those found elsewhere and if improvements in such standards outside the Service are fully matched within it.

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MR. WHITMORE

Mr. Stephens. cl.

Time 10.

*Mr
L'N.*

Civil Service Pay Meeting : Tuesday 19 May
at 0945 hours

The following are attending:

Chancellor of the Exchequer + 1 official
Lord President + Ian Bancroft
Secretary of State for Employment + 1 official
Minister, Civil Service Department
Mr. Oates, Legal Secretary to the Attorney
Sir Robert Armstrong

The Chancellor will be a few minutes late.
He has somebody paying him a courtesy call at
0945 whom he cannot cancel.

ES.

15 May 1981

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cc A Auguid
J Vereker
A Walters
D. W. D. P. M.

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Prime Minister

MAO
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CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir John Herbecq K.C.B
Second Permanent Secretary

15 May 1981

T Lankester Esq
10 Downing Street
LONDON SW1

Dear Mr Lankester,

INDUSTRIAL ACTION PROGRESS REPORT

There has been little change in the number of staff involved in selective strike action - 4509 compared with 4490 as reported on 14 May. The number of staff on TRD remains the same at 465. Computers (in Inland Revenue, Customs and Excise, DHSS, MOD, PGO, and SO) and Defence remain the principal targets. Some Defence establishments are being additionally affected by strikes by maintenance staff. Action by Air Traffic controllers involving the withdrawal of staff at various airports each day is causing some disruption, although in most cases a limited service is maintained. There have been a few new developments:

DVLC: Under an agreement with the Unions the van containing nitrogen for the air-conditioning system has withdrawn from the site and the backlog of mail is being delivered. This will provide work for staff up to the pre-computer stage: staff normally working on the output will be re-deployed. Further consideration is being given in consultation with the police as to the best way of sending in nitrogen supplies.

DTI: Staff at Companies House, Cardiff, have threatened to 'black' the mail brought in by management. Oral and written warnings of TRD will be issued today.

MOD: Approximately 90 industrial staff have been laid off at Portsmouth because of strike action by MT workshop supervisors. Overtime working has been banned by the IPCS at ROF, Bridgwater.

FCO: Liverpool and Glasgow Passport Offices continue to be hard hit with substantial queues of personal callers reported at the latter. The office at Petty France, however, is coping well and is working reasonably normally.

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The FDA yesterday voted overwhelmingly to continue its support for the Civil Service Unions' campaign of selective strikes. There seems to be growing support for some form of escalation possibly early in June although there is no further news of the possible week-long strike. Nevertheless Departments are reviewing their contingency plans.

Yours sincerely,

Hilary Tyrrell

Ms H M Tyrrell
Private Secretary

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SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
 SUMMARY OF POSITION - 15 MAY 1981

Department	Number on strike	Remarks
Customs & Excise	426	Strikes by computer, customs and other staff at Southend Computer Centre (308); Wick (2); Manchester Betting Duty Office (42). South Coast Ports (74);
Ministry of Defence	841	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Feltham and Taunton (Mapping), Bath, Oil Fuel Depots.
Environment/Transport	10	Cartographers on strike at HQ, Marsham Street. 6 Driving Examiners at Widnes. (DVLC - see PSA)
Foreign and Commonwealth Office	214	Passport Examiners at the London, Liverpool, Peterborough, Newport and Glasgow Passport Offices.
Dept. of Health and Social Security	240	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office.
Home Office	16	Staff at Gloucester, Exeter and Bristol Prisons.
Inland Revenue	2207	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices. (1742 on strike, 465 TRD)
Paymaster General's Office	27	Strike by 12 computer staff; 12 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	57	Strikes by maintenance engineers at RAF Brawdy, Pendine; Aberporth, Yeovilton St Athans, Treawna, Cardiff DWO, Swansea DWO (picketing DVLC) & Cumbernauld.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	186	Strike by staff who handle search facilities and Companies House, London and Cardiff; telephonists and messengers at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
IBAP	14	Beef Imports/Exports Section, Reading.
TOTAL	4509	

From the Private Secretary



*cc Wofham
Vercher
Hodgson*

15 May 1981

Tim Lankester Esq
10 Downing Street
LONDON SW1

mb

Dear Tim,

CIVIL SERVICE DISPUTE

At the Prime Minister's meeting on 29 April the Lord President was asked to study ways in which it might be possible for the Government to escalate the action should the Civil Service Unions following their conferences still show no disposition to reach agreement. The attached note, written by CSD officials after taking the views of all the relevant departments, sets out the options.

I understand that the Prime Minister has asked to discuss this on Tuesday 19 May prior to Cabinet. Although the Lord President has not had time to consider the note in detail, he is generally content for it to go forward as a basis for discussion on Tuesday.

The main Civil Service Unions voted at their conferences to escalate their industrial action but left the timing open. The Council of Civil Service Unions will meet on 26 May to consider a range of possibilities, including an all-out strike. We must be prepared for intensification of the action, probably at the beginning of June. But at this stage it is impossible to predict the likely support for any all-out strike. The Lord President has seen some signs that the Unions are at last beginning to be ready for serious talks. No doubt they will want to see how talks progress before deciding finally their future course of action and we ought to wait until we know whether there is to be an all-out strike and we are better able to gauge what support it might have, before final decisions are taken on our side.

I am sending copies of this minute and the attached note to John Wiggins (Treasury), Richard Dykes (Employment), Jim Nursaw (Attorney General), Norman Adamson (Lord Advocate) and to David Wright in Sir Robert Armstrong's office.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

INDUSTRIAL ACTION IN THE CIVIL SERVICE

Note by CSD Officials

Officials have been asked to consider what steps are open to the Government to increase the pressure on the Unions to negotiate a settlement of the present dispute and call off their industrial action. A range of measures has been considered in consultation with senior officials of other departments, and the following conclusions emerge.

1. Dismissal of staff on strike - summarily or after warning.
2. Suspension of staff without pay for fixed periods determined by management.

Both of these courses have been ruled out by the Attorney General and Lord Advocate.

3. Treating industrial action as a disciplinary offence.

The Law Officers have advised that this can be done only by following the long established disciplinary procedures. These are too cumbersome to be generally useful as a weapon against widespread industrial action. But where a disciplinary offence is committed in the course of industrial action Departments should not hesitate to take firm disciplinary action.

4. Extended use of Temporary Relief from Duty (TRD).

TRD has proved its value as a firm management response, and its possibilities have already been widely exploited. There is no great scope for extending its use. It would serve no useful purpose to have recourse to it in the few areas where Departments judge the consequence would be more damaging to the Government than to the Unions.

5. Withdraw the operative date of 1 April for the 1981 increase.

This might most effectively be done by announcing that if the industrial action continues beyond a named date, the operative date will be not 1 April but the date of the settlement.

This needs careful consideration. To apply it generally would be regarded as a very poor reward by those who have worked conscientiously and well during the dispute and particularly by those who have made determined efforts, often beyond the call of normal duty, to frustrate the effects of the industrial action and keep Government operations going. We shall badly need to retain the goodwill of these people in order to recover effectively from present troubles and to cope as well again in any future dispute.

The alternative would be to withdraw the 1 April operative date only in respect of staff who strike after the named date. This has attractions. While there is an element of rough justice about it, it would apply financial pressure on the right people. The Unions lack the resources to offer strike pay for an all-out strike lasting several days and they will not find it easy to persuade their members to support such action. The loss of, perhaps, 3 months retro-spection of the 7% increase might be expected to reinforce their reluctance. Departments have said that they see major objections to such action by the Government. It would greatly increase staff bitterness, would exacerbate the divisions between staff which it will be important to heal when the dispute is over, and worsen the already serious recovery problems. There can be no certainty that it would conduce to an earlier end to the dispute. Nevertheless it is an option to which Ministers may wish to give serious consideration.

6. Impose the settlement which is already on offer.

The timing of such action would be delicate. Imposition of a settlement would look like an act of weakness, not strength, if it did not lead to the early end of the strike (possibly after a short final flare-up). Its chances of success would depend on the degree of confidence staff felt in what was said about the determination of pay in 1982 and later. If it were to be seen merely as opening the way to another arbitrary pay settlement next year we should lose the loyalty of many of those who are crucial to keeping things going, carrying out the work of the recovery period and getting us through any future industrial action.

7. Legislation.

There is growing but by no means unanimous support from departments for legislation to permit the lay-off without pay of non-industrial staff who are without work by reason of the industrial action of others. There are now about 1,000 non-industrials with little or no work and over a further 5,000 who are significantly under-employed. Powers already exist for laying off unemployed industrials without pay. A draft Bill - the Employment (Interference with Work) Bill - is already in existence which would put non-industrial and industrial civil servants on the same footing. (It remains to be decided whether it should apply more widely than the Civil Service). It provides for wide powers of laying off those whose work is affected by industrial action, whether by themselves or by others. The powers could be invoked where normal working was affected to any extent by industrial action. Under the Bill as at present drafted the Government could withdraw the 28-day protection of pay which, under the existing agreement, industrials enjoy in regard to lay off on account of action by people other than industrials. It is undesirable to antagonise the industrials at a time when they are clearly not anxious to become involved in the current dispute and when their own pay negotiations are shortly to begin. But it would be open to Ministers to give an assurance during the passage of the Bill that this existing protection for industrials would be preserved.

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The Bill could be ready for introduction very soon after the House resumes in the first week of June. Its introduction would be greatly resented by staff, particularly by those who have worked loyally if they saw it, as they well might, as threatening them with the loss of their pay if at any time they were without work because of action by their colleagues even although they were not in sympathy with it. And Ministers may judge that the numbers without work are not yet of such a magnitude that immediate legislation could be justified. But the power to lay off without pay would be an important new weapon in the hands of the Government and a valuable reinforcement of TRD. Moreover, it could be expected to bring some satisfaction to the industrials, who increasingly resent the present distinction in the way industrials and non-industrials are treated. The argument would be that if non-industrials behave like industrials they must expect to be treated as such.

Beyond this, we have given preliminary consideration to wider ranging legislation to remove the right to strike and the cover of employment protection legislation from civil servants. Any such legislation would be highly controversial and would need thorough preparation and could not be enacted in time to make any contribution to the resolution of the present dispute. It is for consideration, if at all, as part of a longer term reform of Civil Service industrial relations.

Civil Service Department
14 May 1981

CONFIDENTIAL



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir John Herbecq K.C.B

Second Permanent Secretary

MBAM

14 May 1981

W Rickett Esq
No 10 Downing Street
LONDON SW1

Dear Mr Rickett,

Mr Lamberton
14/5

R

14/5

INDUSTRIAL ACTION PROGRESS REPORT

The overall level of industrial action, measured in numbers of staff involved in selective strike action, remains broadly the same as the last report (4490 compared with the previous 4552), with a small increase in the numbers on TRD (465:451). By departments, the numbers on strike in MOD have increased, with the other major departments remaining stable or showing in some places a reduction in numbers. Similarly the pattern of action in major departments is substantially the same as reported on 8 May. The Ministry of Defence, Inland Revenue, Customs and Excise, DHSS, Departments of Trade and Industry, Passport Offices and Scottish Courts are still bearing the brunt of the disruption. However, the IR mail sorting centre at Kew have returned to work, and unofficial action at DHSS local offices in Scotland has ceased.

New developments are summarised below:

Home Office: Support for the POA's call for the operation of 'Sunday working' on May 11 was patchy. In some cases Governors handled the transfer of prisoners on remand to police custody and the discharge of prisoners due for release personally.

MOD: There have been several reports of 'blacking' at Devonport.

DVLC: A notice was issued yesterday to all DVLC staff explaining to them the consequences of industrial action and of action which is tantamount to a breach of discipline; flexitime will be suspended; and other appropriate contingency arrangements introduced. There are signs that the Unions may not want a major confrontation and will agree to let the mail in and work on it.

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IBAP: 14 staff in the Beef Imports/Exports section have voted to continue their strike. An agreement has been reached with the Unions to ensure the delivery of mail and the processing of urgent licence applications. It is likely that these licences will be 'blackened' by Customs staff, however.

General Registers of Scotland: Picketing by Scottish Office staff is interfering with the receipt of 1981 census documents. Contingency arrangements have been made to take mail to another building.

On the prospect of escalation by the Unions, Union conferences held so far have voted in favour of escalation and have given a mandate for a one-week strike if thought to be necessary. A week's strike is unlikely to take place, if at all, before early June. The proposal will be discussed by the CCSU on 26 May.

Hilary Tyrrell

Ms H M Tyrrell
Private Secretary

Confidential

MR. DUGUID

c. Mr. Wolfson
Mr. Ingham
Mr. Lankester ✓

R

Civil Service Industrial Dispute: Forecast of Staff without Employment

The Herbecq group this morning received reports from Departments of the likely level of unemployed staff resulting from industrial action which might be expected at the beginning of the next month. The figures are roughly as follows:

Customs and Excise

Southend only (VAT centre) - 250 will have nothing to do at all at the end of May,
- 1,800 only 30-75% employed.

MOD

*Except for 750 on GWW, these can of course be laid off.

- 400 Non-industrial) unemployed, mostly at
2,000 Industrial*) Rosyth
- 1,000 Non-industrial) underemployed at Rosyth,
2,200 Industrial*) Coalport & Eaglescliff

DHSS

(Newcastle Central Office)

- 335 unemployed as at 5 June
2,300 underemployed

D/Industry

- Nil. Enough work at Companies House

Scottish Office

- 78 Computer Centre unemployed soon
+20 underemployed
350 unemployed by mid-June in Department of Registers

Inland Revenue

- 250-300 London Recovery Office unemployed
Elsewhere: 0-30% unemployed but have plans
c.1,000-1,200 with less than 50% employment.

D/Employment

- Nil

Passport Office

- 30 underemployed (Liverpool)

Home Office

- Nil

So somewhere between 1 and 2,000 people will be unemployed, with several thousand more underemployed; and there is apparently no reason to suppose that there will be a dramatic deterioration thereafter.

JOHN VEREKER
14 May 1981

CONFIDENTIAL

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OSG

MR. WRIGHT

CABINET OFFICE

As you know, Lord Soames told me that he was proposing to take only a 7% pay increase because of his position in the Civil Service pay negotiations. I mentioned this to the Prime Minister, and her reaction was that it would cause "acute difficulty" for other colleagues, even if it were not announced as such.

I have passed this on to Lord Soames.

TPL

14 May 1981

M

CONFIDENTIAL

cc: Mr. Verelst 1
✓ 14/5

PRIME MINISTER

Lord Soames has told me that, in view of his position in the Civil Service pay negotiations, he would like to take only a 7% pay increase. He would not want this to be announced in your statement; but he would like to be able to say to the unions, if they make the point that Ministers are taking more than the Civil Service have been offered, he is only taking 7%. Thus, it would only become public if Lord Soames were pressed.

This obviously raises the point that it would put other colleagues in an invidious position; furthermore, assuming it came out, there could be accusations that this was merely a gimmick. On the other hand, Lord Soames is obviously in a rather special position as chief negotiator for the Government; and a 7% increase for him alone might help marginally to get the unions to settle. As for the mechanics, Robert Armstrong has suggested that - unless you were opposed - nothing should be said about this in the statement; but Lord Soames could then write to you with copies to colleagues saying what he was proposing to do.

My own view is that this is not worth doing. But I think Robert's feeling is that we should not try to persuade Lord Soames off it.

What is your reaction?

*It would put
everyone else in quite
difficultly,
not*

It

13 May 1981

MR. WHITMORE

Prime Minister

AKH

13.v.

cc: Mr. Wolfson
Mr. Duguid

CABINET 14 MAY: CIVIL SERVICE INDUSTRIAL DISPUTE

Lord Soames will be reporting orally to Cabinet tomorrow; no doubt he will cover the extent of the industrial action being taken, the outcome of the union conferences that have taken place so far, and the latest exchange of letters between himself and Mr. Kendall. Mr. Kendall's letter of today's date contains nothing new; if anything, it represents a slight hardening of the CCSU position.

Meanwhile, Mr. Heyhoe's group has concluded its work on possible forms of escalation; and the Lord President will, I understand, circulate the conclusions to his colleagues at the end of this week. He may refer to them in Cabinet. In brief, the consensus of the large employing departments is against the three options under consideration:

1. Imposition of the 7% offer, combined with a refusal to negotiate further;
2. Giving notice that the 1 April operative date will not apply unless industrial action stops;
3. Taking the necessary legislative powers to lay off white collar workers who have insufficient employment as a result of industrial action by others.

Nonetheless, most departments do feel that the first option, imposition of the 7%, would probably work if the right moment were chosen, i.e. at the end of the conference season and at the first sign of weakening of the unions resolve.

I discussed all this with Sir John Herbecq this afternoon. He (and the Treasury) both agree with the view strongly held by our Policy Unit and me against option 1. It would be enormously

/ difficult

- 2 -
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difficult to explain publicly why we were giving 7% to the civil servants without receiving anything in return, at a time when most of the public probably feels that the civil servants should get less. And even if the imposition of 7% did succeed in buying off industrial action, it could not possibly buy off the union demand for arbitration next year, so it would guarantee another bout of industrial action at the time of next year's negotiations. On the other hand, Sir John Herbecq does see some future in a selective alteration of the operative date; that is, notice could be given that those engaging in any future industrial action would have an operative date from the date of settlement, not from 1 April. And he recognises that the lay off provision might eventually be needed.

The CSD are still unwavering on the 7% figure; but they still see arbitration for 1982 as a necessary ingredient in a settlement. The Treasury are privately starting to get a little nervous about the effects of the strike - not because the revenue position is worsening, but because of the cumulative effect on the markets (the effect of the strike on the CGBR, combined with the normal front end loading, will produce an appalling £M3 figure in May, which will be known early in June); but, especially now that the PESC assumptions are becoming widely known, they see no way of offering arbitration for next year. At present, the only winning game plan is to offer no concessions; take somewhat tougher action with the strikers; wait until the resistance crumbles and hope that the unions retreat in too much disarray to come back fighting next year.

12th 11.4.
11.00.00.

There are no decisions for Cabinet to take tomorrow. The Prime Minister may feel that it would be best merely to note the Lord President's report; and to discuss the substantive issues - in particular, possible escalation - among the group of Ministers who met on 29 April. This group meets anyway next Tuesday morning; to discuss terms of reference for the enquiry; but it would be better, if the Prime Minister's diary permits, to discuss the handling of the current dispute separately. But it really must be done before the Bank Holiday week.

13 May 1981

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CONFIDENTIAL



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Tim Lankester Esq
10 Downing Street
LONDON SW1

13 May 1981

Dear Mr. Lankester.

INDUSTRIAL ACTION PROGRESS REPORT

The overall level of industrial action, measured in numbers of staff involved in selective strike action, remains broadly the same as the last report (4490 compared with the previous 4552), with a small increase in the numbers on TRD (465:451). By departments, the numbers on strike in MOD have increased, with the other major departments remaining stable or showing in some places a reduction in numbers. Similarly the pattern of action in major departments is substantially the same as reported on 8 May. The Ministry of Defence, Inland Revenue, Customs and Excise, DHSS, Departments of Trade and Industry, Passport Offices and Scottish Courts are still bearing the brunt of the disruption. However, the IR mail sorting centre at Kew have returned to work, and unofficial action at DHSS local offices in Scotland has ceased.

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On the prospect of escalation by the unions, union conferences held so far have voted in favour of escalation and have given a mandate for a one-week strike if thought to be necessary. A week's strike is unlikely to take place, if at all, before early June. The proposal will be discussed by the CCSU on 26 May.

Copies as before.

Yours sincerely
C.A. Williamson

JJ JEREMY COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 12 MAY 1981

Department	Number on strike	Remarks
Customs & Excise	422	Strikes by computer, customs and other staff at Southend Computer Centre (308); London Airport (13); South Coast Ports (59); Manchester Betting Duty Office (42).
Ministry of Defence	820	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Feltham and Taunton (Mapping), Bath, 6 Oil Fuel Depots.
Environment/Transport	10	Cartographers on strike at HQ, Marsham Street. 6 Driving Examiners at Widnes.
Foreign and Commonwealth Office	214	Passport Examiners at the London, Liverpool, Peterborough, Newport and Glasgow Passport Offices.
Dept. of Health and Social Security	240	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office.
Home Office	10	Staff at Gloucester and Bristol Prisons.
Inland Revenue	2220	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices and the mail sorting centre at Kew. (1735 on strike, 455 not)
Paymaster General's Office	27	Strike by 12 computer staff; 12 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	56	Strikes by maintenance engineers at RAF Brawdy, Pendine, Aberporth, Yeovilton St Athans, Treow, Swansea District Works Office, and Cardiff DWO.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	186	Strike by staff who handle search facilities and Companies House, London and Cardiff; telephonists and messengers at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
IBAP	14	Beef Imports/Exports Section, Reading.
TOTAL	4490	



Ref. A04889

PRIME MINISTER

Cabinet: Civil Service Pay

BACKGROUND

This item is on the agenda to enable the Lord President to bring colleagues up to date on the progress of the Civil Service pay dispute. It will not be a suitable occasion for taking decisions - colleagues will have no papers before them - though the letter which the Council of Civil Service Unions sent to the Lord President today will require urgent Ministerial consideration. In the first instance, however, it is for the Lord President to make proposals and any necessary meeting can be arranged when these are available.

2. The Lord President's report should cover three elements:-

- (a) The progress and effects of the dispute. The basic situation appears to be little changed.
- (b) The results of the Civil Service Union conferences held so far. What conclusions can be drawn from them?
- (c) The CCSU letter. This is a major statement of the Union's present position. What conclusions can be drawn from it?

in the
file

17. HANDLING

3. You will wish to call the Lord President to make a general statement and then to invite the Chancellor of the Exchequer and the Secretary of State for Employment to comment. The main focus of the discussion is likely to be on the CCSU letter and whether it offers an opportunity of opening a fruitful dialogue.

4. We are approaching what could be a crucial period. Resolutions calling for a one-week all-out strike have been passed at the conferences of the Civil and Public Services Association and the Society of Civil and Public Servants. A decision on whether to call such a strike is unlikely to be considered before Tuesday 26 May; after a decision to call the strike had been taken, it would take several days to organise. The union leaders are likely (in my judgment) to be pretty reluctant to call an all-out strike lasting a week: they could not afford



strike pay, and the call could, therefore, receive a very half-hearted and partial response. The union leaders will not wish to run that risk, if they can avoid it. There may, therefore, be a chance to get some kind of dialogue going next week: so long as "negotiations" were continuing, they could defend not calling a strike.

5. At this stage any conclusions which the Cabinet may draw should be limited to tactics, procedure and timing rather than the substance of the points made by the CCSU. Even if the conclusion is that there should be early contact with the unions, it is not necessary for the Lord President to seek fresh negotiating instructions yet; and when he does need such instructions it may be preferable, or indeed inevitable, that they be sought outside meetings of the full Cabinet.

CONCLUSIONS

6. Subject to discussion the main conclusion is likely to be simply that the Cabinet take note of the position reached.

13 May 1981

ROBERT ARMSTRONG

(Approved by Sir R.
Armstrong and signed
on his behalf)

COUNCIL OF CIVIL SERVICE UNIONS

J. Verker

19, ROCHESTER ROW • LONDON SW1P 1LB • Tel: 01-828 2727 9

Secretary General:
W L KENDALL

Secretary:
P. D. JONES

Assistant Secretaries:
B G SUTHERLAND HELEN E. HUGHES

The Rt Hon. Lord Soames GCMG,
Lord President of the Council,
Civil Service Department,
Whitehall,
London SW1A 2AZ

13 May 1981

Pin Hurst

1. You make reference in your letter of 6 May to "wise counsel". Had such counsel prevailed on your side some months ago we would not be in the present situation. The Government unilaterally abandoned the normal pay system, suppressed information, refused to negotiate and denied the Trade Union Side recourse to arbitration. No sensible person on our side obtains satisfaction from industrial action. This action was the only possible response open to us given the unyielding attitude of Government. But, of course, we are eager to achieve a just and equitable settlement and our letter of 23 April was intended as a positive contribution towards that end.

2. For the longer term beyond 1982, and your suggestion to set up an outside inquiry, we genuinely question the need for this. We assert - and no case has been put by your side to the contrary - that the basic Priestley Royal Commission principles (fairness to the taxpayers' interest and fairness to the civil servant as employee) remain valid and defensible. What other principles, as distinct from procedures, have we to consider?

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3. You said at our meeting on 23 April there were two possible paths to deliver a new and agreed system - "the two sides could try to reach agreement in direct negotiation" or move to an "outside inquiry". As a first step, the sensible way would surely be to proceed in negotiation to establish the area of agreement which exists between us and any substantial differences in approach. We could, in the right circumstances, negotiate with speed but in whatever fashion discussions develop it would be essential to start from the point that any new agreed pay system should be fully operative for the 1983 pay settlement, with an unequivocal commitment by both sides to determine 1983 pay by that system.

4. If there were genuine negotiations without a predetermined cash limit, it should be possible to discuss quickly - again in the right circumstances - the arguments and factors regarded as significant for a 1982 pay settlement. You have accepted that comparability will be a factor. For our part we believe that this is vital on the basis of the Priestley "fair comparison" principles. It would be a requirement that there be independent fact-finding and the Pay Research Unit should supply the parties, on a basis to be agreed, with all necessary data. It would also be essential, and would give reality to negotiations, to have an agreed form of arbitration available.

5. You refer in your letter of 6 May to significant numbers of public sector workers who have settled at or around the offer made by Government to the Civil Service, and the average level of settlements in both the private and public sectors. The realities are that large areas of the public sector have produced settlements above 7%. In other areas of the public sector, settlements have not as yet emerged and, when they do, they will be above your offer to the Civil Service. The widely-reported decision of the Government on the recommendations from the Armed Forces Review Body involve increases well above your offer to us. If this is justified because of Government commitments, can I remind you that the Conservative Manifesto also produced a commitment to the Civil Service, i.e. in consultation with the unions, to reconcile long standing pay research arrangements with cash limits.

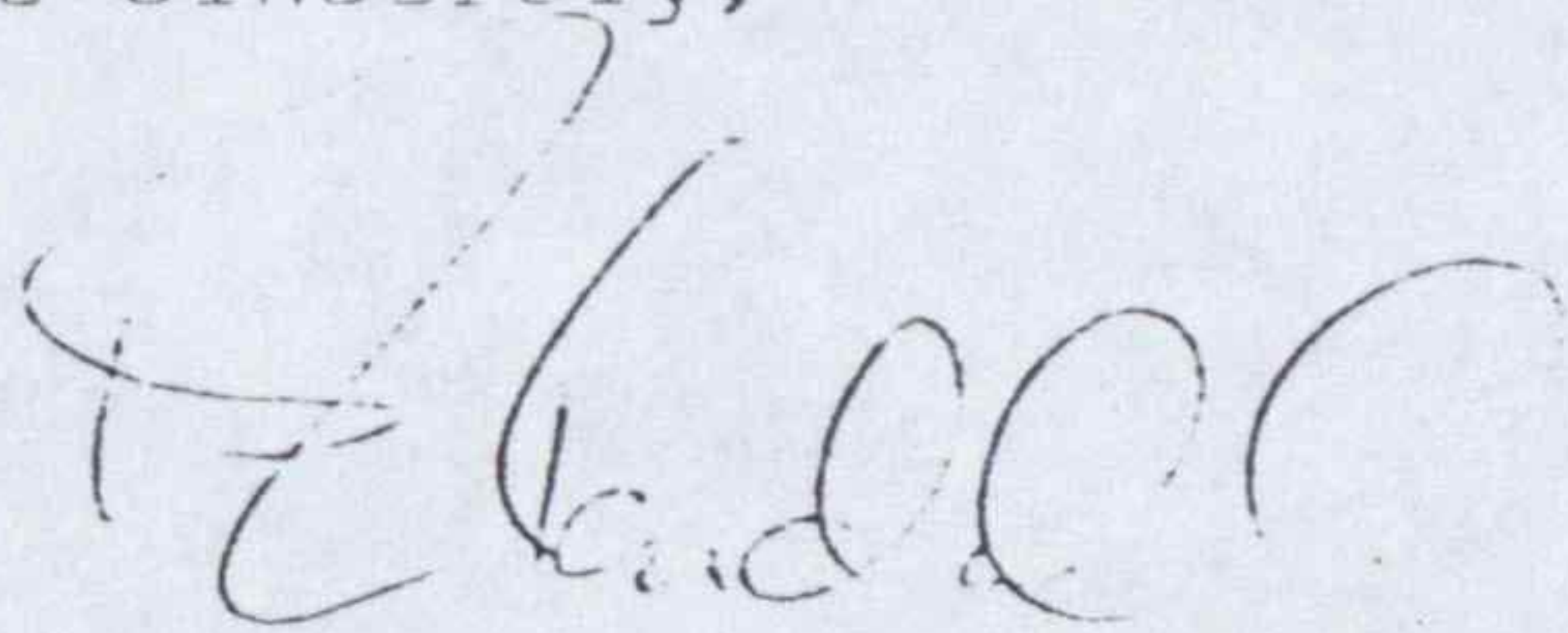
6. Your statements regarding current pay movements require a detailed answer. Before doing this, however, I must repeat our complaint that the real position would have been clearly established if you had not suppressed the PRU evidence for the 1st April 1981 settlement. At meetings on 5 February and 23 February 1981, I gave specific details regarding the level of outside pay movements and other relevant factors which fully justified our claim for a 15% settlement this year. The most recent information available confirms these statements. The Department of Employment Earnings Index covering the whole economy shows an increase of 16.4% in the year to February. It is perhaps worthy of particular note that the increase relating to manufacturing industries over the same period is 16.1%. The scale of these increases was echoed by the British Institute of Management's Salary Survey which showed that for managerial grades increases of 17.3% were given during 1980.

7. In addition, I attach annexes giving other detailed information. Annex 1 gives a summary of public sector settlements both by percentage increase and other details included on the wages bill. This shows no settlement at the level of the offer in respect of the Civil Service but does show 9 out of 14 where the settlements are in excess of 10%. Annexes 2, 3 and 4 are taken from Incomes Data Services Reports. Annex 2 is composed of a chart of increases on the lowest basic rates. It specifically shows that since 1 January 1981, out of 82 settlements monitored, by far the majority were for more than the offer to the Civil Service. Annex 3 details Wages Council settlements where the rate shown is that for adult workers in the lowest paid category. Here, of the 30 settlements since 1 August 1980, 29 were over 7%. Annex 4 records settlements operative between August-December 1980; of 59 listed, 54 were over 7%.

8. In short form, the Council believe that, for this year, there has to be further negotiation to improve significantly on the current 7% offer.

9. In this letter, we refer to the "right circumstances" for negotiation. So that there can be no misunderstanding, I must make it absolutely clear that the above proposals are to be taken as an entity. Each one is dependent upon the other. We believe that this is a constructive response to your letter of 6 May.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "W. L. Kendall". The signature is written in dark ink and is positioned below the typed name.

W L KENDALL
Secretary General

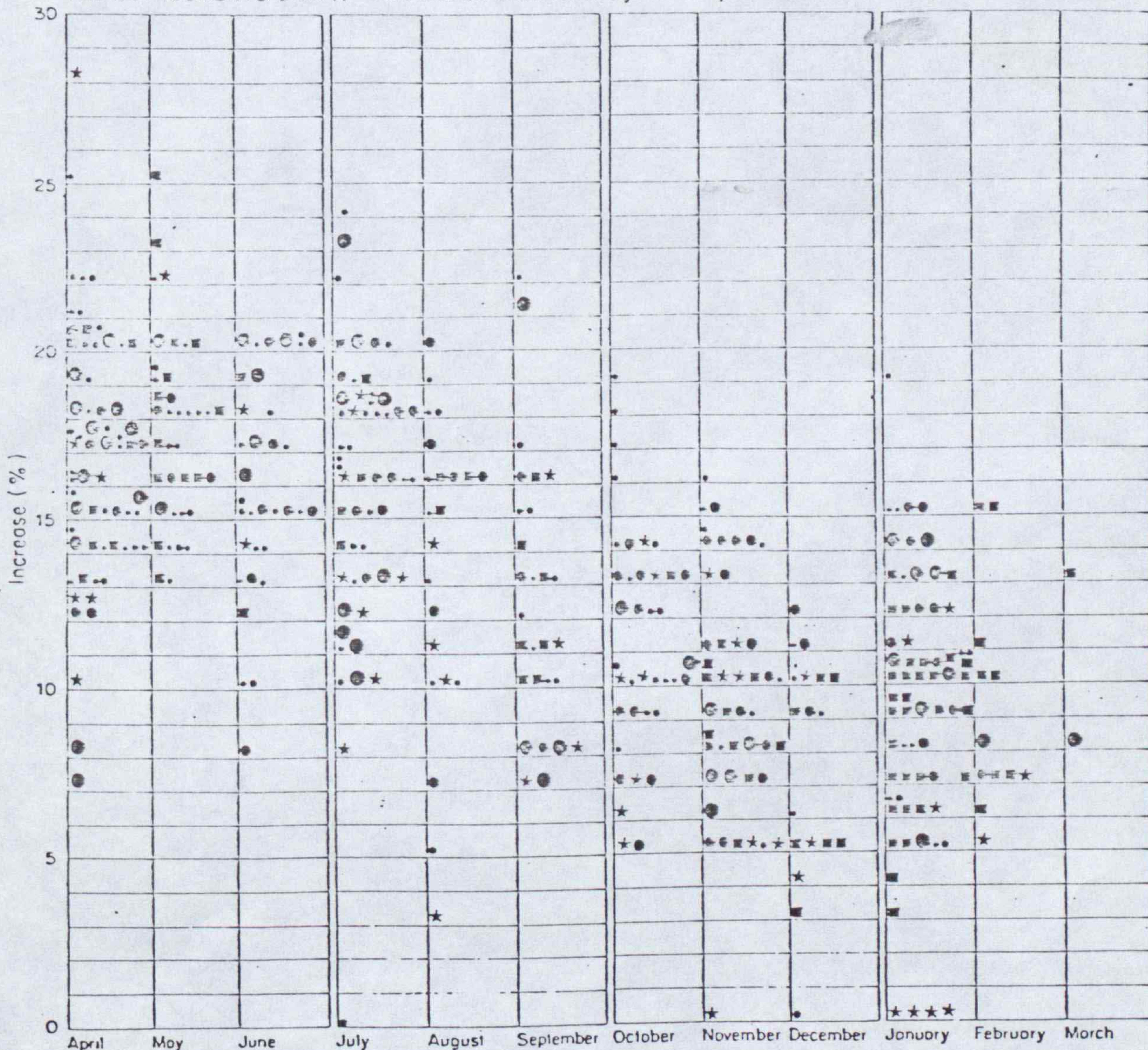
SUMMARY OF PUBLIC SECTOR SETTLEMENTS

Group	Operative Date	Percentage Increase	Special Notes	Numbers covered
Police	1.9.80	21.3		130,000
Fire Service	7.11.80) 1.4.81)	18.8	Paid 13% from 7.11.80 / 5.8% from 1.4.81	34,000
Miners	1.1.81	13.0	Settlement after 10 month period	226,000
Gas Industry Manuals	18.1.81	12.7	On pay bill. Includes 1 day extra A.L. and shorter working week	42,000
Water Service Industrials	7.12.80	12.6	Includes consolidation of supplement increases in shift allowance and an extra day A.L.	37,000
Elec: Manuals	17.3.81	10.7	+ 1 hour reduction working week in October. Hourly division reduced 40-37 hours	96,000
University Teachers	1.10.80) 1.3.81)	10.2.	7% from 1.10.80. Extra 3% on that from 1.3.81 plus £100 extra lectures maximum.	37,000
Teachers	1.4.81	7.5		500,000
			Linked - Scotland	63,000
(L.A. Manuals	4.11.80	7.5	1 day's extra A.L. 1-5 yrs service plus increased shift allowance	1,000,000
(			Linked (Scotland	120,000
(			(Eng. Craftsmen	8,000
(			( " " (Scotland)	1,500
(			(Workshops for Blind	2,800
(			(University Manuals	24,000
(L.A. Building Workers	4.11.80	7.5	" - Linked	90,000
* NHS Ancillary Staffs	1.4.80	7.5	Settlement over 15 month period 1 day's extra A.L.	270,000
B.A.A.	1.1.81	10.5/ 12.5	Includes increases in productivity and shift payments	7,400
Postal Workers	1.4.81) 1.11.81)	9.5	8% from 1 April 1½% from Nov.	150,000
BBC	1.4.81	9/10	8½% increase plus £100 16 hours off the working year	15,000
POEU	1.7.81	12.0	Includes a 10% increase plus a 2% productivity bonus to be consolidated by June 1982	120,000

* NB This settlement does not cover other NHS groups who have rejected the 6% offer e.g. administrative and clerical staff, ambulancemen, ambulance officers, nurses and midwives and maintenance electricians.

It is important to reiterate that the percentage increases shown on the chart are on the lowest adult rate. Thus the December settlement for the water supply manuals is shown in the chart as an increase of 10.2 per cent and not, as was reported in the press, as a deal worth 12.5 per cent. Similarly we recorded the recent miners' settlement as an increase of 9.8 per cent on the basic rates. Additional payments of whatever form are not recorded. This means that the chart represents the absolute floor in pay settlements. In addition, where a settlement is staged we only show the first stage increase on basic rates - there is no attempt to annualise - and this also weights downwards the general picture provided by the chart.

PAY SETTLEMENTS CHART - Increases On Basic Rates By Month April 1980 to March 1981



Key: Industry settlements setting minimum rates ■

Settlements with further stages ★

Settlements setting effective rates

- No of employees covered:
 - up to 500
 - 500 to 1000
 - 1000 to 5000
 - 5000 and above

Notes: 1. Percentage increases on the lowest adult rate, net of consolidation of existing supplements.

2. The month indicates the effective date of increases (first stage only of staged awards)

The following list shows statutory minimum rates operative or proposed at 1st April 1981. The rate shown is the time rate for adult workers in the lowest-paid category for a standard working week of 40 hours in most instances, and except for certain workers in Retail Food (E&W) in shops with a 7-day licence open 7 days a week, where the standard working week is 42 hours (41 hours in cooked food shops).

Wages Council

	Increase On Rate %	Operative Date
Aerated Waters (E & W)	12.5	1.1.81
Aerated Waters (Scot.)	12.5	15.9.80
Boot & Shoe Repairing	8.8	12.2.81
Button Manufacturing	12.2	6.10.80
Coffin Furniture & Cerement Making	10.3	1.12.80
Corset Manufacture	9.5	1.1.81
Cotton Waste Reclamation	11.2	27.4.81
Dressmaking & Women's Light Clothing (E & W)	9.5	1.1.81
Dressmaking & Women's Light Clothing (Scot.)	9.5	1.1.81
Flax & Hemp	14.4	23.7.80
Fur Trade	-	12.12.76
General Waste Materials Reclamation	15.7	28.7.80
Hairdressing Undertakings	14.5	26.1.81
Hat, Cap & Millinery	4.2	1.4.81
Lace Finishing	14.8 4.3	23.6.80 5.1.81
Laundry	9.8	20.2.81
Licensed Non-Residential Establishment	14.0	15.1.81
Licensed Residential & Licensed Restaurant	15.2	6.10.80
Linen & Cotton Handkerchi & Household Goods etc.	14.3 4.2	2.6.80 3.11.80
Made-up Textiles	9.3	1.12.80
Ostrich & Fancy Feather & Artificial Flower	12.4	23.10.80
Perambulator & Invalid Carriage	8.2	20.4.81

	Increase On Rate %	Operative Date
Ready-made & Wholesale Bespoke Tailoring	9.5	1.1.81
Retail Bespoke Tailoring	12.4 5.1	28.1.80 28.7.80
Retail Food & Allied Trades		
Retail Bread & Flour		
Confectionery (E & W)	4.8 5.6	1.12.80 6.4.81
Retail Bread & Flour Confectionery (Scot.)	4.8 5.6	1.12.80 6.4.81
Retail Food (E & W)	4.9 5.6	1.12.80 6.4.81
Retail Food (Scot.)	5.6	1.12.80 6.4.81
Retail Newsagency, Tobacco & Confectionery (E & W)	4.8 5.6	1.12.80 6.4.81
Retail Newsagency, Tobacco & Confectionery (Scot.)	4.8 5.6	1.12.80 6.4.81
Retail Trades (Non-Food): Retail Bookselling & Stationery	10.0	6.4.81
Retail Drapery, Outfitting & Footwear	10.0	6.4.81
Retail Furnishing & Allied Trades	10.0	6.4.81
Rope, Twine & Net	5.9	20.7.81
Rubber Proofed Garment Making	9.5	1.1.81
Sack & Bag	19.0	2.6.80
Shirtmaking	9.5	1.1.81
Toy Manufacturing	22.5	23.6.80
Unlicensed Place of Refreshment	17.8	18.6.80
Wholesale Mantle & Costume	9.5	1.1.81

* Fur Trade: Earnings supplement of £2.50 a week also payable.

Note: Proposed rates are shown in bold type.

IDS REPORT 348 - MARCH 1981

	Number (hours)	Grade	Old Rate £	New Rate £	Increase £	%
<u>Cost Agreements</u>						
Association of Thames Repairers Units (339)	150 (40)	Skilled Semi-skilled	- -	99.50 85.50	- -	- -
Engineering (Bridge) Units (325)	233 (37)	Copy Typist Senior Projects Engineer	65.58 128.94 ..	78.73 152.00 ..	12.15 23.06 (over 12 months)	18.2 17.7
Castrol (345)	1,050 (37½)	Postal Clerk Craft Foreman	3,279 5,409	3,840 6,339	561 930 (over 16 months)	17.1 17.2
Engineering (1) Units (346)	200 (39)	Unskilled Craftsman	56.16 88.92	62.40 98.67	6.24 9.75 (over 12 months)	11.00 11.0
Tractor (Pow) Units (345)	1,650 (40)	Cafeteria Top Skilled	78.19 107.35	86.01 119.09	7.82 10.74 (over 12 months)	10.0 10.0
(UK) Units (340)	835 (40)	Utility Operator Craftsman	95.52 110.56	109.83 128.25	14.31 17.69 (over 12 months)	15.0 16.0
Milling (NJIC) Support Workers (339)	1,200 (40)	Statutory Attendant Driver, Over 21 Tons Carrying Capacity	56.50 64.00	64.98 73.60	8.48 9.60 (over 12 months)	15.0 15.0

Company (Sector)	Number (Jobs)	Grade	Old	New	Increase	
			£	£	£	%
Motor Vehicle Sales (345)	300 (37½)	Auxiliary	1,830.43	2,105	274.57	15.0
		Senior Engineer	5,117.60	5,885.25	767.25	15.0 (over 12 months)
Paper Bag Manufacture (341)	7,000 (40)	Class 3	49.25	57.25	8.00	16.2
		Class 1	58.08	64.00	8.92	16.2 (over 12 months)
Rolls-Royce Motors (Crewe) Manuals (337)	3,500 (40)	Unskilled	55.57	63.07	7.50	13.5
		Skilled	78.64	89.23	10.59	13.5 (over 12 months)
Scottish & Newcastle Breweries Production Workers (342)	4,000 (40)	Cleaner	58.20	70.10	11.90	20.4
		Skilled	66.80	77.67	10.87	16.3 (over 12 months)
September Agreements						
FL Vehicles (Leyland, Chorley) Manuals (344)	8,000 (40)	Labourer	58.95	63.25	4.30	7.3
		Skilled Fitter	88.54	92.87	6.33	7.3 (over 12 months)
British Waterways Board Salaried Staff (344)	830 (38)	Lowest	2,099	3,275	576	21.3
		Highest	9,693	11,497	1,804	18.5 (over 12 months)
Burton-Jackson Group Retail Staff (337)	3,000 (37½/ 38)	Branch & Display Grade G	52.50	59.55	7.05	13.4
		National Manager's Grade 4	124.42	141.73	17.31	13.9 (over 12 months)
Clarks (Somerset, Devon, Avon) Staff (345)	600 (38½)	Filing Clerk	56.99	62.78	5.80	10.2
		Wages Supervisor	75.34	83.00	7.66	10.2 (over 6 months)
Contractors' Plant Association Crane Hire Drivers (339)	4,000 (40)	Crane Hire Driver	71.00	88.00	17.00	24.0 (over 12 months)
Fibreboard Packing Case Manufacture (343)	9,000 (40)	Class A	50.98	57.98	7.00	13.7
		Grade E	61.32	69.72	8.40	13.7 (over 12 months)
Glass Container Industry GE (NJIC) (338)	12,500 (40)	Dayworker	55.00	61.00	6.00	10.9 (over 12 months)
J H Fenner (Engineering Products Division, Marfleet) Manuals (340)	300 (40)	Labourers	64.83	72.83	8.00	12.3
		Skilled Fitters	73.00	82.50	9.50	13.0 (over 12 months)
The Littlewoods Organi- sation, Mail Order, Clerical and Warehouse Staff (341)	11,500 (37½)	Restaurant Staff (C1)	59.37	63.83	4.46	7.5
		Wholesale Stock Organiser	79.48	85.44	5.96	7.5 (over 1 month)
Police (UK) (338)	120,000 (40)	Constables, on Appoint- ment	78.58	95.31	16.73	21.3
		Chief Inspectors (London Forces) On Appointment	162.40	196.96	34.56	21.3 (over 11 months)
Simon-Rosedown (Hull) Manuals (341)	500 (40)	Labourer	58.80	67.90	9.10	15.5
		Inspector	84.00	97.00	13.00	15.5 (over 6 months)

Organization (Project No.)	Number Employees	Grade	Old Rate £	New Rate £	Increase £	%
Teachers - Primary and Secondary Schools (ELW) (8)	480,000 (-)	Teachers, Scale 1	76.38	83.25	6.87	9.0
		Head Teachers Group 14	291.35	331.33	39.98	13.7 (over 5 months)
Tees & Hartlepool Port Authority Staff (344)	100 (35)	Filing Clerk	3,738	4,335	597	16.0
		Wages Section Head	6,267	7,269	1,002	16.0 (over 11 months)
TJ Reynolds (Birmingham) Manuals (344)	500 (40)	Indirect (lowest)	62.60	69.50	6.90	11.0
		Direct (highest)	89.00	98.80	9.80	11.0 (over 19 months)
United Glass Staff (344)	2,000 (37½/ 40)	Messenger	2,870	3,100	230	8.0
		Management Accountant	6,280	6,780	500	8.0 (over 12 months)
Vauxhall Motors Manuals (337)	23,000 (40)	Material Handler	77.80	84.00	6.20	8.0
		Skilled	99.20	107.20	8.00	8.1 (over 12 months)
Vehicle Building (JWB) (340)	15,000 (40)	Labourer	57.60	64.00	6.40	11.1
		Skilled Panel Beater	72.75	80.75	8.00	11.0 (over 12 months)
Wire and Wire Rope Industry (WIC) (340)	8,500 (40)	Minimum 'Datal' Rate	54.84	60.32	5.48	10.0 (over 12 months)
October Agreements						
Atomic Energy Authority (NJC) Manuals (342)	4,500 (40)	Unskilled	69.50	75.55	6.05	8.7
		Craftsman	91.00	98.90	7.90	8.7 (over 12 months)
Metal Box (General Line Division) Manuals (346)	6,200 (40)	Labourer	65.38	71.41	6.03	9.2
		Die Setter	83.62	91.11	7.49	8.9 (over 12 months)
Metal Box (Open Top Division) Manuals (346)	7,400 (40)	Group 1	71.44	77.16	5.72	8.0
		Group 5	96.96	104.72	7.76	8.0 (over 6 months)
Lift and Escalator Erection, Repair and Maintenance Manuals (340)	5,000 (40)	Mates	71.20	79.40	8.20	11.5
		Senior Fitters	98.40	110.20	11.80	12.0 (over 12 months)
Reckitt & Colman (Norwich) Manuals (342)	960 (40)	Grade 6	68.27	74.06	5.79	8.5
		Grade 1A	76.87	83.52	6.65	8.6 (over 12 months)
Scottish & Newcastle Breweries Craftsmen (342)	640 (40)	Craftsman	94.50	108.00	13.50	14.3 (over 5 months)
Scottish & Newcastle Breweries Staff (342)	2,500 (35/40)	Filing Clerk (A5)	2,625	2,965	340	12.9
		Technical (T8)	5,350	6,335	985	18.4 (over 12 months)
Shell Refineries Staff (343)	2,000 (37½/ 40)	Messenger	4,188	4,734	546	13.0
		Senior Section Head	8,412	9,648	1,236	14.7 (over 12 months)
Volkswagen-Audi (GB) Staff (338)	500 (37½)	Junior Clerk	52.31	60.15	7.84	15.0
		Senior Secretary	88.46	101.73	13.27	15.0 (over 12 months)

Company (No.)	Number (No.)	Grade	Old Rate £	New Rate £	Increase £	%
E.L. Cars (342)	70,000 (40)	Cleaner	73.50	78.50	5.00	6.8
			98.00	104.66	6.66	6.8
(over 12 months)						
BP Oil Distribution Workers (346)	1,800 (40)	Watchman	85.65	96.94	11.29	13.2
			108.40	123.50	15.10	13.9
(over 4½ months)						
Building Brick NJC (ELW) (344)	15,000 (40)	Adult Timeworker	58.00	64.00	6.00	10.3
(over 12 months)						
Engineering Industry (341)	1,250,000 (40)	Unskilled	52.50	56.80	4.30	8.2
			73.00	79.00	6.00	8.2
(over 12 months)						
Fire Service NJC (344)	30,000 (42)	Fireman (min)	83.67	99.44	15.77	18.8
			121.28	144.08	22.80	18.8
(over 17 months)						
Ford Motor Company Manuals (347)	57,000 (40)	Labourer	81.88	89.12	7.24	8.8
			104.12	114.00	9.88	9.5
(over 12 months)						
General Motors (Dunstable, Southampton, Liverpool) Manuals (347)	(40)	Storekeeper	80.20	85.40	5.20	6.5
			100.00	108.00	8.00	8.0
(over 12 months)						
General Motors Staff (347)	(37½/40)	Clerk	4,050	4,280	240	5.9
			9,060	9,605	545	6.0
(over 12 months)						
Hide & Skin Markets JIC (343)	1,000 (40)	Labourer	58.00	62.35	4.35	7.5
			68.00	73.10	5.10	7.5
(over 12 months)						
Mord Staff (344)	3,000 (37½)	Laboratory Assistant	65.70	72.28	6.58	10.0
			84.58	92.04	8.46	10.0
(over 12 months)						
Jones & Shipman (Leicester) Manuals (342)	1,000 (40)	Labourer	63.60	68.60	5.00	7.9
			82.50	90.50	8.00	9.7
(over 12 months)						
Jones & Shipman Staff (342)	(37½/40)	Sales Ledger Clerk	2,950	3,210	260	8.8
			6,100	6,650	550	9.0
(over 12 months)						
Local Authorities NJC Manuals (348)	1,019,000 (40)	Grade A	54.45	59.05	4.60	8.5
			68.90	73.50	4.60	6.7
(over 7 months)						
Multiple Baking NJC (ELW) (345)	27,000 (40)	Bakery Operative	54.00	61.30	7.30	13.5
			65.00	73.80	8.80	13.5
(over 12 months)						
Retail Co-Ops. Bakery Workers (345)	2,500 (40)	Bakery Operative	55.21	61.90	6.69	12.1
			65.82	74.40	8.58	13.0
(over 12 months)						
Texaco Distribution Workers (346)	1,100 (40)	Trainee Operator	85.00	96.95	11.95	14.0
			98.45	112.35	13.90	14.1
(over 12 months)						
Thomas Cook Group Staff (344)	3,200 (37½)	Filing Clerk	2,156	2,480	324	15.0
			7,440	8,296	856	11.5
(over 12 months)						

December Agreements

Carpel Industry (345)	17,000 (40)	Minimum Rate	59.97	61.50	1.53	2.6
(over 12 months)						

Covered by Agreements

Organization (Project No.)	Number (Hours)	Grade	Old Rate £	New Rate £	Increase £	%
Landscape RHA Truck Drivers (344)	1,000 (40)	Lowest	66.82	70.82	4.00	6.0
		Highest	77.00	81.00	4.00	5.2
					(over 12 months)	
NAASF Clerical, Ancillary, Warehouse (346)	1,400 (36/39)	Grade C	55.77	62.77	7.00	12.5
		Chargehand	62.10	79.02	16.92	27.2
					(over 12 months)	
Retail Pharmacy NJC (344)	37,000 (40)	Shop Assistant	48.30	56.00	7.70	15.9
		Registered Pharmacist	3,957	4,353	396	10.0
					(over 12/15 months)	
Shulton (GB) (Seaton Delaval) Manuals (346)	250 (37)	Carteen Worker	80.66	89.66	9.00	11.1
		Engineer				
					(over 13 months)	



10 DOWNING STREET

~~Two banknotes~~

CF
R.P.

(a) I would simply endorse the proposal that we use bills to mop up the excess.

(b) There is no room for thinking about any substantial reduction in interest rates in view of table on p. 3 and the reports the bank lending to private sector is increasing.

— but no other measures are called for
AW



10 DOWNING STREET

Alan Walker

Do you wish to
comment on this?

The PM will need
to have it for

the weekend.

R.



10 DOWNING STREET

cu of kx to PM of 13/5/87.

" The Monetary Outlook and the
Civil Service Strike. "

The above paper has been
transferred to Economic Policy:
Domestic Monetary Policy: Pt 8.

CS Day

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TO IMMEDIATE FCO

TELNO 162 OF 12 MAY 1981

INFO SAVING DEPT OF EMPLOYMENT, NO 10 DOWNING STREET.

Sir A. Adlam
Mr. G. Johnson
Mr. Garcia } D/Employment
Mr. Robinson }

VPC

ILO : COMPLAINT BY TUC

1. WE HAVE CONSULTED OUR PAPERS ON AND DISCUSSED IN INFORMAL CONTACTS WITH THE ILO THE TUC'S DECISION TO LODGE WITH THE ILO A COMPLAINT AGAINST HMG, AS REPORTED IN THE TIMES OF 12 MAY.

2. THE WAY THE COMPLAINT IS HANDLED WILL DEPEND ON ITS FORM AND HOW IT REACHES THE ILO. THE NORMAL PROCEDURE, SPELLED OUT IN ARTICLE 26 OF THE CONSTITUTION OF THE ILO, IS FOR COMPLAINTS TO BE SUBMITTED IN WRITING. THE ILO SECRETARIAT WOULD THEN NORMALLY REFER A COMPLAINT OF NON-OBSERVANCE OF CONVENTION 151 TO THE COMMITTEE ON FREEDOM OF ASSOCIATION (CFA), AND WOULD SIMULTANEOUSLY INFORM THE GOVERNMENT COMPLAINED OF AND ASK FOR COMMENT. THE CFA IS A COMMITTEE OF THE GOVERNING BODY, AND MEETS THREE TIMES A YEAR JUST PRIOR TO EACH REGULAR MEETING OF THE GOVERNING BODY ITSELF. THE NEXT SESSION OF THE CFA IS DUE TO START ON 26 MAY. IT WOULD PROBABLY NOT HOWEVER AGREE TO EXAMINE THIS PARTICULAR COMPLAINT IN DETAIL AT ITS MEETING IN MAY BECAUSE OF THE SHORTAGE OF TIME AND THE DESIRABILITY OF ALLOWING THE GOVERNMENT CONCERNED TO SUBMIT ITS VIEWS. THE NEXT OPPORTUNITY FOR THE CASE TO RECEIVE SERIOUS EXAMINATION WOULD THEREFORE BE AT THE NEXT SESSION IN NOVEMBER.

3. IF, HOWEVER, THE COMPLAINT WAS RAISED ORALLY BY A DELEGATE AT THE FORTHCOMING ILO CONFERENCE (DUE TO START ON 3 JUNE), AND PROVIDED THE COMPLAINANT MADE A CASE FOR IMMEDIATE CONSIDERATION, IT WOULD, ON PAST FORM, BE DIFFICULT TO AVOID A COMMITTEE OF ENQUIRY BEING SET UP IMMEDIATELY. WE COULD SEEK TO SHOW THAT THE CASE FOR IMMEDIATE CONSIDERATION WAS NOT WORTHY OF IMMEDIATE CONSIDERATION BUT THE RESULT COULD NOT BE PREDICTED.

A COMMITTEE OF ENQUIRY BEING SET UP IMMEDIATELY. WE COULD SEEK TO SHOW THAT THE CASE FOR IMMEDIATE CONSIDERATION WAS NOT COMPELLING, BUT THE RESULT COULD NOT BE PREDICTED.

4. WE UNDERSTAND FROM A CONTACT IN THE ILO THAT THERE IS A PRECEDENT OF A BRITISH UNION MAKING A COMPLAINT TO THE ILO AGAINST HMG. THIS IS SAID TO HAVE OCCURRED IN 1952. WE NO LONGER HAVE FILES FOR THAT PERIOD.

5. WE ARE TOLD THAT BOTH NATIONAL UNIONS AND INTERNATIONAL TRADE UNIONS (SUCH AS ICFTU) SUBMIT COMPLAINTS AGAINST NATIONAL GOVERNMENTS. BOTH SORTS OF COMPLAINT ARE EQUALLY COMMON.

6. FCO PLEASE SEND ADVANCE COPIES TO ROBINSON AND GARCIA, OVERSEAS DIVISION, DEPT OF EMPLOYMENT.

FCO PLEASE PASS SAVING ADDRESSEES.

MARSHALL

NNNN

{ADVANCED AS REQUESTED}

SENT AT 12/1737Z MAF

SECRET

13

MR. LANKESTER

cc: Mr. Wolfson
Mr. Gaffin
Mr. Duguid

CIVIL SERVICE INDUSTRIAL ACTION: DVLC SWANSEA

There was a good deal of discussion at Mr. Heyhoe's meeting this morning about how to deal with the now rather serious industrial situation at the DVLC at Swansea, which Mr. Fowler reported to the Prime Minister in his minute of 8 May, and on which you recorded the Lord President's view that those sent home should be suspended.

The DOE reported the advice from the Chief Constable to the effect that:

- (i) It would be necessary to have a 2:1 ratio of police to demonstrators in order to ensure that the mail could get in and the nitrogen could be unloaded and installed. It is expected that there would be about 300 demonstrators, which implies 600 police. Amazement at this advice was expressed on all sides, not least by Sir John Herbecq, who pointed out that the majority of the staff at the DVLC were young married women, who were scarcely likely to pose a massive threat to law and order.
- (ii) Although they would be willing to maintain right of passage on the public highway, and thus to ensure access to the DVLC, the police were most unwilling to take management's side in unblocking the unloading of the nitrogen from the lorry which is already on DVLC premises. To do that they would need a court injunction against those who were blockading the lorry. Such an injunction would probably not be available until tomorrow afternoon.

/ It was agreed

SECRET

SECRET

- 2 -

It was agreed that it was up to local management and the local Chief Constable to decide what could be done and what was necessary, but that the Home Office would be asked whether the assessment of the number of police required was realistic.

As for sending the staff home, the DOE's proposal is to clear the site on Tuesday and Wednesday so as to make it easier to install the nitrogen and run up the computer again. But Sir John Herbecq pointed out that since the staff could not be sent home without pay, and since there was probably no way of keeping them off the premises anyway, the effect of the proposed action might be to have a lot of demonstrators milling around on Government pay instead of on union strike pay. This will be looked at again.

In general, it appears that the situation at the DVLC is somewhat tense. There is a history of militancy - 85% came out on strike on 9 March - and it must be at least possible that even if the computer is started up and the mail is run in, the whole place will come out on strike.

J.

11 May 1981

SECRET

✓ Buckley



From the Private Secretary

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

John Wiggins Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Prime Minister

*The Treasury and CSD have
at last reached agreement on
the civil service Fact Sheet.*

8 May 1981

Dear John,

12/14/81

Thank you for your letter of 5 May giving the Chancellor's comments on the Fact Sheet on Civil Service pay. We have a word on the telephone this afternoon and I have now circulated the final version to all departmental Ministers.

As you will see, we have taken up most of the Chancellor's specific points. And, as we discussed on the telephone, the Chancellor's suggestion that we should include a reference to the increase in the Civil Service paybill over recent years is now covered by the table in Section IX of the Fact Sheet, together with figures on numbers and pay increases.

We are pursuing urgently with Treasury and Department of Employment officials the questions which the Chancellor has raised about job security and redundancy, and basic pay and earnings. I will be in touch as soon as these points have been covered.

I am sending copies of this letter to Clive Whitmore (No.10), Richard Dykes (Employment) and David Wright (Sir Robert Armstrong's Office).

*Yours sincerely,
J Buckley.*

J BUCKLEY

FACT SHEET

CIVIL SERVICE NUMBERS

Current Civil Service numbers are: 540,000 non-industrials;
150,000 industrials.*

PAY

I Pay Increases, 1970-1980: Comparisons between Civil Service (or public sector groups including CS) and private sector(1)

	<u>1970</u> ⁽²⁾	<u>1975</u>	<u>1980</u>
(a) (i) Basic pay of Civil Service Administration Group(3):	100	200	368
(ii) Average earnings of private sector non-manual males:	100	191	402
(iii) (i) as proportion of (ii)	100	105	92
(b) Index of average weekly earnings of non-manual employees in central Government (4) as proportion of index of average weekly earnings of non-manual workers in private sector			
Men aged 21 and over:	100	101	104.8
Women aged 18 and over:	100	99.8	96.4
Amalgamated figure:	100	104.9	105.2 ⁽⁵⁾
(c) Index of average weekly earnings of non-manual employees in public sector as proportion of index of average weekly earnings of non-manual employees in private sector			
Men aged 21 and over:	100	106.6	100.8
Women aged 18 and over:	100	99.9	91.4
Amalgamated figure:	100	105.3	99.1

* Figures are based on 1 April 1981 Staff in Post to be announced shortly

- (1) The following data are drawn mainly from the Department of Employment's New Earnings Survey. The Survey does not publish separate figures for the Civil Service as a whole. Example (a) gives movements in Civil Service Administration Group basic pay (drawn from Civil Service Department records) which are broadly representative of general Civil Service pay movements in the period. In examples (b) and (c) the 1975 figures are depressed because the April 1975 settlement for non-industrial civil servants was implemented too late for inclusion in that year's New Earnings Survey. Figures for women reflect the move to equal pay in outside industry (equal pay already existed in Civil Service and other parts of the public sector in 1970).
- (2) 1970 = 100 in each example. Figures show movements in relative earnings. Relative earnings levels cannot be deduced.
- (3) Basic pay in the non-industrial Civil Service accounts for a relatively high proportion of total earnings. It excludes only overtime (which has been relatively stable over the last 10 years) and special allowances. The difference between basic pay and earnings is therefore not sufficient to invalidate the general picture.
- (4) NHS + number of Government-financed organisations eg Courts of Justice, AEA, + Civil Service. Excludes Armed Forces.
- (5) The amalgamated figures are higher than those for men and women separately. This is because of variations in the ratio of men to women during the period and the fact that women's earnings overall remained lower than men's.

II Percentage increases in Civil Service Administration
Group basic pay ¹

1970-1980	1975-1980	1978-1980
268%	86%	48%

Corresponding increases in prices and in earnings in economy
as a whole ²

	1970-1980	1975-1980	1978-1980
Retail Prices Index	260%	102%	34%
Average Earnings Index	319%	103%	38%
Non-manual Earnings Index	321%	107%	40%

¹ The figures quoted give the average cumulative increase resulting from each annual settlement after the base year and thus show total increases over the last 10, 5 and 2 years respectively. The Civil Service employs a large number of different grades carrying out a large variety of different tasks requiring a wide range of skills. Since the market rate for these different skills will have varied according to supply and demand, civil servants engaged in one type of work will have received different increases from those doing another. In particular, the "umbrella" figure of about 50% over the past two years covers a wide range of increases:-

Data Processors	63%
Principal	60%
Assistant Scientific Officer	51%
Senior Executive Officer	49%
Executive Officer	47%
Clerical Assistant/Typist	45%
Senior Scientific Officer	39%
Cleaner	31%

² These figures relate to the whole economy while the figures in Ia(ii) are for the private sector only.

III Annual Percentage Increases for the Civil Service Administration Group since 1970⁽¹⁾

1970	(Central Pay increase) ⁽²⁾		8½%
1971	(Pay research)	approx	10%
1972	(Central pay increase) ⁽²⁾		7½%
1973	April - (Central pay increase) ⁽²⁾ November - (Pay research)	approx	7% 11%
1974	(Pay policy)		7%
1975	(Pay Research)	approx	33%
1976	(Incomes Policy Phase 1)	approx	10%
1977	(Incomes Policy Phase 2)	approx	5%
1978	(Incomes Policy Phase 3)		10%
1979	(Pay research - staged)	approx	25%
1980	(Pay research - deferred payment)		18.75%

(1) A more detailed table of Civil Service Administration Group settlements since 1964 is at Annex A.

(2) Pay research was introduced on an annual basis in 1975. Before that 'Central Pay Increases' were given in non-pay research years.

IV Costs /

(i)	1981-82 Civil Service pay bill:	£5,000 million*
(ii)	Increase over 1980-81:	£370 million
(iii)	Each 1% increase in pay bill in 1981-82 has cost:	£46 million
(iv)	1981-82 provision for Pay + general administrative expenditure + pensions:	£7,500 million
(v)	Total Central Government expenditure in 1981-82:	£76,500 million
(vi)	(iv) as proportion of (v):	<u>10%</u>

/ Source: Total Supply Estimates, published in Chief Secretary's Memorandum. All figures rounded and relate to pay, overtime and employers' National Insurance costs for industrial and non-industrial staff of Central Government departments, plus casuals.

*£4,000 million for non-industrials alone.

V Implementing Pay Research

Since 1970, Conservative Governments have implemented settlements based on pay research in:

1971, 1973, 1979, 1980

Labour Governments have implemented settlements based on pay research in:

1975

VI Current Salaries of Some Main Civil Service Grades

	<u>Min</u>	<u>Max</u>
	£	£
Clerical Assistant	41.91	72.60 (per week)
Clerical Officer	2,396	4,740 (per annum)
Executive Officer	3,775	6,745
Principal	10,600	14,000
Assistant Secretary	16,500	19,500
Permanent Secretary		31,000

NB. London Weighting is payable additionally for all grades below Deputy Secretary. Current rates are £1,016 per annum for Inner London and £424 per annum for Outer London.

VII Current Indices (at April 1981)

(a) Year-on-Year

Pay (average earnings index,
January 1980 - January 1981): 18.9%

Prices (RPI, March 1980 -
March 1981): 12.6%

NB Apart from a minor hiccup last month as a result of the Budget, the increase in the RPI year on year has fallen for nine consecutive months. 22% in May 1980; 15.1% in December 1980; 12.5% in February 1981. RPI forecasts (Financial Statement and Budget Review): end 1981 - 10%; mid 1982 - 8%.

(b) Current Round (since 1 August 1981)

Indications from the Index of Basic Wage Rates and from the CBI pay survey are that private sector pay settlements have averaged about 8 or 9% in recent months.

VIII Other Settlements

(NB These examples are significant but not necessarily typical. Most are for manual rather than non-manual staff).

British Leyland	6.8%
Road haulage	3.0 - 6.8%

Textiles: generally very low;
some firms have had
no increase at all

Teachers	}	7½%
Local Authority manuals		

NHS ancillaries	7½%
-----------------	-----

(for 15 months; equivalent of just
under 6% for 12 months)

IX CHANGES IN CIVIL SERVICE MANPOWER, PAY COSTS, AND PAY RATES, 1975-1981

	<u>Manpower</u>	<u>Costs £m</u>	<u>Annual Increases in Pay Rates</u>
1975 ^{(1), (2)&(3)}	701 000	2,479	33%
1976	748,000	2,938	10%
1977	746,000	3,252	5%
1978	736,000	3,408	10%
1979	732,000	3,717	25%
1980	705 000	4,629	18.75%
1981	690,000 (4)	5,002	[7%]

(1) Manpower figures are for the whole Civil Service at 1 April in each year.

(2) Pay cost figures are those for the whole Civil Service given in the published Annual Supply Estimates.

(3) Pay rate increases are the average for the non-industrial Administration Group grades in each year shown. See also Table III.

(4) Figures are based on 1 April 1981 Staff in Post to be announced shortly.

X

Job Security

The present high levels of unemployment and redundancy in the economy as a whole support the general contention that civil servants enjoy relatively high job security. However, the absence of suitable statistics makes it necessary to rely on general statements about this, rather than specific statistically-based comparisons.

There has been a marked reduction in the level of voluntary resignations from the Civil Service in the past year. If present trends continue the level will fall below that experienced in the middle 1970s.

1971 Pensions Increase Act: provided for the protection of public service (including Civil Service) pensions against inflation.

1972 Principal Civil Service Pension Scheme: number of changes, including

- pensions "as of right" (not at Treasury discretion);
- qualifying period reduced from 10 to 5 years;
- pension based on salary in last year of service;
- enhanced early retirement terms.

Scott Report, 1981: recommended pensions deductions from Civil Service pay of 7-13½%. The present total effective employee contribution of 7.9% of pensionable pay is towards the lower end of that range.

(NB Under the pay research arrangements, Civil Service pay has been reduced to take account of differences in pension contributions and benefits between the Civil Service and the analogue organisations. 7.9% was the composite deduction figure at the time of the last, 1980, pay research settlement).

Current Costs

Estimated expenditure on Civil Service Pension Scheme,

1981-82: £913m net

Total number of Civil Service pensioners: 385,000

Average pension (since November 1980): £29 per week

[Comprising average pension for retired civil servants of £34 per week; and average pension for widows and dependants of £13 per week.]

(1) All figures for industrials and non-industrials.

ANNEX A

History of Civil Service (Administration Group) Settlement since 1964

Year	Civil Service Administration Group settlement	Pay policy	Inflation indicators	
			RPI	Non-manual earnings
1964	Pay research 7½% (paid in full)	"guiding light" 3 - 3½%	4% (Oct 63 - Oct 64)	-6% (Oct 63 - Oct 64)
1965	3½%	"norm" 3 - 3½%	5%	9%
1966	3½%	"norm" 3 - 3½%	4%	4%
1967	none	Jan - June "severe restraint" July - Dec zero "norm"	2%	5%
1968	Pay research 10% staged over 2 years	Jan - April zero "norm" April - Dec 3 - 3½% "norm"	6%	7%
1969	5%	3 - 3½% "norm"	5%	8%
1970	8½%	Jan - June 2½% - 4½% "range" June - Dec no restrictions	7%	13%
1971	Pay research 10%	No restrictions	9% (Apr 70 - Apr 71)	12% (Apr 70 - Apr 71)
1972	7½%	Jan - Oct no restrictions Nov - Dec temporary standstill	6%	12%
1973	7% (April) + 11% (Pay research: 'anomalies' settlement - November)	Jan - April Stage 1 April - Nov £1 + 4% Nov - Dec £2.25 or 7%	9%	10%
1974	7%	Jan - July £2.25 or 7% July - Dec Social Contract	15%	13%
1975	Pay research 33%	Jan - July Social Contract Aug - Dec Phase I £6 supplement	22%	26%
1976	£6 supplement (10% approx)	Jan - July Phase I £6 supplement Aug - Dec Phase II £2.50/5%/£4	19%	19%
1977	£2.50/5%/£4 supplement (5% approx)	Jan - July Phase II Aug - Dec Phase III 10%	17%	9%
1978	consolidation + 9½% (total 10%)	Jan - July Phase III	8%	13%
1979	Pay research approx 25% staged April 10% August 5%	No restrictions	10%	12%
1980	January 10% Pay research approx 18.75 in full year but deferred to 7 May 80 with 2.3% manpower reduction to reconcile with 14% cash limits	Cash limits 14%	22%	25%

GUIDANCE NOTE FOR MINISTERS

Ministers may wish to draw on the following statements about Civil Service pay, pensions and job security, when making public references to the current Civil Service dispute. The statements are based on the accompanying fact sheet (references are to the relevant fact sheet section). All figures are for the non-industrial Civil Service, unless otherwise stated. Industrial civil servants are not involved in the present dispute.

PAY

Fact Sheet Civil Service pay increases have kept broadly in line with those
Ref I, VI of white collar workers in the private sector since 1970.
Annex A

And the pay research settlements of the last two years - which gave average increases of almost 50% - brought Civil Service rates fully up to date with the rates paid for comparable work outside, after a period of falling behind during the incomes policy of the previous Administration. [Payment of both settlements was staged or deferred in the first year to keep within cash limits; but both have now been fully implemented.]

Over the same two year period in the economy as a whole prices have gone up by 34%, average earnings by 38%, and non-manual earnings by 40%.

Pay research has been implemented five times in the last decade - and four of the five were implemented by Conservative Governments.

The Cost of Civil Service pay cannot be ignored. This year's total pay bill (industrials and non-industrials) is £5 billion - or £7½ billion including other administrative costs and pensions too. £7½ billion is 10% of all central Government expenditure. Each 1% increase in pay this year will have cost £46 million.

Pay and price increases generally are coming down. Pay increases in the current round are now within single figures. Some two million members of the public services have already settled at around the level that has been offered to the Civil Service. (Local Government manual workers and teachers: 7½%; NHS ancillaries: 7½% for 15 months = annual rate of about 6%).

Price increases have fallen from a peak of 21.9% last May to 12.6% in March.

JOB SECURITY

X At the present time of high unemployment and of a steeply rising level of redundancies in the economy as a whole, civil servants enjoy relatively high job security.

[It is advisable to rely on general statements on this subject as insufficient evidence is available at present to indicate whether civil servants' jobs are more or less secure than those of people in comparable - white collar - work outside.]

PENSIONS

XI Like other public servants, civil servants have had index linked pensions since 1971.

No decisions have yet been taken on action in the light of the Scott Report. It recommended a Civil Service pensions deduction of 7%-13%. The present total effective employee contribution of 7.9% is at the lower end of the range.

APPOINTMENTS - IN CONFIDENCE

Mr LANKESTER

mtg
For/John 19/5
TL

MEMBERSHIP OF PROPOSED INQUIRY INTO CIVIL SERVICE PAY

Before leaving for Canada Sir Derek Rayner made these comments on some of the names given in the list attached to Lord Soames's minute of 1 May.

- Sir D Barron: Available, given his succession to the chairmanship of the Midland Bank?
- Sir D Steel: Not known to Sir DR personally, but has a high reputation.
- Sir C Fraser: A figurehead - Mr Lord is actually running Dunlop.
- Sir J Greenborough: Useless - like most people who become President of the CBI.
- Mr M Bett: As Sir D Steel.
- Mr P Laister: Awful, useless.
- Mr A Lord: Good mind, very ambitious, not very loyal.
- Lord Shepherd: Knows the pay ropes, difficult to do without him.
- Mrs H Brigstocke: A collector of rich parents and acquaintances.

9

C PRIESTLEY
8 May 1981



CONFIDENTIAL

Seen by CAW.

Civil Serv

MR. WHITMORE

Civil Service Pay: Independent Inquiry

The Prime Minister is to discuss the Lord President's minute of 1st May with him, the Chancellor of the Exchequer and the Secretary of State for Employment.

2. The prior question is whether there should be an independent inquiry at all. There are arguments against: notably the risk of unpalatable recommendations. But the Cabinet decided in favour of offering an inquiry; the offer has been made; and, although the unions have not taken it up, there is some reason to believe that it will need to be part of the eventual settlement of the current dispute. In any case we need to be ready with clear ideas about terms of reference and composition, in case the unions take up the Lord President's offer to discuss these matters with them.

Terms of Reference

3. Two points of detail on the preamble:

(a) *Neither* } In lines 5 and 6, is it not enough to say "the need to maintain good industrial relations": is it necessary to add "and to avoid disruption"?

(b) The words "and difficulties" at the end of line 6 seem to be otiose.

4. In the first draft terms of reference which I proposed to the Civil Service Department on 15th April (copy attached), I suggested that the inquiry should be specifically asked to consider and make recommendations on the structure and organisation of the Civil Service in respect of pay and grading, as well as at the principles and system for determining remuneration.

5. The Lord President wants to leave out any reference to structure and organisation because he fears that its inclusion would add unacceptably to the scope and duration of the inquiry. But his argument is a little illogical, because he says that the terms of reference ~~he~~ proposes would allow the inquiry to look at certain structural and organisational issues as part of its examination



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✓ of a new pay regime. My own belief (which is shared by Mr. Ibbs) is that it ought to do so; indeed, I doubt whether it is possible to deal satisfactorily with pay without dealing with at least some issues of structure and organisation (including grading). I also understand that the Priestley Commission felt ✓ inhibited because they were precluded from doing so. I do not believe that this would mean covering all the ground of the Fulton Committee over again. Nor do I think that it need in practice add very greatly to the length of the inquiry, if we can find a Chairman who can give an appreciable amount of time to the work. On balance I still favour the inclusion of a specific reference to structure and organisation of the Civil Service in respect of pay and grading; but I note that the Secretary of State for Employment joins with the Lord President in opposing it.

6. The arguments in favour of excluding the Top Salaries Review Body (TSRB) grades from this reference are as follows:-

- (a) These grades ought and are bound to be dealt with separately from the rest of the non-industrial Civil Service. They are, essentially, part of the management. Their pay is not now, and has not for many years (if ever) been, determined by any process of negotiation, and we should not do anything that would encourage members of these management grades to identify with the parts of the Civil Service whose pay is the subject of negotiation with the unions.
- (b) We are likely to continue to need a source of independent advice on the pay of these grades.
- (c) Special considerations enter into the determination of remuneration at these levels, which a body like the Top Salaries Review Body is well qualified to take into account (without necessarily specifying them in its reports). The Review Body, both under Lord Boyle and now under Lord Plowden, has shown a great deal of sensitivity to these considerations.

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(d) The Government decided last year to continue the Review Body system, not only for top salaries but also for doctors and dentists and for the armed forces. To include these grades in this inquiry would throw revived doubts on the future of the system, not just for top salaries but for the other groups as well.

(e) At a time when the pay arrangements for the rest of the Civil Service are in flux, there is something to be said for retaining stability in an area where we can do so, unless there is positive need or advantage in doing otherwise.

7. On the other hand radical changes in either the principles or the system of determining pay for the rest of the non-industrial Civil Service could have implications for the TSRB grades; and it would be difficult to exclude them if it was decided specifically to include questions of organisation and structure in the terms of reference.

Composition

8. I think that it is right to look for a Chairman from industry (rather than from the law or from the university world). We shall need a Chairman who can devote a significant amount of time to the inquiry. It would have been nice to have Alan Lord, but:-

- (a) he probably would not have enough time;
- (b) we should presumably not choose someone who has been a career civil servant.

These considerations would also exclude Alex Jarratt.

9. Of the names suggested by the Lord President, Sir Alastair Pilkington and Sir David Steel seem to me to be the front runners. We could hardly have Sir Campbell Fraser if we want Alan Lord to serve as a member.

10. Among the women suggested, Mrs. Brigstocke would no doubt be very good, but she is the widow of a civil servant. Mrs. Moore would also be very good; but you should know that she was in earlier times a career member of the Diplomatic Service.

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11. I hope that we can keep the inquiry small: five people, or seven at most. Nothing will do more to ensure that it does its job quickly.

Form of Inquiry

12. I recommend making the inquiry a Royal Commission: the more status it has, the more likely are both it and its conclusions likely to be accepted.

Robert Armstrong

*(approved by Sir R Armstrong
and signed on his behalf)*

8th May 1981

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DRAFT TERMS OF REFERENCE

Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and to the need for the Government to be able to reconcile its obligations as the employer of civil servants with its responsibilities to Parliament for the control and management of public expenditure;

to consider and make recommendations on the structure and organisation of the Civil Service in respect of pay and grading, and on the principles in accordance with which and the system by means of which the remuneration and other conditions of service of the non-industrial Civil Service (excluding those civil servants whose salaries come within the remit of the Top Salaries Review Body) should be determined.

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R

MR LANKESTER R

cc:- Mr Wolfson "
Mr Duguid

CIVIL SERVICE INDUSTRIAL DISPUTE: FLOW OF REVENUE

I do not dispute the advice in the Chancellor's minute to the Prime Minister of 7 May that encouraging all taxpayers to use the Giro system to circumvent the Inland Revenue staff taking industrial action would put at risk the much more important banking operation already in hand. I am a little less convinced that there are similar risks involved in setting up special machinery to deal with the smaller denomination cheques which the Revenue are already receiving. But I do not think we here are well placed to second-guess the advice given by Inland Revenue management.

I think the more serious point raised by the Chancellor's minute is what should be done about that part of the short-fall which is accounted for by taxpayers withholding payment. You will have seen from my note to David Wolfson yesterday that the Inland Revenue admit that this might amount to £1.7 billion. The absence of any comment about that in the Chancellor's minute is striking and I have discussed it with Peter Middleton. He tells me that the minute is based on advice received by the Chancellor from the Revenue departments, and that he (Middleton) will be looking urgently at this aspect of the problem. It means that the recovery period after the strike will be lengthened, and complicated by issues of tax collection rather than remittance processing.

J.

8 May, 1981

SECRET



Prime Minister

*cc Mr Ingeard
Mr Vercher*

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

R

8/5

W Rickett Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1

8 May 1981

Mr Lamberton

MS

Dear Mr Rickett,

INDUSTRIAL ACTION PROGRESS REPORT

There are at present 4,552 staff involved in selective strike action, including 451 staff in the Inland Revenue who have been temporarily relieved from duty.

There have been few changes in the pattern of action affecting major departments since my last report. The main areas affected are still Ministry of Defence, Inland Revenue, Customs and Excise and DHSS, and to a lesser extent Scottish Courts, and the Department of Trade and Industry. There have been a few new developments:

*See minutes
at Day A*

DVLC : The industrial action difficulties at DVLC were reported in a letter from Jim Buckley yesterday to you. Further discussions have been held today with the local unions at DVLC in an attempt to reach agreement on deliveries of mail and on the unloading of the nitrogen. I understand that the Secretary of State for Transport will be reporting the outcome of the discussions, and the management action proposed, to the Prime Minister later today.

FCO Passport Office : There has been an escalation of action at Liverpool and Glasgow; only a few staff with the necessary authority are available to issue passports. Applicants at all affected offices are being encouraged to make personal applications instead of using the mail. The action may spread to Newport next week.

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DES : 9 staff in the computer data control section at Darlington are on strike. No payments are feasible except those which can be made manually. The stoppage will affect preparatory work on teachers' pensions, statistical work and payments to some schools, but the effects are not expected to be serious.

Intervention Board for Agricultural Produce : 15 staff (out of 20) are on strike in the Been Imports/Exports Section. However staff still working can handle the issue of licences and the short-term effects of the action are expected to be minimal.

HO :

4 administrative staff are picketing Gloucester prison and the Prison Officers and Post Office staff will not cross the line. This will affect the transfer of prisoners and the delivery of mail. The POA are intending to operate 'Sunday working' on Monday 11 May. This will mean no working parties and no transfer of prisoners to courts.

MOD : Following TRD action at Devonport Dockyard, the SW CCSU called for two days of strike action in the South West on 6 and 7 May. First reports suggest that there was very little impact on Departments. On a positive note the preparation of HMS Repulse for sea at the Clyde Base is largely going ahead to schedule.

Copies go as before.

Yours sincerely

Vivian Williams

for J G COLMAN
Private Secretary

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SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 8 MAY 1981

R.

Department	Number on strike	Remarks
Customs & Excise	411	Strikes by computer, customs and other staff at Southend Computer Centre (307) ; South Coast Ports (58); Manchester Betting Duty Office (42), Doncaster LVO (4).
Ministry of Defence	795	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Feltham and Taunton (Mapping), Bath, 5 Oil Fuel Depots.
Environment/Transport	8	Cartographers on strike at HQ, Marsham Street. <i>Driving examiners on strike at Wuxham.</i>
Foreign and Commonwealth Office	173	Passport Examiners at the London, Liverpool, Peterborough and Glasgow Passport Offices.
Dept. of Health and Social Security	325	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office; 85 staff on unofficial strike in Scottish local offices.
Home Office	10	Staff at Gloucester and Bristol Prisons.
Inland Revenue	2280	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices and the mail sorting centre at Kew. (1829 on strike, 451 TRD)
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	47	Strikes by maintenance engineers at RAF Brawdy, Wyton, Aberporth, Yeovilton, St Athans, Trowan, Swansea District Works Office, and Pendine.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	168	Strike by staff who handle search facilities and Companies House, London and Cardiff; telephonists at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgöw Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
Employment	12	Strike by office staff at Barrhead UBO.
Education & Science	9	Data Control staff, Darlington Computer.
IBAP	15	Imports/Exports Section, Reading.
TOTAL	4552	

cc Duguid
cc Vacher

Prime Minister ¹¹ ^{A1}

SECRET

Prime Minister

INDUSTRIAL ACTION AT DVLC

*Spoke to Tompsett
and told them that
the PM had asked what
they were planning*

~~assume you
go along with this.
The action proposed.~~

*The Ld President's private
secretary has msg to say
Ld Spence thinks
that those sent home
should be suspended. But
without legislation, I can't*

TL - 11/5

The situation today at Swansea, where the unions *see how*
have remained adamant with extremely strong backing from the *we can*
majority of the 4,000 staff, has changed only in that the work *do this.*
has now virtually run out. I intend therefore that units *Johnson*
without work should be sent home on Monday. The scope for
obstruction on the site will be much reduced by this and should *TL*
open the way for the air conditioning plant on which the computers
depend to be put back in order. PSA have a team ready to do *9/5*
this if the obstruction can be removed. But a large picket
may congregate at the gate.

I am therefore obtaining the advice of the Chief
Constable on how this situation can best be controlled and
the mail be successfully brought in. It is a question of
judging the police strength required, which in some circumstances
could run to hundreds, with a co-ordinated plan for transporting
the mail under their protection.

I am also exploring the possibility of disciplinary
action against anyone who obstructs the performance of official
duties by colleagues on site.

I am sending copies to the Lord President, the
Secretary of State for the Environment, the Secretary of State
for Employment and Sir Robert Armstrong.

NORMAN FOWLER
8 May 1981

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SECRET



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon The Lord Soames, GCMG, GCVO, CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON SW1

8 May 1981

James Christy,

CIVIL SERVICE INDUSTRIAL ACTION: DVLC, SWANSEA

Thank you for your letter of 7 May.

On your first point, let me be specific: At Swansea the position is that the Unions are able to interrupt virtually the whole flow of work by withdrawing the labour of very few but with the tacit support of large numbers of others. It therefore seems to me urgently necessary for the law or our terms of service for the Civil Service to be changed so that we would have the option of suspending non-industrial staff in the Civil Service without pay if the official duties on which they are normally engaged are interrupted as the result, directly or indirectly, of industrial action by Civil Servants.

The demonstrations on the site have already shown that very large numbers can be mustered against management action. This has impressed the police to the point where they are markedly reluctant to provide a police presence except on a scale planned (so far as their resources permit) to ensure

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success by more than matching the scale of the demonstration which they might encounter. We could need a force of several hundred unless I can find a way of thinning the numbers of staff on site or available for picketing.

I am sending copies of this letter to the Prime Minister and the Secretary of State for Employment, and to Sir Robert Armstrong.

you ever
Norman

NORMAN FOWLER

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C.S. Pay

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d. T. L.
h



10 DOWNING STREET

May 8, 1981.

Dear Goeffrey,

I attach a proposal to prevent the Inland Revenue backlog of Small Payments continuing to accumulate. It would also ensure that, however many cheques are opened, they are on average larger in value. Also that, when the dispute is over, recovery time is shorter. The Industrial Action would therefore pose less problems for us, and put less pressure on us to settle.

I understand that this has been discussed by Tim, as well as myself, with Inland Revenue and Treasury. Lord Cockfield has indicated that the proposal is unacceptable for two main reasons. They cannot contemplate the idea of telling people to delay their Tax payments, despite the fact that everyone knows that most of these payments are not being banked. Further, there is some general fear of escalation making it more likely that those cheques which are now getting through would be blacked. The first point is really fear of the unthinkable. On the second, I thought the attempt to black cheques was already being made; aren't the disputants doing all they can at the moment to mess things up?

It has also been suggested that an instruction not to pay for a Month, to small payers, would be seen as a victory by the C.S. Is this defeatist? I would argue that the Union would be very worried by the action I propose: it makes us stronger, and carries the threat of a permanent increase in Quarterly Payments for small PAYE payers, which would reduce Inland Revenue work and jobs. Strike yourself out of a job?

However, I do not wish to rock the boat at the moment, as I am sure IR management are under strain. I know we have agreed not to escalate yet, though the action I propose could be regarded more as a reorganization of work than escalation. I feel however that, when the time for escalation comes, this is a way of mitigating our problem of recovery, and thereby putting some pressure on the other side. I hope therefore that you will be able to consider it in principle, rather than write it off as unthinkable.

Yours

Daniel (Welford)

CONFIDENTIAL



1

10 DOWNING STREET

T.P Lankester.

May 6, 1981.

Inland Revenue Dispute.

I understand that the I.R. normally receive about 1 Million P.A.Y.E. payments per month. They now hold a backlog of ~~well~~ 700,000 ~~over~~ 1 Million letters containing cheques, and can only process about 100,000 per month. This will get much worse after May 19th, when another Months Payments become due.

The envelopes they hold contain mainly small cheques averaging only £100 to £200 each. The big companies who cover 80% of the total take are paying in direct, through Bank Giro etc.

There is already a class of small payment employers who are allowed to pay their PAYE Quarterly.

PROPOSAL. Tell all PAYE payers to hold the May payment over, to be paid with the June payment, unless their amount due is in excess of say £ 2,000. (OR £ 5,000 or whatever). [ADVERT IN PAPERS?]

Result. The 100, 000 Paye letters we open will average at least £2,000, so giving us a considerably increased amount of money in the Bank. (£200 Million in the Month). NB. OPEN MAY PAYMENTS, LEAVE APRIL TILL STRIKE OVER.

When the strike is over, we will have far fewer payments to handle to catch up. Most May and June payments together will be processed as one payment, nearly halving the work.

Added Bonus, or Problem. The CS staff will see that the damage they are doing is being limited. This is provocation. Moreover, the IR staff may notice that the extension of Quarterly payments for small employers would reduce PERMANENTLY the monthly workload, and might reduce the number of jobs at IR. Escalation, maybe. But it gives The Unions a downside fear from continued action.

QUERY. DOES SOME ARGUMENT APPLY TO VAT PAYMENTS?

Daint W.

CONFIDENTIAL

CV
AD
BW



PRIME MINISTER

CIVIL SERVICE PAY

1. You have kindly suggested that I should join you, the Chancellor of the Exchequer, the Lord President of the Council and the Secretary of State for Employment to discuss aspects of the proposed inquiry into civil service pay.

2. Unhappily, I am in Toronto on business this weekend and next week. At the time which has now been proposed - the morning of Tuesday 19 May - I am heavily occupied with M&S business, that being when we finalise our report and trading results for the year just completed. I would not want the matter to be unduly held up on my account, so I am sending you the thoughts which occurred to me on reading the Lord President's minute of 1 May in the hope that they will be helpful to you and your colleagues.

Scope of the inquiry

3. Not having seen all the papers, I am unsure exactly what is meant by "structure and organisation" as possible extra subjects over and above pay.

4. However, my advice would be that the inquiry should concentrate on pay principles and policy, rather than being asked in addition to get into questions which have to do with (for example) how many civil servants are employed and in what sorts of management hierarchies. My reasons for this are briefly:

a. Pay principles and policy are enough for an inquiry to deal with, if you want advice reasonably soon.

b. Extending the terms of reference extends the area of debate with the unions both before the inquiry gets under way and when its report is available.



c. Other relevant work is in hand - notably the Civil Service manpower policy, including the chain of command reviews - and it would be a pity if it were impeded.

5. That said, I would hope that the inquiry would consider pay as a motivator as well as a wage. I remain convinced that civil service efficiency would be greatly increased if:

a. An officer to whom no hierarchical progression is available in a field which he has mastered, and whose expertise would be wasted if he were moved to another field in order to get his reward through promotion, could be rewarded by bonus (or merit) payment or personal promotion.

b. Officers could be advanced by two or more grades in recognition of their track record, potential and the needs of the Government service.

c. Officers whose performance was poor and indifferent ceased to be entitled to automatic increments.

Inclusion or exclusion of TSRB grades

6. I think that it would be right to include Under Secretaries and above in the inquiry's remit.

7. There is something awkward about "Top Salaries" in modern conditions. More important, I think that the work and pay of the higher grades need to be considered more in relation to the work and pay of the rest of the civil service for which they are responsible and less in relation to those of the judiciary and the upper reaches of HM Forces.

8. There is also the practical difficulty that the operation of separate systems for grades up to Assistant Secretary on the _____



one hand and from Under Secretary on the other has produced numerous recent "boundary" problems, making for friction, embarrassment and delay.

9. In addition, I am far from sure that for the purpose of comparing pay rates in the Civil Service with those outside it is sensible to fix on the Assistant Secretary/Under Secretary border as marking a clear dividing line between one kind of commodity and another. I suspect that the dividing line should perhaps fall at the Principal/Assistant Secretary border. This is because something equivalent to the Principal grade can, I believe, be found in most firms, whatever their size; we certainly have "Principals" in M&S. But many firms do not have an equivalent to the "Assistant Secretary" (or for that matter the "Deputy Secretary"). The "Under Secretary" equivalent in business is the main board director, while the "Permanent Secretary" equivalent is the managing director. But the "Assistant Secretary" is, I think, far more likely to be found in bureaucratic organisations like banking and insurance than in industry or commerce. This, if I am right, may mean that it would be wise to handle the question of Assistant Secretary analogues and their effect on the pay of higher grades with particular care.

Starting point for the inquiry

10. I am broadly content with the terms of reference, but offer three thoughts.

11. First, the draft implies that the inquiry may take a fresh sheet of paper and devise new principles from scratch. Is this what is required?

12. My own preference would be to ask the inquiry to consider whether the existing principles produce a result which inspires public confidence and is workable and correct in the circumstances of today and to advise in what respects,



and how, they need up-dating. I suspect that the existing principles may well be valid but that it is the way in which they are applied that causes trouble, especially when the employer's room for manoeuvre is restricted.

13. Secondly, I think that the Government should lay more emphasis on the importance of room for manoeuvre and of avoiding arrangements which are too mechanistic. While the basic principles by which pay is determined and the view taken of pay as part of the complete personnel management package should be fair, decent and honourable, all managements (including Government) need to keep an element of flexibility. For example, they should resist the temptation to attach a fixed quantity to terms and conditions of service which are unquantifiable and whose value, in any case, will vary according to the state of the labour market. Job security is the prime example - especially now when some employees in the private sector are taking effective cuts in income in order to preserve their jobs.

14. Thirdly, there is the important consideration that the State cannot be well managed if its operations are regularly turned into an industrial relations football. It may be romantic in these days to suppose that a "no strike" agreement could be devised, but I think it is well worth considering.

Membership

15. A small group, and one which will think for itself, is indicated; it must not allow itself to be taken over by its secretariat.

16. I would think that Sir Hector Laing would make a good chairman.

17. I think that Mr Lord, Lord Shepherd and Mr Chapple are good candidates, although each for different reasons.



Of the women listed, I would not favour the High Mistress of St Paul's; Mrs Davies might be a good choice as someone from a large employer is needed.

18. I will give this some further thought and see whether I can offer any other names. Two possible ones which come to mind at once are those of Lord Rothschild and Professor Dahrendorf. Both are of standing, independent, and would bring fresh minds to bear.

19. I am copying this to the Chancellor, Lord President and Secretary of State for Employment.

Clive Priestley

M. Derek Rayner
7 May 1981

*Prepared by Sir Derek Rayner
before his departure and submitted
on his instructions.*



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

PRIME MINISTER

Following our discussion on Wednesday of last week, I have been examining with Inland Revenue and Customs and Excise the possibility of improving the flow of revenue.

Inland Revenue

Inland Revenue have so far banked 75 per cent of forecast receipts. They have some evidence to show that the shortfall of 25 per cent is mainly accounted for by taxpayers withholding payment rather than the non-processing of remittances.

Except to a very limited extent they do not think that they can do much more within the resources of the Department to improve revenue flow. As regards lower denomination cheques, they estimate that those remaining unprocessed are unlikely to exceed £200m in value and could be as little as £100m.

Customs and Excise

The net VAT revenue for April will be at least 90 per cent of the pre-strike forecast. This is, of course, affected by the fact that C&E are unable to make VAT repayments. The collection of Customs' other duties (which account for 2/5 of the total indirect taxes) has been largely unaffected by the strike.

This still leaves 300,000 to 400,000 cheques trapped in the system at Southend but these are the relatively small denomination cheques. The very large VAT payers have been contacted and asked to pay either by giro or to a special

/address at which

Prime Minister 2 10

12
8/15

MS.



address at which the cheques will be processed by management staff. The next tranche of payers are paying in specially coded envelopes which Customs management are processing each day.

At my request Customs and Inland Revenue have considered whether they could mount further operations to remove smaller denomination cheques, but they recommend against doing so. Removal would be a major step which could not be kept secret. It would lead to a sharp intensification of the unions' efforts at obstruction, and so could prejudice the existing operation in relation to the large cheques. Their advice therefore is that it would not be cost-effective to attempt it.

Both Departments have also considered the idea of national advertising to advise all taxpayers to use the Giro system but have so far rejected it on the advice of the Bank and the Clearing Banks who believe there is a strong risk that their own staff might black the work. If this were to happen we would risk prejudicing the whole of our banking operation.

In all these operations we are relying to some degree on the co-operation of managers. When it comes to considering the possibilities for escalating the dispute we will have to bear in mind our need for the continued co-operation of managers both in maintaining these operations during the strike and, once the dispute is over, in dealing with the enormous problem of processing the huge quantity of documentation held up by the dispute at the same time as dealing with fresh transactions being received each day.

I am sending a copy of this minute to the Lord President.

G.H.
(for G.H.)

(Approved by the Chancellor
signed in his absence)

7 May 1981



From the Private Secretary

Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400 *Annie Smith*

William Rickett
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

The firm action indicated below is welcome.

I will get another report on Monday.
7 May 1981

not necessary
Mr Lambert - yours w/r
Mr Vereker TL
11/5

Dear William,

INDUSTRIAL ACTION AT DVLC

You asked for an urgent note for the Prime Minister about the industrial action difficulties at DVLC.

2. The position this morning is that a lorry with a supply of nitrogen has been brought in by the PSA but staff are preventing it being unloaded. They are forming a cordon, recording the time as private time outside the flex-time hours of official duty. Mail deliveries are still not being made by the Post Office, who are refusing to cross the picket line outside.

3. We have discussed urgently with DOE/Transport and have given them the following advice.

- 1. Consult lawyers immediately on all steps.

Subject to that -

- 2. Handling nitrogen.

a. Suspend flex-time forthwith.

b. Get police in to protect unloading. Thereafter DOE think PSA staff will handle the nitrogen. If they refuse they should be subject to TRD.

- 3. Mail.

a. Try again to get GPO to cross picket lines this week.

b. At same time, find outside contractors with a view to moving mail in not later than Monday.

c. Ensure that police are available in advance to protect entry of mail.

MANAGEMENT IN CONFIDENCE

4. Meanwhile, a general warning should be issued to all staff that management intend to bring in the mail and get the computer operational again: any staff refusing to work normally will be subject to rapid TRD.

4. We regard the action recommended as no more than the proper firm response of management and thus consistent with the Cabinet decision on 30 April not to escalate action until after the union conferences.

5. I am copying this to David Edmonds (Environment) and Anthony Mayer (Transport).

Yours sincerely,

Jim Buckley.

J BUCKLEY

CONFIDENTIAL

MR. LANKESTER

c. Mr. Wolfson
Mr. Duguid

*John Vereker
(are not wanted)
press later.
12 11/1*

Civil Service Industrial Dispute: Scottish Courts Administration

It was reported to Mr. Hayhoe's group, chaired this morning by Sir John Herbecq, that industrial action by civil servants in the Scottish Courts Administration was resulting in certain minor offenders not being brought to court; and that Mr. Younger had decided not to take the action which would be necessary to enable offenders to be prosecuted. I have since discussed the position with Alan Bishop, Assistant Under Secretary of State in the Scottish Office, and I think the Prime Minister may wish to be aware of the facts.

Under Scottish law it is not possible to prosecute for an offence if a period of more than 110 days has elapsed since the offence was committed. Thus the Civil Service dispute does lead to some people getting off scot free. In the case of serious offenders, it is possible to petition the High Court^x, and this is being done; but in the case of certain other offenders - for instance drunken driving - it is not worth the effort. Mr. Younger does have authority from L, so I understand, to bring forward the necessary legislation to extend the 110 day period if he sees fit, and has decided not to do so because such legislation would not help the cause of justice until civil servants start working normally. After consulting his Permanent Secretary, Alan Bishop told me that it was not their intention to advise Mr. Younger to consult his colleagues about his decision.

I think this decision, although affecting circumstances which are probably unique, does raise an issue of which other Ministers ought to be aware, namely whether the Government allows civil servants to interfere with the course of justice in this way. You may feel it would be appropriate to ask at Private Secretary level for Mr. Younger to report. The Treasury are unwilling to do so, because they have noted that Sir John Herbecq made no move in that direction, and they are reluctant to be seen to be taking command of the Civil Service dispute away from the CSD.

JOHN VEREKER
7 May 1981

x for an extension

CONFIDENTIAL

MR. WOLFSON

c. Mr. Lankester ✓

λ.
Civil Service Industrial Dispute: Inland Revenue

You asked me to check the facts about the unopened Inland Revenue envelopes. I spoke this afternoon to Jim Boyd, who is the boss of Brian Rogers to whom you spoke. Rogers' estimate of 300,000 unopened envelopes relates only to the very small amounts - the IR reckon amounting to £100 million at most. There is in addition probably between £200-250 million worth in larger amounts; and the balance of the estimated £1.7 billion shortfall is made up from employers who simply have not paid their PAYE. That is therefore the bulk of the shortfall. Jim Boyd has reduced his estimate of the total number of unopened envelopes to the range of 700,000 to 1 million.

JOHN VEREKER

7 May 1981



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

MANAGEMENT IN CONFIDENCE

The Rt Hon Lord Soames CGMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1

~~Brain~~ MB/AM
See in particular
x over the page 2/5

7 May 1981

on the rocks

John Chubb

TL
2/5

CIVIL SERVICE INDUSTRIAL ACTION: DVLC, SWANSEA

My officials have been keeping yours informed of the developing situation at Swansea. In the last few days the Civil Service Unions have begun to interfere with the operation of my large computer-based organisation there which deals with the licensing of drivers and vehicles. They have obviously tried to apply their tactic of calling out very few people whose absence then stops the flow of work to a very much larger number who, because they have not refused to work, cannot be sent home without pay.

The local director is to meet the unions tomorrow to see if they are prepared to change course. I intend to take strong counter-action if the meeting does not produce results. I am considering how far the action taken by my staff opens them to suspension. The circumstances were that initially CCSU removed 12 non-industrials on the staff of the PSA whose job is to maintain the air-conditioning plant which is essential for the working of the computers. To counter this the PSA - after several frustrated attempts - succeeded in bringing in six cylinders of nitrogen which is essential for pressurising the air-conditioning system. It was driven past the pickets at the gate by three senior

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

PSA staff. But before it reached the plant about 100 of my DVLC staff formed a picket inside the premises, effectively round the vehicle containing the cylinders, so that it could not be put to use. I understand that the time spent by the DVLC staff in forming this picket or cordon was found by recording it as private time outside the flexi-time hours of official duty. The police were called in but were unable to take effective action.

X | I regard the action of the DVLC staff, however, as something quite different from forming a picket outside the gate and as action amounting to obstruction of the performance of Government business. As such, it seems to me to fall into a different category of industrial action, and to entitle me to suspend those who have taken part in it without pay during whatever indefinite period work on the premises continues to be obstructed.

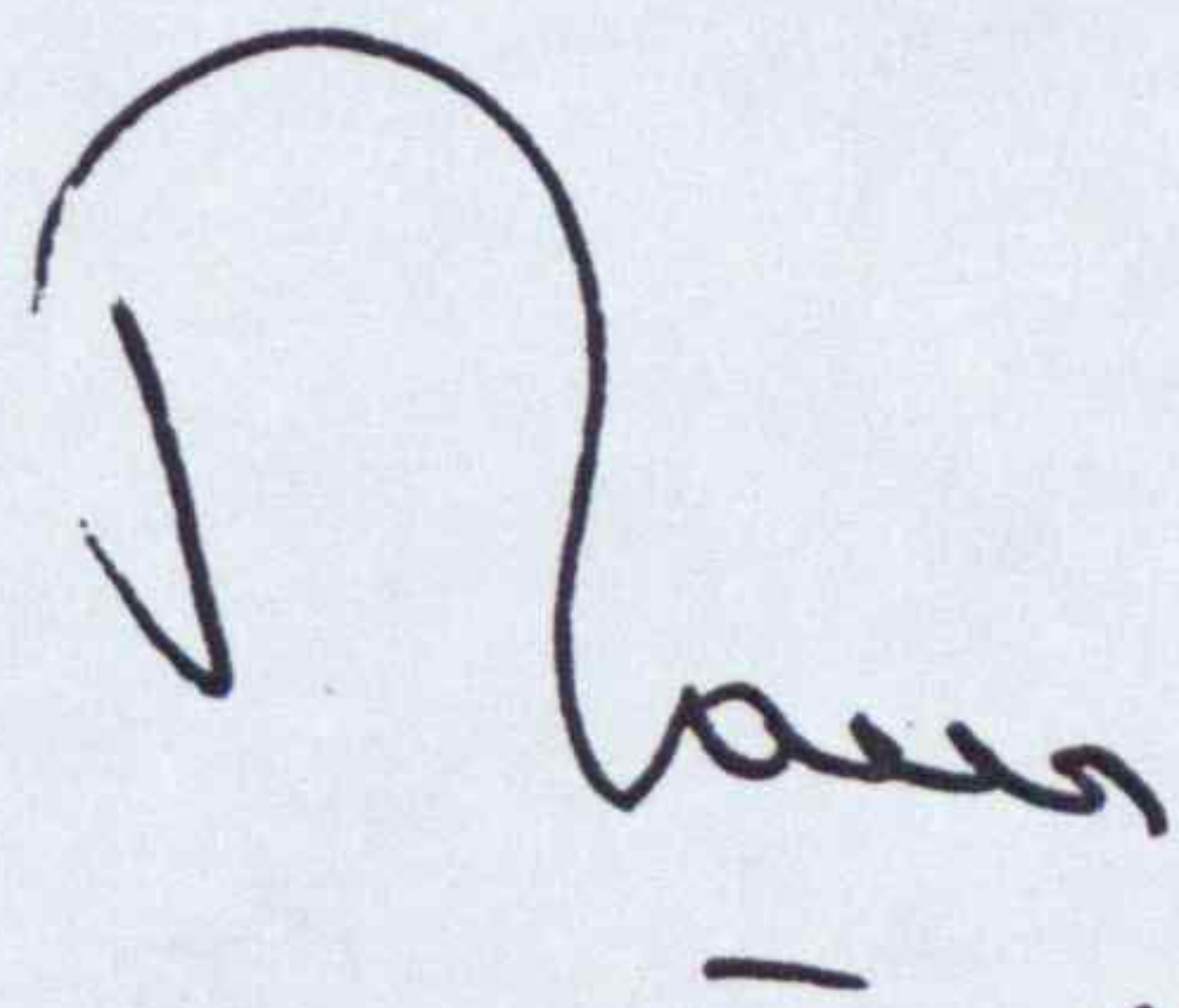
I am taking advice on this matter in order to decide what action to take.

legislation
Law of
conscience
prepared
12
..

But over and above these immediate problems I think we are all finding we are handicapped by the legal position enjoyed by non-industrial staff. The Civil Service Unions are clearly following a course which has been slowly - and perhaps now not so slowly - escalating at low cost to themselves. Are you envisaging making a move at some stage to warn them that their privileged position before the law lasts only so long as the Government refrains from introducing legislation to remove that privilege? I feel that I need guidance on this point in order to deal with the escalation which is clearly being attempted among my staff at Swansea.

MANAGEMENT IN CONFIDENCE

I am sending copies of this letter to the Prime Minister and Cabinet colleagues and I should be content for it to be shown also to the Law Officers if you feel that that would be necessary.

Yours ever


NORMAN FOWLER

MANAGEMENT IN CONFIDENCE



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Norman Fowler, MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

7 May 1981

Dear Norman,

CIVIL SERVICE INDUSTRIAL ACTION: DVLC, SWANSEA

You ask in your letter of 7 May whether I envisage making a move at some stage to warn the Unions that their privileged position before the law lasts only so long as the Government refrains from introducing legislation to remove that privilege.

There is some legislation which is certainly in our sights. We are studying a wide range of possible steps we might take and we have asked departments for an appreciation of the consequences in their own fields by the end of this week. But I cannot give a definite answer to your question on legislation, without risk of misunderstanding, before you tell me more precisely the changes in the law you have in mind.

As to your immediate problems at DVLC, I agree that the law as it now stands puts limits on the counter-measures that can be contemplated. But there remains a good deal that can be done by resourceful and determined management. My officials have already put a series of proposals to yours, as summarised in my Private Secretary's minute of 7 May to the Prime Minister's Office, a copy of which has been sent to your office. I hope that you will find them useful.

I am sending copies of this letter to the Prime Minister and to Cabinet colleagues, to the Attorney General and Lord Advocate, and to Sir Robert Armstrong.

Yours ever

Christie

SOAMES



Scarbey PS

PRIME MINISTER

CIVIL SERVICE DISPUTE

Christopher Soames copied to me his minute to you of 1 May and I have now seen your Private Secretary's reply of 6 May.

We agreed that the unions should be told that arbitration for 1982 was not ruled out and this has been done. We have still finally to decide whether to go further and assure the unions that the arbitration agreement will again operate in 1982, subject to a qualification that an award might need to be modified with the agreement of the House. That decision cannot, I am sure, be taken until Christopher Soames is ready to report to Cabinet after the union conferences with his assessment of the prospects. If it is then clear that any early end to damaging industrial action, which might then be escalating, cannot be in prospect, we will have to consider again the possibility of arbitration in 1982.

I have also seen Christopher Soames second minute to you of 1 May about the terms of reference and possible composition of a long term inquiry. I am content with the terms of reference proposed and agree that they should not extend to structure and organisation as well as pay. The task would be immense.

As for names, I would favour either Alistair Pilkington or David Steel for Chairman. For the rest, Michael Bett is just settling into his new job at British Telecom which will command his time and energies and I doubt whether Richard Cave, Peter Laister or Lord Shepherd should, for different reasons, be members. I very much hope that Bob Ramsey (who has just retired from Ford) could serve. Of the three unionists I believe that Roy Grantham would be the best choice.

I am copying this minute to the Chancellor, the Lord President and Sir Robert Armstrong.

J P

7 May 1981



MAP
Questions
Press.

John
Samm.

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

7 May 1981

David Heyhoe, Esq.,
Private Secretary to the
Chancellor of the Duchy of Lancaster,
Privy Council Office,
Whitehall,
LONDON,
SW1A 2AT.

Dear David,

CIVIL SERVICE STRIKE: ANSWERS TO QUESTIONS PUT TO MINISTERS

see PC 3. — On 10 April, I circulated to you and to the Private Secretaries of other members of the Cabinet some answers which Ministers could use if questions were put to them on the strike. Although the impact of the strike on CGBR has been publicised through a number of PQs, the money supply figures published on 6 May - an increase of £M3 of 2 per cent in April - show the impact on the monetary aggregates for the first time. This may lead to claims by the unions that their action is having the desired effect and is damaging the Government's monetary strategy. Attached are some answers to questions which should enable Ministers to rebut these claims.

.....

I am sending copies of this letter and the attachment to Tim Lankester and to the Private Secretaries of other members of Cabinet, as well as to Sir Robert Armstrong.

Yours sincerely,

Richard Tolkien.

R.I. TOLKIEN
Private Secretary

CIVIL SERVICE STRIKE

What effect is the strike having on the CGBR?

The strike added $\pounds\frac{3}{4}$ to $\pounds 1$ billion to the CGBR for 1980-81 and $\pounds 1\frac{1}{4}$ to $1\frac{1}{2}$ billion to the CGBR in April. The cumulative backlog since the start of the dispute is now put at $\pounds 2-2\frac{1}{2}$ billion. The money owed to the Government will eventually be paid over so the effect is temporary.

What is the effect of the strike on the money supply?

It is estimated that of the 2 per cent growth in $\pounds M3$ in April, about $1\frac{1}{4}$ per cent was due to the strike. Although these estimates are necessarily tentative we think the underlying growth of $\pounds M3$ in April was around $\frac{3}{4}$ per cent. Thus over the last six months, growth has been within the target range.

Is this harming the Government's monetary strategy?

No. The position will correct itself. The taxes will eventually be collected. Companies' behaviour will not be significantly altered by a temporary improvement in liquidity; ^{the money is unlikely to be spent.} We have always said that month to month movements in the monetary aggregates have limited significance, particularly where the problem, as here, is one of timing.

How is the extra borrowing being arranged?

At the conclusion of the revenue season, the Issue Department of the Bank was holding a large stock of financial assets, including commercial bills. A run down of this stock is one route through which the Central Government's financing needs are currently being met.

How much will the additional borrowing cost?

The temporary financing costs are not significant compared with the damage to the prospects of a further reduction in inflation if the Government concede an excessive pay settlement.

Will interest rates rise?

As the increase in the money supply due to this strike is expected to be only temporary, there is no reason why this should lead to higher short term interest rates. In making its decisions on interest rates the Government will make its best estimate of the underlying position and base its decisions on that.

CIVIL SERVANTS VOTE FOR ALL-OUT STRIKE

THE 46,000 STRONG CIVIL SERVICE UNION VOTED TODAY TO ESCALATE THE CURRENT PAY DISPUTE BY HOLDING AN ALL-OUT STRIKE WHICH WOULD LAST FOR SEVERAL DAYS.

ITS LEADERS ARE TO SEEK THE BACKING OF THE OTHER EIGHT UNIONS IN THE CIVIL SERVICE THROUGH THE COUNCIL OF CIVIL SERVICE UNIONS, WHICH REPRESENTS 500,000 GOVERNMENT WORKERS.

THE MOVE WON OVERWHELMING SUPPORT AT THE CSU'S BLACKPOOL CONFERENCE.

THE ISSUE CAME BEFORE CONFERENCE AS AN EMERGENCY MOTION TABLED BY THE CSU'S NATIONAL EXECUTIVE. THIS ENDORSED THE UNION'S CAMPAIGN OF INDUSTRIAL ACTION AND CONDEMNED THE GOVERNMENT'S REFUSAL TO NEGOTIATE ON ITS 15 PER CENT PAY CLAIM FOR 1981 OR TO AGREE TO ARBITRATION.

THE RESOLUTION ADDED: "ESCALATION OF THE DISPUTE IS INEVITABLE..." AND AUTHORIZES THE NEC TO DISCUSS URGENTLY WITH OTHER CCSU MEMBERS ALL POSSIBLE FORMS OF ESCALATION, INCLUDING THE POSSIBILITY OF AN ALL-OUT STRIKE" FOR SEVERAL DAYS' DURATION."

1420..

CONFIDENTIAL

PRIME MINISTER

cc Mr. Wolfson
Mr. Ingham
Mr. Duguid

Civil Service Industrial Dispute:
6 May

You should know that the Civil Service industrial action has become a little, although not dramatically, intensified today.

X | The main computer at DVLC in Swansea has been closed down because essential nitrogen for the air conditioning equipment cannot get through the picket lines, and unless a private contractor is prepared to run the blockade there will soon be large numbers of staff without work. The Ministry of Defence reports that the numbers of their staff on strike have now reached the highest figure (720) so far; and action in the Inland Revenue, Customs and Excise, Civil Aviation Authority continues. Prospects in the CAA in particular will be worsening in the next two days, since Heathrow, Gatwick, Stansted and Manchester will all probably have to be closed for part of tomorrow, and may be affected again on Friday if the unions pull out staff at the London Air Traffic Control Centre. The unions may be shortening the notice they give of industrial action in the CAA from 48 hours to 24.

Meanwhile action is in hand to counter the disinformation put about by the unions of the progress of the pay claim and the Government's response to it, but I do not think we should expect this to have much visible effect in the short-term.

On X, the CSD will provide a report tomorrow on the action they propose to take.

WA 6/5

MS

6 May 1981

CONFIDENTIAL

CONFIDENTIAL

cc Mr. Wolfson
Mr. Hoskyns
Mr. Ingham
Mr. Lankester ✓

MR. VEREKER

R. . .

CIVIL SERVICE INDUSTRIAL ACTION

1. Thank you for sending me a copy of your note of 1 May, covering Sir John Herbecq's letter of 13 April. I should be very interested to see copies of the replies.
2. Like you, I was puzzled by the absence of a change in the arrangements for laying off those unable to work. This is one of the options that Ministers will have to consider at some stage. As you know, we tend to think that the necessary legislative change would be a useful contribution to changing the balance of power between employers and trade unions throughout the economy, heading off the growing use of the selective strike weapon. I mentioned to you that, though the private sector may be slow to realise this new threat, they have an interest in a change too. I still think that option (vi) could be a very effective piece of escalation. I do not think there is any need to make the ex gratia payments referred to as option (vii) provided that plenty of notice is given before the Government drops the 1 April settlement date.
3. I think we should consider tactics like the following:-
 - a. Repeat the offer that Lord Soames recently made, without further concessions.
 - b. Accompany this with an assurance that the 7% will be retrospective to 1 April, provided agreement can be reached within, say, three weeks.
 - c. Explain that the tax payer cannot be expected to foot the increasingly large bill imposed by strike action. Therefore, if no settlement has been reached within three weeks, the 7% increase will only be paid from the date on which it is finally agreed.

/d. Announce

CONFIDENTIAL

- 2 -

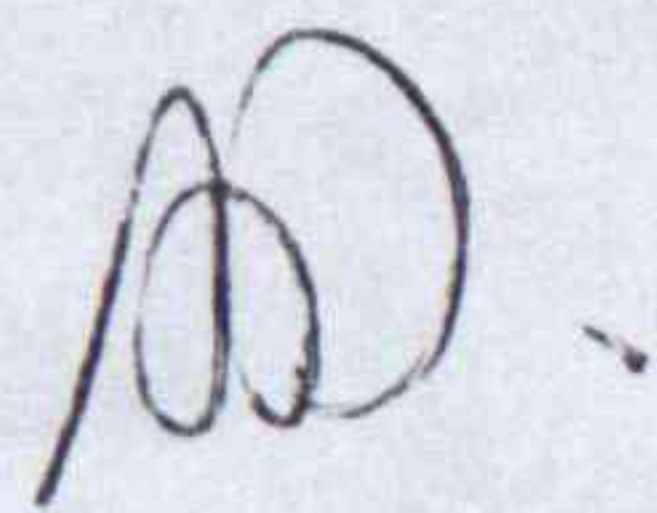
d. Announce intention to put the offer to a (management organised) ballot of all employees one week before the deadline for dropping retrospection.

4. Any escalation of the dispute by the Government is, by definition, risky. If a majority of those balloted wished to accept the present offer this would be a highly successful outcome for Government. If, on the other hand, a majority declined the offer it might appear a psychological setback. But would we actually be any the worse off? Provided Government stuck to its guns, we would have put the unions under considerable (and mounting) pressure to settle as the effective date of the increase was postponed further and further. So I don't think we would be any worse off than if we do nothing. Furthermore, there might still be scope for threatening other escalation measures.

5. Of course, the unions would not stand still throughout this process. But what happens if they escalate? If this is so obviously to their advantage, why have they not done so already? What are the prospects for provoking a split among them? Let's hope the CSD come up with some views on all this.

6. Finally, you and I briefly discussed the idea of "imposing" the pay increase of 7%. This seemed to have nothing to commend it. The Government would throw away the one effective weapon it possesses. But would get nothing in return. The unions would condemn it, take the money and continue the action.

6 May 1981


ANDREW DUGUID

SECRET

*Civil Service
Pay + Penalty*

*Civil Service
File No*

8



10 DOWNING STREET

From the Private Secretary

6 May 1981

CIVIL SERVICE DISPUTE

The Prime Minister has read the Lord President's minute of 1 May. She has noted his view that "we are unlikely to get the unions to settle without arbitration for 1982". She has, however, confirmed that when she said arbitration was non-negotiable she had in mind 1982 as well as 1981. She remains of the view that arbitration in 1982 would cause the greatest difficulties for the Government.

I am sending copies of this letter to John Wiggins (H.M. Treasury), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

J. P. LANKESTER

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

J.P.

SECRET

BC 18-5-81

~~Continue~~

Pl. invite

IB and RIA

12. 19th May

PRIME MINISTER

We are setting up a meeting next week with the Chancellor of the Exchequer, Lord Soames, Mr. Prior, and Derek Rayner to discuss the proposals for a long-term inquiry on Civil Service Pay. I think it would be helpful if we had Ian Bancroft and Robert Armstrong as well. Agree? (If we have Robert, I think we certainly must have Ian).

Yes
no

Done — arranged for
Tuesday 19 May at
1000.

5 May 1981

C.S.
2/5.



What action does
C.S.D. propose.
We can't stand
idly by for
much
longer.
not.

CSD have
advised. NFA
WM 7/5

Press Office
2

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister (for info)

The main problem is that the DVLC
computers will overheat and fail
without adequate air conditioning.
The PSA engineers are part of the
permanent workforce and are members
of the IPCS.

5 May 1981

WM
5/5

William Rickett Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Dear William,

This is to let you know that a serious situation has arisen
at the Driver and Vehicle Licensing Centre at Swansea. PSA
engineers who are responsible for maintaining heating and
air conditioning at DVLC are on strike and are picketing the
site.

Over the weekend they have prevented supplies of nitrogen
being delivered which are essential to maintain heating and air
conditioning. Further attempts today to secure delivery however
have failed. The delivery of the post is also being held up
and attempts to secure that have also failed.

|| We are considering urgently with PSA what other action might
be open to us to get in the essential supplies of nitrogen and
so to enable the heating and air conditioning which is essential
for proper working and computer operations to be restored. That
is the first essential and we shall also be considering urgently
what we can do to get the mail in.

Meanwhile we are issuing a press notice informing the public of
the effects of the action on applications to DVLC, and advising
them of what steps they might take. The main problem here is
that new drivers who have not previously had a provisional
licence will not be able to start driving until they actually
receive their provisional licences and these of course will
be held up while the action continues. To overcome this problem
would need a change in main legislation. The collection of
vehicle excise duty is not affected. This is done through
post offices and our local vehicle licensing offices.

I am copying this letter to David Edmonds (Environment) and
Jim Buckley (Civil Service Department).

Yours sincerely,
Anthony Mayer

R A J MAYER
Private Secretary



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

5 May 1981

J. Buckley, Esq.,
Private Secretary to the
Lord President of the Council

CIVIL SERVICE PAY

Thank you for your letter of 23 April enclosing a draft fact sheet on Civil Service pay.

The Chancellor is concerned that this has taken so long to prepare, and is anxious that it should be circulated as soon as possible. He is content that it should now be sent to other Ministers, subject to the following points.

First, the Chancellor would like the following points to be included in the main Guidance Note:-

- (i) The increase in the Civil Service pay bill over the last two years: this brings out both the increase in pay rates and the low number of job losses.
- (ii) The fact that local government manuals and teachers have settled for 7½ per cent, and NHS ancillaries for an increase worth about 6 per cent as an annual rate.
- (iii) The fact that the year-on-year increase in the RPI has declined from a peak of 21.9 per cent in May 1980 to 12.6 per cent in March 1981.

Secondly, the Chancellor is concerned that the Civil Service figures in Table I(a) are expressed in terms of basic pay. It is normal to use earnings figures, and this has been done in answer to Parliamentary Questions on similar matters. The Chancellor understands that certain shortcomings in the statistics collected for the New Earnings Survey have led to the course in the Table being adopted; but he considers

/that it



that it should be possible to collect the necessary information on the earnings of the administration group by, for example, mounting an appropriate sample survey.

Meanwhile, if basic pay has to be used for the time being, the Chancellor suggests that it should be made clear that "basic pay" in the Civil Service (Table I(a)(i)) is very different from what is normally meant by "basic pay". He understands that in the Civil Service, basic pay accounts for a very high proportion of the pay bill, and excludes only overtime and special responsibility allowances. There are, for example, no bonus payments. The point should also be made that, unlike the private sector, overtime in the Civil Service is relatively stable and is not, on the whole, affected by cyclical movements in the same way as it is in the private sector. Hence the fact that overtime is excluded from the definition of basic pay does not make a significant difference to comparisons of relativities over time.

Finally, the Chancellor thinks it essential that the material on job security should include relevant figures on redundancies in the Civil Service and elsewhere, and unemployment figures broken down by reference to previous employment. These have already been used in public statements by Ministers and evidence to pay Review Bodies. These figures are available to CSD officials. He accepts that the statistics may well not permit more than generalised arguments to the effect that Civil Servants enjoy substantially higher job security than people in other forms of employment, and that precise comparisons with, for example, the analogues of the administration group, may not be feasible. It would be important to make this limitation clear. Nevertheless, the general point is valid and a very significant factor in influencing opinion; it should certainly not be passed over in silence and without corroborative detail. As your letter says, it may be that the Department of Employment can provide further advice.

The Chancellor would not wish the Lord President to delay circulating the present material until such advice is available. However, he would be grateful if this point, and the one raised in paragraph 4 above could be urgently considered and an updated note circulated as quickly as possible thereafter.

I am sending copies of this letter to the other recipients of yours.

yours sincerely

John Wiggins

A.J. WIGGINS

CONFIDENTIAL

5 May 1981

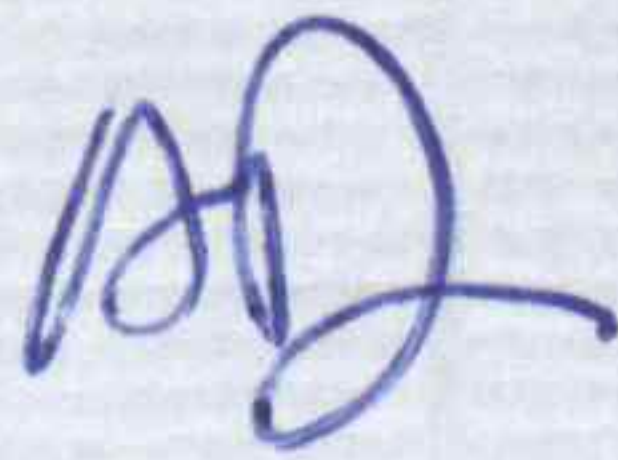
MR LANKESTER

cc Mr Wolfson
Mr Hoskyns
Mr Vereker

CIVIL SERVICE PAY

1. Lord Soames' minute of 1 May to the Prime Minister argues against her preference for wide terms of reference for the enquiry into pay. He says that it would be an enormous job to cover structure and organisation as well as pay.
2. The Prime Minister may not be aware that the Priestley Commission devoted a chapter of their report to commenting on the limitations imposed by their terms of reference. At paragraph 55, they said:

". . . We have found it extraordinarily difficult to examine and advise on the pay rates of an organisation so complex as the Civil Service without the opportunity of making positive proposals on these intimately related matters, and we feel obliged to indicate the effect which the restricted nature of our terms of reference has had on our attempt to fulfil our task."
3. I attach a copy of Chapter 3 of the Priestley Report for reference.



ANDREW DUGUID

CHAPTER III

THE LIMITATIONS IMPOSED BY OUR TERMS OF REFERENCE

54. We think it right to point out that the terms of our reference have been drawn more narrowly than those of the Tomlin Commission. Theirs were as follows:—

“ . . . to enquire into and report on:—

- (a) The structure and organisation of the Civil Service, including methods of recruitment;
- (b) Conditions of service in the Civil Service, with particular reference to
 - (i) the general standard of remuneration of civil servants and the existing differentiation between the rates and scales of remuneration payable respectively to men and women civil servants;
 - (ii) the machinery for the discussion and settlement of questions relating to conditions of service; and
 - (iii) the position of ex-Service civil servants in unestablished employment;
- (c) Conditions of retirement from the Civil Service, including the retirement of women civil servants on marriage.”

55. It will be seen that by contrast ours make no mention of a variety of matters such as structure, grading, complementing and their relationship to the size of the Civil Service; nor are we called upon to make recommendations about recruitment, training and promotion procedures. Though we have not felt debarred from enquiring into these questions, we have found it extraordinarily difficult to examine and advise on the pay rates of an organisation so complex as the Civil Service without the opportunity of making positive proposals on these intimately related matters, and we feel obliged to indicate the effect which the restricted nature of our terms of reference has had on our attempt to fulfil our task.

56. As regards structure and grading we have to assume for purposes of our enquiry that the work to be done in the Civil Service has been allocated as correctly and efficiently as possible first to the various classes and then within the classes to the various grades. Thus for example we have to accept that it is right for purposes of pay to make a clear distinction between administrative and executive work but wrong to distinguish between engineering and architecture; that within the executive class it is right to have a structure of seven grades (or six if posts higher than principal executive officer are excluded); and that within the works group it is right to have four grades on scales of pay combined with higher level posts on a variety of fixed rates. These arrangements may or may not be for the best but the obligation to accept as fixed data the existing class and grade structure imposes considerable limitations on any review of pay rates.

57. As regards recruitment we have been told that there is difficulty in obtaining sufficient recruits in a number of grades. We are not, however, authorised to explore or comment upon ways in which the situation might be improved except in so far as adjusting pay or hours or leave may contribute to increase the attractiveness of the Service to possible recruits. It is at least conceivable that a review of recruitment procedures might indicate alternative or complementary possibilities. It is evident, for example, that the length of time a candidate has to wait before he is offered a post is, in certain grades, a deterrent which diverts many persons from a civil service career.

58. Training arrangements again are relevant to recruitment and retention and so to rates of pay. We have to assume that the present arrangements will enable the best possible use to be made of the talent which we trust will be recruited with the help of the scales we propose.

59. As regards promotion it must be clear that career prospects have a bearing on recruitment of suitable staff. It is also important that such staff when recruited should be used in such a way as to ensure that the best men in a class reach positions of responsibility not too late in life. It has not, however, been within our terms of reference to examine promotion procedures to see whether they are the best that might be devised.

60. We refer in paragraph 98 to the need for formalism in recruitment procedures and other matters in order to preserve the non-political nature of the Civil Service. But whether the same degree of formalism must and should apply to all established civil servants in the changed circumstances of today is a matter that may be open to question. It is possible that the scope of what may be called full civil service status requires re-examination and such re-examination might well have a bearing on principles of pay and pay procedures generally. We discuss certain aspects of this question in Chapter XV.

61. Another limitation arises from the fact that the greater part of the industrial Civil Service is excluded from our terms of reference. These staffs number some 425,000 but we have to assume that the position of the non-industrial Civil Service (together with certain industrial staffs in the Post Office) can be examined in isolation.

62. These factors have added to the difficulties and complexities of our task. In particular we wish to emphasise that our suggestions for rates of pay are related to the duties and qualifications of the various classes as they have been described to us in evidence. We know that the Service expanded substantially and rapidly during the war and that the enlarged Service has been re-deployed since the end of hostilities. It has admittedly been difficult to keep up standards of grading under such circumstances and some deterioration would seem to have been inevitable. While we have received assurances that the steps taken to restore pre-war standards have met with a considerable degree of success, we stress that this matter should continue to be carefully watched.

63. We should go further than this. Successive Governments have emphasised that in an economy in which full employment is nearly approached, significant improvements in pay and conditions of employment (as distinct, we presume, from any which are necessary for the removal of anomalies or the alleviation of patent hardship) should be the consequence only of improved performance; and from the operation of the same principle the Civil Service cannot in our view be exempt.

64. These considerations are crucial to all our findings because the rates of pay and conditions of service which we recommend are based upon the assumption that the quality and efficiency of the Service has been fully maintained and will continue to stand up to outside comparisons. It is not enough that civil service rates of pay and conditions of service should compare fairly, in the sense we explain in Chapter IV, with those in other employment. The responsibilities with which the Service is charged and the duties which civil servants have to shoulder are such that they can be properly carried out only if the standards of efficiency and performance in the Service are at least as high as those found elsewhere and if improvements in such standards outside the Service are fully matched within it.

65. Our recommen principles

66. The which we make son are necess

67. The govern civ and it ap account.

outset:—

(i) T

(ii) T

(iii)

While ou one, and above se keep as c ourselves "end" or

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69. Or mission observati

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cc: RO

SIR DEREK RAYNER

Civil Service Pay

I enclose a copy of a minute from Lord Soames about the proposed Civil Service Pay Inquiry. The Prime Minister will be holding a meeting on this with the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment; and she would be grateful if you could also attend. The meeting will probably be next week: Caroline Stephens will be in touch with your office. If you would like to let the Prime Minister have your comments in writing before the meeting, I am sure she would welcome that.

I am sending a copy of this minute to David Wright (Cabinet Office).

T P LANKESTER

5 May 1981

CONFIDENTIAL

cc: John Vereker
Andrew Duguid
David Wolfson

MISS STEPHENS

Please could you set up a meeting to discuss the attached papers - 1 hr next week please - Chancellor of the Exchequer, Mr. Prior, Lord Soames and Derek Rayner. (I am going to suggest to the Prime Minister that we also invite Ian Bancroft and Robert Armstrong, but I will have to go back to her on that).

R

Arranged for Tuesday 19-May -
at 1000.

5 May 1981

MANAGEMENT IN CONFIDENCE



cc ✓ A Duguid
J Vereker
Civil Service

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

GTN Code 213

Jim Buckley Esq
Private Secretary to the
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1

5 May 1981

Dear Jim,

CIVIL SERVICE PAY

You sent me a copy of your letter of 23 April to John Wiggins in which you asked for my Secretary of State's views as to whether anything more might be said about job security than is contained in the draft Guidance Note and Fact Sheet attached to your letter.

My Secretary of State is content with what is said in the drafts on this point. He appreciates that there are figures available about redundancy payments, such as those set out in the Chancellor's letter of 1 August 1980, which broadly support the view that the jobs of civil servants are relatively secure. But the use of these figures is open to a number of objections. First, the number of redundancy payments is not an accurate indication of total redundancies. Second, the statistics my Department collects about redundancy payments to Government employees do not distinguish between civil servants and other employees such as those working in the NHS. Third, these statistics do not indicate the relative incidence, even of redundancy payments, amongst white collar civil servants and amongst white collar staff in the private sector; and there are no statistics available which would enable such comparisons to be made. It is for reasons such as these that we have maintained, in answer to PQs and the like, that reliable comparisons of redundancies between employees in the public and private sectors cannot be made.

My Secretary of State therefore concludes that it would be best to rest on general statements of the kind included in your drafts.

I am copying this letter to the recipients of yours.

Yours ever
Richard Dykes

R T B DYKES
Principal Private Secretary

✓ with Verdon
McDonnell

SECRET



Ami Hunter

2 7

I was sure you had in mind
arbitration for 1982 when I wrote
the record (a fiction, we rule
out arbitration for 1981). It
had Soames wishes to reopen this,
he can of course do ^{so} ~~that~~ in
1 May 1981 Cabinet. But I doubt
whether you will give
him much of a hearing!

TL
1/5

PRIME MINISTER

CIVIL SERVICE DISPUTE

Plan A

I note from the record of our meeting on 29 April that your summing
up concluded that the union demand for arbitration for 1982 was not
negotiable. During our talk I had taken it that you were referring
to arbitration in 1981. If your view is that we should rule out
arbitration, in advance, for 1982 this is a change from what we
agreed at Cabinet on 14 April when we left open the possibility
of allowing arbitration in 1982 if:

- a. it was necessary to secure a settlement of the dispute; and
- b. I had the agreement of the Chancellor.

That was of course when you were away.

It is now evident that our next talks with the unions will be after
their conference season, towards the end of this month. I will then
give an account and my views to Cabinet. But, though I would be
delighted to be proved wrong on this, I must again repeat my view
that we are unlikely to get the unions to settle without arbitration
for 1982. By arbitration I mean arbitration qualified as we discussed
at Cabinet on 14 April.

I am copying this to the Chancellor, Secretary of State for Employment
and Sir Robert Armstrong.

SOAMES

S

I feel very strongly
indeed about arbitration.

- ① We could never agree to
accept the results
- ② We are stopping unilateral
action elsewhere
- ③ We left it that there could
be no arbitration without the

SECRET

agreement of the Charvella, and that the
Charvella must refer to me.

We generally had the feeling that, on
other of a long time ago, should be enough to
take the time. As it is we have already given away
the points on cash units in addition to
a long time ago. We really cannot give
more without taking something back.

You remember my words "Everything will
be given away" We are nearly in
that position already.

ms

Prime Minister

1

Mr Verka
Mr Dupin
A. Wilson



We also need
Mr. Rogers's views.
rob.

I think you will want
to discuss this with
Ld Soames, the Chancellor
and Mr. Prier. Shall
we arrange?

12

15

PRIME MINISTER

CIVIL SERVICE PAY

It was agreed at Cabinet on 14 April that I might offer the Civil Service unions a long term inquiry into the system for determining Civil Service pay. This I did at my meeting with the unions on 23 April and although their initial response was cool there are indications that they recognise at least privately that this is the most hopeful way forward.

I told the unions that we would be prepared to discuss both the membership and the terms of reference with them so we need to decide what we want, on both counts. I attach draft terms of reference which have been prepared following inter-departmental consultations at Permanent Secretary level. They take account of the drafting amendments to the first paragraph set out in your Private Secretary's letter of 27 April.

Play A

I note, too, your initial reaction that the terms of reference are too narrow and your preference for the inquiry to cover eg structure and organisation. You also question the exclusion from the remit of the grades covered by the Top Salaries Review Body.

I hope you will reconsider the first point, for the following reasons. To cover structure and organisation as well as pay and grading would be an enormous job. It could not be completed in time for 1983. It would in effect become totally all-embracing. It would go wider than the Priestley Royal Commission and the Fulton Committee combined. That said, if the inquiry felt the need to look at certain structural and organisational issues as part of its examination of a new pay regime, there is nothing in the terms of reference to prevent it. Neither need we feel inhibited if we wish to raise some of these matters in our evidence.

That the
Prime Minister's
Commission
should
take them
into
account
was
never
meant.

As to the exclusion of TSRB grades from the terms of reference, my initial thinking was that it would be better to leave them outside the scope of the inquiry at this stage. We should still need the TRSB's advice on the salaries of the armed forces and the judiciary and it might have advantages if we kept the 3 groups together. But I do not feel strongly about this and if you would like to see them covered by the inquiry, I would be content.

Am not sure.
Scott?
De Smith?
him because
of ind experience

It will be important to get the composition right. It will need to be sufficiently authoritative to command general confidence. It will need a distinguished Chairman and members with wide experience. I attach a list of possible candidates. My preference would be for a Chairman with industrial experience. There will need to be a trade unionist and it would be helpful if a former civil servant with experience of a large department could be included. As almost half of the non-industrial civil servants are women I would hope we could find a suitable woman or two. They will all need to be wise and prescient.

Will you let me know your thoughts? Or would you like to discuss with me the terms of reference and the membership? *Yes*

I am sending copies of this minute to the Chancellor, the Secretary of State for Employment and Sir Robert Armstrong.

S.

SOAMES
1 May 1981

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TERMS OF REFERENCE

Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service; to the need for the Government to reconcile its responsibilities for the control of inflation and public expenditure with its role as an employer; to the need to maintain good industrial relations and to avoid disruption; and to the experience and difficulties of operating the existing arrangements in recent years:

much too

to consider the principles which should apply to the determination of the rates of pay of the non-industrial Civil Service (excluding those civil servants whose salaries come within the remit of the Top Salaries Review Body) and the methods by which those principles should be applied, taking account of all relevant terms and conditions of service; and to make recommendations.

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27 April 1981

CONFIDENTIAL

PROPOSED INQUIRY INTO CIVIL SERVICE PAY

Possible Chairman

Sir Donald Barron (60) ~~Vice Chairman Midland Bank~~
Former ~~Chairman~~ Rowntree Mackintosh

Sir Alistair Pilkington (61) Chairman Chloride Group

Sir David Steel (64) ~~Chairman British Petroleum~~
(due to ~~retire~~ later this year)

Sir Campbell Fraser (57) Chairman Dunlop

Sir John Greenborough (58) Chairman Newarthill
(former ~~President~~ CBI)

Sir Hector Laing (57) Chairman United Biscuits

Members

Douglas Appleby (52)
Former Managing Director Boots
(retired to pursue farming interests)

Sir Kenneth Berrill (60) Vickers da Costa Limited
former Head of CPRS

Michael Bett (46) Personnel Director British Telecoms
(formerly with GEC 1972-77)

Sir Richard Cave (61) Chairman Thorn EMI Ltd
(possible alternative Chairman of Inquiry)

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Peter Laister (52) Managing Director Thorn Electrical

✓ Alan Lord (52) Managing Director Dunlop
(former civil servant at Treasury until 1977)

Robert Ramsay (59) Director Industrial Relations Ford

Hon Geoffrey Wilson (52) Chief Executive Delta Metal

Lord Shepherd (62) Chairman PRUB
(Former Lord Privy Seal)

Sir Peter Thornton (63) Director Hill Samuel
(former Permanent Secretary at Trade until 1977)

Sir John Wood (53) Professor of Law at Sheffield University

Women

Miss Sheila Black (60) Journalist

Mrs Heather Brigstocke (51) High Mistress St Pauls

Mrs Anne Davies (49) Industrial Relations Adviser Unilever

Mrs Mary Moore (51) Principal St Hilda's College Oxford

✓ Hon Sara Morrison (46) Chairman National Council for
Voluntary Organisations

Miss Detta O'Cathain (43) Economist: Formerly
Chief Group Planning Executive
Unigate Ltd.

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Trade Unionists

Lord Scanlon (67) Chairman ~~Engineering~~ ITB
(former President ~~AUEW~~ Retired 1978)

Roy Grantham (54) General ~~Secretary~~ APEX

Frank Chapple (59) General Secretary EETPU

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CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

1 May 1981

Dear Mike,

There are at present 4360 staff involved in selective strike action, a small increase in the figures given earlier this week. Details of the number and the areas of industrial action are given in the attached Annex.

The pattern of action in the major departments remains largely unchanged. However, Customs and Excise staff on the NI Land Boundary and at most West Coast ports have returned to work, although there is an increase in the pattern of action at certain Channel ports affecting the flow of goods. Action continues in the Navy Department, where Rosyth Dockyard remains a particularly difficult area; the Liverpool Bill Paying Office have returned to normal working. Main areas of dispute in Inland Revenue remain the same, with firm TRD action being taken in new trouble spots in Scotland. Whilst there may be some disruption of Air Traffic arrangements on 4 May, no action is expected at the weekend.

HMS Repulse, which docked Tuesday for routine inter-patrol maintenance, is being blacked. MOD have reduced the time between the issue of letters A and B of the TRD procedure to two hours. The local CCSU representatives were given warning before this that if blacking occurred management would take accelerated TRD action on a wide front.

To date well over 1000 TRD Written or Oral Warnings have been issued. This has resulted in nearly 300 staff returning to work, about 350 being relieved from duty and the remainder on strike.

Other developments include:-

- i. Inland Revenue. Further TRD action has been taken at Inverness, Dundee and Chichester Collection Offices.
- ii. Environment/Transport. Post Office workers have agreed to cross the picket line at DVLC. Maintenance staff might cause further problems.

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iii. Foreign & Commonwealth Office. The Department are considering the use of British Visitors Passports, to be issued via the Post Office.

Copies as before.

Yours truly,
Jeremy

JEREMY COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
SUMMARY OF POSITION - 1 MAY 1981

Department	Number on strike	Remarks
Customs & Excise	453	Strikes by computer, customs and other staff at Southend Computer Centre (277), London Port (2), South Coast Ports (128), Manchester Betting Duty Office (42), Glasgow (4).
Ministry of Defence	690	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Feltham and Taunton (Mapping), Bath, 5 Oil Fuel Depots.
Environment	4	Cartographers on strike at HQ, Marsham Street.
Foreign and Commonwealth Office	134	Passport Examiners at the London, Liverpool, Peterborough and Glasgow Passport Offices.
Dept. of Health and Social Security	345	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office; 95 staff on unofficial strike in Scottish local offices.
Home Office	6	Staff picketing Horfield Prison, Bristol.
Inland Revenue	2206	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices and the mail sorting centre at Kew. (1855 on strike, 351 TRD)
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	47	Strikes by maintenance engineers at RAF Brawdy, Wyton, Aberporth, St Athans, and Swansea District Works Office.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	168	Strike by staff who handle search facilities and Companies House, London and Cardiff; telephonists at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
Employment	9	Strike by clerical staff at Barrhead UBO.
TOTAL	4361	



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

29 April 1981

Dear Mike,

INDUSTRIAL ACTION PROGRESS REPORT

... There are at present 4548 staff involved in selective strike action. Details of the number of non-industrial civil servants on strike yesterday are given in the attached Annex. You will see that since the 23 April the numbers on strike have progressively risen by about 1000.

The pattern of action in major Departments remains unchanged. In the Ministry of Defence some Navy Department operations are seriously affected but the defence capability is being maintained. Customs and Excise staff remain on strike at the Southend VAT Centre, Northern Ireland land boundary, some south and west coast ports, and the Manchester Betting Duty Office. Action continues at the Inland Revenue computer centres at Shipley, Cumbernauld and Worthing, and at various Collection Offices. Staff are still out at the Edinburgh and Glasgow Sheriff Courts, the Department of the Registers of Scotland and the Scottish Office Computer Centre.

The official industrial action is being supplemented by unofficial strikes involving CPSA grades in Scottish offices of the DHSS. These strikers are not receiving official strike pay; nor do they have the backing of the CPSA at national level. The Livingston Computer Centre is particularly badly affected with the absence of 8 Senior Data Processors virtually halting all payments.

New developments include

- i. Foreign and Commonwealth Office. Action by staff at three Passport Offices, but staff at the Peterborough Office have voted not to strike.
- ii. Inland Revenue. A strike by Inland Revenue staff at the Kew mail sorting centre.

iii. PSA. The withdrawal of air conditioning maintenance staff at DVLC Swansea.

iv. CAA. The decision of Air Traffic Control Officers to support the civil servants dispute; staff are being withdrawn at different airports each day but so far a reduced service is being maintained.

Yours ever,
Jeremy Colman

JEREMY COLMAN
Private Secretary

PS Copies as before.

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
SUMMARY OF POSITION - 28 APRIL 1981

Department	Number on strike	Remarks
Customs & Excise	728	Strikes by computer, customs and other staff at Southend Computer Centre (278), West Coast ports (214), NI Land Boundary (174), Manchester Betting Duty Office (42), London Airport (12), Glasgow (2), and Workington (6).
Ministry of Defence	602	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Liverpool computer, Feltham and Taunton (Mapping), Bath, 5 Oil Fuel Depots.
Environment	7	3 driving examiners on strike at Kidderminster and 4 cartographers at HQ, Marsham Street.
Foreign and Commonwealth Office	114	Passport Examiners at the London, Liverpool and Glasgow Passport Offices.
Dept. of Health and Social Security	422	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office; 120 staff on unofficial strike in Scottish local offices; 8 staff at Livingston computer centre; 54 Glasgow.
Home Office	6	Staff picketing Horfield Prison, Bristol.
Inland Revenue	2159	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices and the mail sorting centre at Kew. (1825 on strike, 334 TRD)
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	43	Strikes by maintenance engineers at RAF Brawdy, Wyton, Aberporth, St Athans, and Swansea District Works Office.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	168	Strike by staff who handle search facilities and Companies House, London and Cardiff; telephonists at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
TOTAL	4548	

RECEIVED
 10 APR 65



MB

Civil Service 5

Ref. A04787

PRIME MINISTER

Cabinet: Civil Service Dispute

BACKGROUND

The Lord President of the Council will report orally to Cabinet on the Civil Service pay dispute. His Private Secretary's letter of 23rd April to Mr. Sanders summarises the offer he made to the unions on 23rd April and covers copies of the unions' reply, of briefing given to Departments, and of the Press notice.

2. In accordance with the decisions taken by Cabinet on 14th April (CC(81) 16th Conclusions, Minute 2) the Lord President offered:-

- (i) 7 per cent for 1981.
- (ii) Pay negotiations for 1982 without a predetermined limit on the cost of the settlement.
- (iii) For the longer term, an authoritative outside inquiry.

3. The Cabinet had further agreed that the Lord President should not enter into a commitment to let the 1982 claim go to arbitration unless this was necessary to secure a settlement of the current dispute, and then only with the agreement of the Chancellor of the Exchequer. The Lord President did not in the event offer arbitration.

4. The unions did not accept this package. In particular, they want more than 7 per cent for 1981 (achieved either through "realistic" negotiations or independent arbitration), and they say that they see no need for an independent inquiry: there is in their view nothing wrong with the old Pay Agreement. But that is clearly not the last word: there have been some informal discussions subsequently, and the Lord President will report on the outcome of these to Cabinet.

5. The judgment in earlier discussions was that the introduction of satisfactory longer-term arrangements was much more important to the unions than the pay settlement for this year. This almost certainly remains a true



assessment; but union opinion is clearly hardening - and is likely to continue to harden the longer the strike goes on - in favour of insisting on something more than 7 per cent in 1981.

6. It is possible that the union leaders would prefer to defer reaching agreement until after the union conferences in May. There are eight separate conferences between 4th and 22nd May, with the most important over by 15th May. If they were to reach agreement now, they could then be faced with hardline conference motions from their militant members calling for rejection. On the other hand, if for this or any other reason decisions were to be deferred until the end of May, the costs and disruptions from the dispute would obviously escalate, with the risk of further action at air and sea ports at the time of the Spring Bank Holiday.

7. In the meantime the Official Group, MISC 54, has completed its review of the options for longer-term arrangements for the Civil Service, and their possible application to the National Health Service, and their report has been circulated to the Economic Strategy Committee under cover of E(81) 50. The Lord President does not, however, want it to be discussed just yet. If the plans for a longer-term inquiry go ahead, then it can be discussed in due course with a view to preparing the Government's evidence to the inquiry. If there were not to be an inquiry, the report would be discussed as a basis for direct negotiations with the unions. The Lord President will be letting you have shortly his proposals for the terms of reference of the inquiry; you will presumably wish to confine discussion of these to a small group of Ministers (at any rate at this stage).

HANDLING

8. After the Lord President has made his statement, other Ministers could give their assessment of the current impact of the dispute on their areas of responsibility. In particular you might invite the Chancellor of the Exchequer to comment on the action in the Revenue Departments and its effects on the PSBR, the Secretary of State for Trade on the effects of the action by the Air Traffic Controllers, and the Secretary of State for Social Services on any developments in

SECRET

SCOTLAND

the social security area. You might also ask about the recovery period which will be needed after the strike to get back to normal. Some of the reports from Mr. Hayhoe's Committee suggest that a considerable "re-entry problem" is building up in some areas - do they matter?

9. Depending on the course of discussion, you could then bring it to an end with the Cabinet simply "taking note" of the position reached. The alternative - and this must be very much a matter for the Lord President's judgment - would be for the Cabinet to consider whether there are any further steps they wish to take or any further negotiating authority which they might wish to give to the Lord President.

10. The most obvious point at which further movement might be contemplated is on the amount for 1981. Last time the Cabinet discussed the matter, it was agreed that there should be no increase in the offer of 7 per cent. Earlier, however, some Ministers were prepared to contemplate going up to $7\frac{1}{2}$ per cent - the figure at which the local authority manuals' pay claim was settled - if that would secure a settlement. It should be possible to accommodate a $7\frac{1}{2}$ per cent increase within the 6 per cent cash limit. The Cabinet may wish to consider whether to authorise the Lord President to offer a further $\frac{1}{2}$ per cent might be sufficient to break the deadlock, or whether it seems likely that union ambitions could be satisfied only with a much larger and more serious breach of present policy. In thinking about this the Cabinet would need to consider the implications for other current negotiations, and in particular for those in the National Health Service, where the ancillaries have now settled for 6 per cent and the Secretary of State for Social Services is looking for something similar for the other NHS groups.

11. At the same time the Cabinet may also wish to take into account the impact on attitudes which will occur when the reports of the Review Bodies (to be discussed as the next item on the agenda) are published. They, and in particular the evidence of pay movements in the past 12 months which they provide, could harden the resolve of the Civil Service unions to try to get more for their members this year. The dates of publication of these reports could therefore have a direct bearing on the tactical handling of the Civil Service dispute.

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12. For 1982 the Lord President still has the arbitration card up his sleeve - see paragraph 3 above. It might be worth playing that now. If there were to be arbitration in 1982 you will recall that, in summing up the discussion of 14th April, you said:-

"If that offer was made, the Lord President of the Council should make it clear to the unions that the Government would endeavour to find means of financing an award following arbitration within the planned overall levels of public expenditure, for which purpose the numbers of civil servants employed would have to be considered, and should go on to explain that, if in the last resort the Government did not feel able to be bound by the award because of its consequences for the level of public expenditure, it would not modify it without seeking and obtaining Parliamentary authority".

The Cabinet also invited the Lord President to consider further, in consultation with other Ministers concerned, whether, in the event of the Government wishing to seek Parliamentary authority to modify an award by the Civil Service Arbitration Tribunal in 1982, it would be acceptable to seek authority only from the House of Commons. Has he anything to report?

13. For the longer term the offer of an independent inquiry has now been made. Whatever the unions may now be saying, an inquiry now seems inevitable, and discussion should proceed on the terms of reference and membership.

CONCLUSIONS

14. In the light of the discussion you will wish -
either to take note of the present position (thereby confirming the negotiating authority given to the Lord President on 14th April)
or to record any specific points bearing on the handling of the dispute, including any changes in the negotiating remit to the Lord President, on which the Cabinet may have agreed.

ROBERT ARMSTRONG

29th April, 1981

CONFIDENTIAL

cc: Mr. Whitmore ✓ *h.w.*
Mr. Duguid ✓ *29w*

MR. WOLFSON

Civil Service Industrial Dispute

I promised to let you have an early report of this morning's meeting of the monitoring group chaired by Mr. Hayhoe. There is little to say.

The pattern of industrial action is unchanged today.

The consensus of reactions by the employing departments to the possibility of new management responses to the industrial dispute was that their action was costing the unions, and individual members, too little. Management might need to take more extensive and quicker action on TRD. But escalation beyond that should be left to the unions: it was important that the Government should not be blamed if payments to the unemployed and pensioners were interrupted. The problem with this approach, which I would characterise as "more of the same", is of course that it is unlikely to lead to a resolution of the dispute on the Government's present terms.

J. M. M. VEREKER

29 April 1981

CONFIDENTIAL

SECRET

c.v. Mosler



MR WOLFSAN

4

10 DOWNING STREET

From the Private Secretary

29 April 1981

Dear Jim,

Civil Service Dispute

As you know, the Prime Minister held a meeting this afternoon to discuss the Civil Service dispute. The following were present in addition to the Lord President: the Chancellor of the Exchequer, the Secretary of State for Employment, Mr. Hayhoe, Sir John Herbecq, Mr. Douglas Smith, Mr. Michael Buckley and Sir Robert Armstrong.

The Lord President first reported on his meeting with the Civil Service unions on 23 April. He had spoken on the lines agreed by Cabinet. The unions had failed to come back for further discussions, but instead had written a wholly negative letter in response. They had subsequently telephoned to say privately that we should not take too much notice of the letter. However, since then there had been no formal contact between the two sides. The unions would shortly be starting their annual conferences, and it would be difficult to engage in negotiations until they were all finished (on 21 May). His own view, therefore, was that there was no immediate prospect of resolving the dispute - and certainly not until after the union conferences.

As regards the conduct of the dispute, there had been gradual escalation on both sides. At the moment, the Government seemed to be winning the "battle of minds", and the unions were being much blamed by the public. But there were likely to be motions at the union conferences calling for a stepping up of the action.

The Chancellor said that the Revenue Departments were still collecting the bulk of their normal revenue. Nonetheless, the cumulative addition to the CGBR since the start of the dispute was now about £2½ billion. While the position of the Customs and Excise had remained more or less unchanged, the receipts of the Inland Revenue had deteriorated: during April the Revenue had lost about 35% of their normal receipts compared with 25% in March. The deterioration in the CGBR would affect the money supply figures; and although the deterioration would eventually unwind, there was nonetheless cause for concern in the short run.

/ The Chancellor

SECRET

The Chancellor went on to say that, in his view, the unions were now showing less firmness of purpose, but at the same time there were no signs of their cracking. It was for consideration whether the Government should now escalate its response to the dispute. The two main options which he had in mind were a change in the law to permit lay-offs where no work was available, and giving notice to the unions that the 7% offer would not be retrospective to 1 April unless there was an early full return to work. He did not believe it would be right to take action on either of these lines while the conferences were meeting; but the Government should be in a position to take such action immediately thereafter.

The Secretary of State for Employment said that, in his view, the Government should "sit tight" until after the conferences. Any action now would play into the hands of the militants and make it difficult for the union leaders to control their conferences. However, he believed that more should be done immediately to put over the Government's position to the public and to civil servants generally.

The following points were made in discussion:

(i) It was noted that only some 4,500 civil servants were currently on strike, yet they were having a very substantial effect particularly on Government revenue. Because the strike was costing the unions so little, the situation could well deteriorate further. While it might be unwise for the Government to escalate while the unions were in conference, it was crucial that the various options should have been fully examined with a view to their implementation immediately thereafter. (In practice, it was suggested that it would be wise to wait until after the Spring Bank Holiday). In addition to the lay-off and no-retrospective options mentioned by the Chancellor, it would be worth considering simply imposing a settlement at 7%. The application of TRD could also perhaps be intensified. On the other hand, it was pointed out that none of these options could be entered into lightly: in particular, there was a risk that if lay-off legislation were introduced, there would be a mass walk-out at the Inland Revenue.

(ii) It was pointed out, in addition to the "stick" options mentioned above, the Government had a significant "carrot" to offer in the form of the independent inquiry and consultations thereon. Once consultations on the inquiry got under way - and again this should not be until after the conferences - it would help to swing moderate opinion within the unions against the militants. On the other hand, it was argued that the inquiry carried with it serious risks: unless a good Chairman was chosen and unless the terms of reference were absolutely right, it could all too easily come up with recommendations which would be extremely costly for the future. It was therefore essential that over the next two to three weeks the Government's own position on the inquiry should be clarified. (The Lord President said that he would be submitting proposals shortly to the Prime Minister.)

/ (iii)

SECRET

- (iii) It was generally agreed that more needed to be done to put over the Government's position, particularly to individual civil servants. Compared with the unions' propaganda, the Government's efforts in this regard had so far been very meagre. There was also a strong case for attacking the unions publicly for refusing to continue the discussions.
- (iv) It was pointed out that, if the Cabinet decided to implement the recommendations fo the Armed Forces Review Body, this would make it more difficult for the civil service unions to accept the 7 per cent offer. By the same token, however, the proposal before Cabinet to reduce the Doctors' and Dentists' Review Body's recommended pay increase to 6 per cent and the proposal to give the Top Salary Review groups 7 per cent should be helpful.
- (v) As regards possible lay-off legislation, it was noted that a draft bill was now ready, though a decision would have to be made as to whether it should cover civil servants alone or all public servants. The draft bill was ten clauses long; if it were to be introduced, there would have to be a Guillotine Motion. It was suggested that the bill could not be passed through the Lords unless a very large number of civil servants were without work.
- (vi) It was questioned whether everything possible was being done to process the smaller cheques which were lying unopened with the Inland Revenue. The Chancellor said that he had already looked into this, but he would keep the position under review.

Summing up, the Prime Minister said that further work needed to be done to refine the "carrot" and "stick" options with a view to possible action immediately after the Spring Bank Holiday. The only point on which the Government should be prepared to negotiate was in relation to the independent inquiry, although it would have to decide in advance how far it was prepared to go. The 7 per cent pay increase and the union demand for arbitration for 1982 were not negotiable. In the meantime, more should be done to put over the Government's position on the lines suggested. She herself would take the opportunity in Question Time, and it would be helpful if the CSD could offer a draft arranged PQ and Answer for the following day.

I am sending a copy of this letter to John Wiggins (H.M. Treasury), Richard Dykes (Department of Employment), Adrian Carter (Civil Service Department) and to David Wright (Cabinet Office).

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

2 *u*
Tim Lahr.

SECRET

MR. WHITMORE

MW
28/4

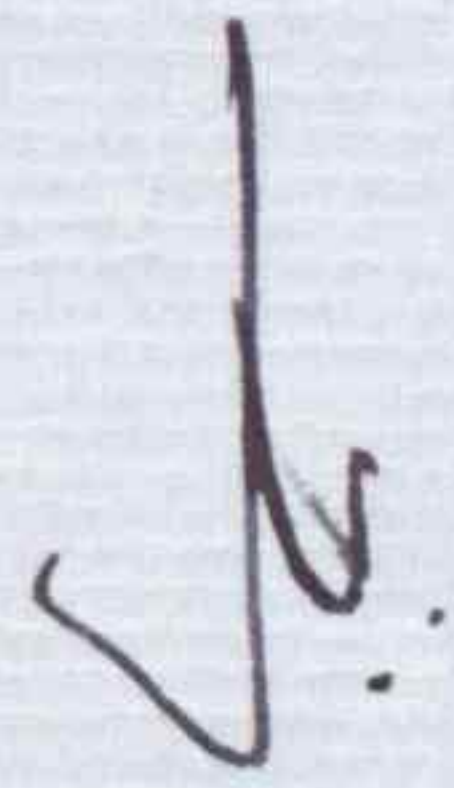
c.c. Mr. Wolfson
Mr. Hoskyns

Civil Service Pay Dispute

You asked me to let you have a short note for the Prime Minister in preparation for tomorrow's meeting on the Civil Service pay dispute, which I now attach.

*- S.V. 6/04
28/4*

I believe that this note reflects the views of David Wolfson and of the Policy Unit, but I should make it clear that neither of those was available for consultation this evening.



28 April, 1981.

SECRET

SECRET

PRIME MINISTER

Prime Minister.

This meeting has been arranged for 1630 tomorrow. 2
The following will attend :-
Chancellor + Mr Buckley
Lord President + Sir John Herby.
Secy for Employment + Mr Douglas Smith.

JHL
28.4.

Civil Service Pay Dispute

Following David Wolfson's discussion with you this afternoon, we are setting up a meeting for tomorrow afternoon to discuss the Civil Service pay dispute with your colleagues mostly concerned, together with one official each.

You may wish to explore at that meeting these possible approaches to the problem, so as to clear the ground before discussion in Cabinet on Thursday:

What would happen if we carried on the way we are going at present?

As you know, a group of officials has been meeting daily under Mr. Hayhoe's chairmanship to monitor the effects at present: for ease of reference I attach my notes of the last two meetings, together with the latest figures for the use of Temporary Relief from Duty (TRD). These assessments tend to conceal the important fact that less than 1% of the non-industrial Civil Service is on strike ~~now~~ at one time. It should therefore be rather easy for the unions to continue to finance the strike; and there is no reason to suppose that there will be an early end to it. The unions are clearly unmoved by adverse public opinion. They show no signs of willingness to negotiate. And the conference season now starting means that real negotiations are unlikely until June. By then, unions will be even more reluctant to return to work without more money this year.

On the other hand, the dispute is causing little real damage, and is under control. Other courses of action carry risks.

What would be the consequences of trying to settle the dispute now?

The Lord President will no doubt advise that the key to a settlement now lies in an undertaking to allow the Civil servants access to arbitration next year, which of course Cabinet has already

SECRET

/ extensively

extensively discussed. It is difficult to judge whether unions' insistence on more also for this year would be sustained if they were offered arbitration for next. Either way, the consequences would be expensive both in terms of public expenditure, and, more importantly, in terms of the credibility of the Government's approach to public sector pay. An arbitrated settlement for next year would probably split the difference between a cash limit of 5% and a claim of anywhere from 20% up.

What options are open to us for putting pressure on the unions to give up?

It would be an essential pre-condition of any move to escalate the strike - that is, to raise the stakes in terms of both the possible benefits and the possible costs - that Cabinet should be absolutely determined not to give up shortly after starting down that road, or the worst of all worlds would be achieved. But if it was considered desirable to put more pressure on the unions, a number of options could be explored:

- (a) No retrospection of this year's settlement. The unions would be given notice that this year's settlement would take effect not from 1 April but from the date of their agreement to it. You discussed this with the Chancellor last night.
- (b) More thorough use of TRD. Although this would be strongly resisted by the employing Departments, I think even the CSD would admit that there is scope for sending home without pay more of those who are refusing to undertake their normal duties.
- (c) Legislation to permit the laying off of white collar civil servants. (You will recall that Cabinet agreed some time ago that provisional drafting should be put in hand.) This would have the effect of enabling managers to send home those staff for whom there was no work, even if they wished to work normally; ^{but} ~~and~~ it would have the short-term draw-back of unfairly penalising the moderates.

28 April, 1981.

J.V.

TEMPORARY
RELIEF
FROM
DUTY

FIA(81)13

DEPARTMENT	TOTAL ORAL WARNINGS	ORAL WARNINGS FOLLOWED BY :			FIRST WRITTEN WARNING FOLLOWED BY :			FINAL NOTICE FOLLOWED BY :		
		RESUMPTION OF WORK	STRIKE	FIRST WRITTEN WARNING	RESUMPTION OF WORK	STRIKE	FINAL NOTICE	RESUMPTION OF WORK	STRIKE	TRD
CUSTOMS & EXCISE	96 (but other cases where TRD was not pursued)	-	-	96	49	47	-	-	-	-
MINISTRY OF DEFENCE	16 *	-	-	118	121	11	2 (still at written stage)	-	-	-
DEPARTMENT OF EMPLOYMENT	68	68	-	-	-	39 (not pre- ceded by Oral Warning)	-	-	-	-
DEPARTMENT OF HEALTH & SOCIAL SECURITY	53 (but about 150 other cases where TRD was not pursued)	27	-	26	12 (1 pending)	13	-	-	-	-
INLAND REVENUE	About 937	-	-	-	-	603	334	-	-	334
TOTAL	1170	95	-	240	182	713	336	-	-	334

Notes: *134 Warnings were given in total (16 Oral and 118 Written)
 ∅ An unspecified number went on strike after Oral Warning.

27 APRIL 1981

CONFIDENTIAL

MR SANDERS

cc:- Mr Wolfson
Mr Ingham
Mr Duguid

PA/CF
f/w
MS

CIVIL SERVICE INDUSTRIAL ACTION, 28 APRIL, 1981

The Prime Minister may wish to be aware before Questions this afternoon of the main developments reported to Mr Heyhoe's group (chaired this morning by Sir John Herbecq), apart of course from the factual points on which you will already have been briefed:

1. The prospect is for continued severe disruption of civil air traffic for the next five weeks, with a typical pattern of the morning shift being on strike and the afternoon shift catching up on the backlog. Today, Edinburgh and Prestwick are virtually closed, and Glasgow is disrupted; later in the week the plan is for disruption in the Midlands and the South. Yesterday's "air miss" was unrelated to the dispute: there was apparently equipment failure on an aircraft.
2. Roughly half of the staff at the Inland Revenue sorting and distribution office at Kew is on strike today, which will cause great disruption to the Revenue's inter-office mail, but will have no discernible effect on revenue.
3. The pattern elsewhere is unchanged, although increasing use is being made of the threat of Temporary Relief from Duty (TRD).
4. Sir John Herbecq said that in his opinion the proximity of the Civil Service trade union conferences meant that prospects for developments in the negotiations were poor until the week beginning 11 May, and that managers would be wise to plan on the assumption that the Civil Service dispute would continue throughout the month of May.

/Members of the group

CONFIDENTIAL

CONFIDENTIAL

- 2 -

Members of the group have been asked to give their opinion tomorrow on the desirability of Civil Service management continuing with their present policy of containing the dispute as far as possible, responding firmly where necessary, but taking no initiative to escalate it; or, on the other hand, using the threat of TRD more thoroughly and on a larger scale, which might possibly lead to the need to take action against those for whom no work was available.

J

28 April, 1981

CONFIDENTIAL

ce Sir Robert Armstrong
Mr Hoskyns
Mr Wolfson
Mr Vereker

SECRET

NOTE FOR THE RECORD

At their meeting last evening, the Prime Minister and the Chancellor had a brief word about the Civil Service dispute. The Chancellor said that he thought it was time we looked at the option of denying, or threatening to deny, retrospection to 1 April of the 7 per cent offer. There were several sub-options which should be considered as well - for example, whether to distinguish between those who had withdrawn their labour, or between union and non-union members. The Chancellor commented that, since the unions were beginning to play it rough, it was time we considered doing so as well. The number of people so far affected by TRD was insignificant.

The Prime Minister agreed that the no-retrospection options should be considered quickly. I have not put this in writing to the Treasury because the Lord President has, in the past, been unhappy about the Chancellor talking with the Prime Minister about the Civil Service dispute without him also being present. But I have spoken to the Treasury, and they are arranging for a note to be prepared, in consultation with CSD, as an initiative coming from the Chancellor. Since the dispute is on the agenda for Thursday's Cabinet, I have asked that we have this by tomorrow night.

Handwritten mark

28 April 1981

SECRET

*Copied to
J. Veitch
A. Dwyer
N. Goffin.*



28 April 1981

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

*2
29/4*

Dear Chancellor,

CIVIL SERVICE DISPUTE

I was surprised by your letter of today's date. Through what route do you understand that I would "reflect on the possibility of a commitment to arbitration in 1982 and consult my colleagues as necessary"? The record of the meeting shows that I said, in reply to questions at the end, that:

'It was much too soon to anticipate the outcome of negotiations in 1982. The Lord President hoped that there would be an agreed settlement, and therefore no need for arbitration. He did not rule it out: but now was not the time to take that decision. However, if the union side attached great importance to this question he would of course reflect on it.'

The union side has not told me that it attaches great importance to this question, and I have not therefore reflected on it.

It goes without saying that I have not told the unions that arbitration is available, and it goes without saying that I know that there are great difficulties, and that they know that too. Indeed, I have gone out of my way to make it clear to the unions that a commitment to arbitration in 1982 is something which the Government would find it hard to concede. But, like you, I am conscious of the views of colleagues and our collective line as recorded in last week's Cabinet minutes.

I am copying this to the Prime Minister and to the Secretary of State for Employment.

Yours sincerely,

*Buckley
(Private Secretary)*

*Dictated by the Lord President and signed
on his behalf.*

SOAMES

ACTION

Ami Amst

~~See Summary~~

See Summary at
Flag B, and options
section at Flag B.

NOTE

The circulation of this memorandum has been
restricted. Recipients are accordingly asked
to ensure that the secrecy of its contents and
the need to know principle is strictly observed.

12

1-17

[Handwritten signature]

P.M.

adds up

● This all ~~goes to show~~, I think,

to A very good argument

for CSD to be

within the Tsy - responsible

for both manpower and

money -

CONFIDENTIAL

REPORT BY THE OFFICIAL GROUP ON
CIVIL SERVICE PAY ARRANGEMENTS

Note by the Chairman

1. Since this report was completed the Government has suggested to the Civil Service unions the possibility of an independent outside inquiry into future Civil Service pay determination. This suggestion, if adopted, will affect the handling of the report and the kind of decisions which need to be taken on it.
2. There is a summary of conclusions at the end of the report (paragraph 93). It may also be helpful to set out in this note the main issues discussed in it.
3. Paragraph 8 sets out the objectives which a new Civil Service pay system should meet. In the main body of the report (paragraphs 12 to 34) we identify the elements of a new system tested against these objectives. We examine first the market factors on which Civil Service pay should be based; and suggest that these should be outside pay rates, recruitment and wastage assessed against forward manpower requirements, and reflecting relative job security. Our conclusions on these factors are summarised in paragraph 93(c)-(j).
4. Paragraphs 35 and 36 consider a number of more detailed aspects of pay structure which are relevant to management efficiency. Our conclusions are summarised in paragraph 93 (k)-(n).
5. The important issue of reconciling ultimate Ministerial responsibility for Civil Service pay rates with an "ordered and agreed" pay system is covered in the next section of the report (paragraphs 37 to 66). We consider the case for an "override" power for use in exceptional economic circumstances or, alternatively, for allowing factors of cost and economic circumstances to be deployed in negotiations every year. We review the role which arbitration could play and also the problems caused when pay increases for the Civil Service are, in percentage terms, out of line with the "going rate" elsewhere. The analysis of this set of issues has led us to identify four options for a new pay system. These are set out in paragraph 70 of the report and our comments on them are in paragraphs 72-77.
6. The essential choice lies between a procedure agreement which would, in effect, leave the way open for "free collective bargaining" with arbitration only available by mutual consent or an agreement which limits the room for manoeuvre in negotiations of both the Government and the unions but would help to limit the risk of industrial strife.
7. In paragraphs 80-83 of the report we include some comments on the scope for trading a new pay agreement for the Civil Service for a "no strike" commitment by the unions. If Ministers wish to pursue this possibility further, a more detailed report will be required.

CONFIDENTIAL

8. We also offer views on the extent to which similar pay arrangements to those for the Civil Service might be applicable in the NHS (paragraphs 85-92). But we think that it would be premature for Ministers to reach decisions on this.

9. On the basis of our report Ministers will want to consider:-

- a. whether they agree with the suggested objectives of a new Civil Service pay system;
- b. whether the "market factors" set out in the report and the conclusions reached on the way these should be taken into account provide a sound basis for settling Civil Service pay rates;
- c. which of the four options in paragraph 70 would be the right basis for discussions with the unions on a framework for longer term arrangements.

F G BURRETT

Civil Service Department

27 April 1981

CONFIDENTIAL

REPORT BY THE OFFICIAL GROUP ON CIVIL SERVICE PAY ARRANGEMENTS

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REPORT BY THE OFFICIAL GROUP ON CIVIL SERVICE PAY ARRANGEMENTS

TERMS OF REFERENCE AND MEMBERSHIP

1. The Group was established:-

"to consider, against the background of discussion in the Ministerial Committee on Economic Strategy on 12 February,* and the proposals prepared by the CPRS for that discussion, the elements which might form part of a new long term pay agreement with the Civil Service unions; the possible extension of similar arrangements to the NHS; and to report".

2. The Group consisted of representatives of the Treasury, the Department of Employment, the Ministry of Defence, the DHSS, the Inland Revenue, the Prime Minister's Office and the CPRS; and was chaired by the Civil Service Department.

BACKGROUND

3. At the meeting of E Committee on 12 February Ministers concluded that a new long term formal pay agreement with the Civil Service unions was desirable provided that it took account of the factors suggested as relevant by the CPRS as well as of pay comparisons and did not impair the Government's ultimate responsibility for deciding the levels of pay which could be offered.

4. Subsequently, with the agreement of his colleagues, the Lord President told the Civil Service unions that:-

"the Government intends to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance".

5. The unions have also been told that matters such as pay comparisons and independent fact finding would be among the factors covered by the review and that arbitration has not been ruled out for the future. A more positive formula containing assurances about the actual content of a new system was agreed by the Prime Minister on 3 March but it has not been spelled out in full to the unions. This was to the effect that in introducing a new pay system "it would be the Government's intention that the terms and conditions of service of its employees should not normally fall behind the terms and conditions of service of those employed outside"; and that "providing that we can arrive at a satisfactory and ordered system arbitration would have a part to play in normal times".

* Note The list of factors suggested by the CPRS is at Annex A to this report.

OBJECTIVES

6. The purpose of having an "ordered and agreed system" is presumably to serve the legitimate interests of all parties (Government, taxpayer, civil servants) in a way which removes, or at least minimises, industrial strife.

7. The particular need for arrangements of this kind in the Civil Service arises from the special relationship between Government and its own employees. It is widely regarded as especially undesirable that the business of central Government should be threatened by industrial action. In order to avoid this by preventing disputes before they arise there is a strong case for establishing an agreed system of pay determination to which both parties are committed. Similar arguments underlie the current arrangements for the Armed Forces and (though central Government is not the employer) for the police. Special pay arrangements for the Civil Service are needed, if at all, only because in the last resort its circumstances are special. But the effect of such arrangements should not be to give civil servants more favourable treatment than other employees.

8. We suggest that a Civil Service pay system should in principle:-

a. fix Civil Service pay rates at levels which enable the Government both to recruit and retain staff in the quantity and of the quality that it judges necessary and to defend those levels as reasonable both to public opinion and to civil servants. To do so it needs to be able to show that all relevant factors have been brought to account in framing these pay rates;

b. be efficient in the technical sense that in its application it provides maximum value for money from a management point of view;

c. enable Civil Service pay to be adjusted periodically to meet objectives (a) and (b) with the minimum risk of industrial strife and without unacceptable damage to wider national policies; and, by extension, allow the Government to suspend or override it in exceptional circumstances when the national interest demands this.

9. By definition an agreed system embodying these objectives would have to be negotiated with, and therefore be acceptable to, the unions. They are not unanimously in favour of a new agreement which would inevitably restrict their own room for manoeuvre to some degree. None of them will want one at any price. It is quite possible that the Government's view of how the three objectives in the previous paragraph should be achieved and on the balance which should be struck between them will prove to be irreconcilable with the views of the unions.

10. The contents of any new pay agreement will depend mainly on the kind of factors which are agreed to be relevant to the determination of Civil Service pay; on the extent to which they

are to be taken into account in a quantified way (ie given a precise value); and on how far it is intended that the agreement as a whole should limit the scope for argument about what pay rates are appropriate. Such a limitation must obviously restrict the Government's freedom of manoeuvre, at least in normal years. But if the Government does not accept for its part some limitation on its freedom, the unions will not accept any on theirs. The result will be that pay is settled by "free collective bargaining".

STRUCTURE OF REPORT

11. The various considerations which have been described inevitably influence each other and there is no ideal order for considering them. We thought it best to begin by examining against the first objective in paragraph 8 the factors which might be used in establishing appropriate pay rates for the Civil Service. These include the market factors of comparisons with pay rates outside the Service and its relative position in terms of recruitment, voluntary wastage and job security assessed against its forward manpower requirements. Against the second objective we have examined various aspects (including the introduction of more geographically varied pay rates) of the need to ensure that the pay system is applied in a way which meets the management requirements of Ministers. We have reserved to discussion of the third objective such questions as the treatment of the factors of cost and economic circumstances; and the role of arbitration. We then set out a number of options for Ministers to consider drawing on our appraisal of the various components of a new pay system. We end our report by looking briefly at the question of a "no strike" agreement and at the wider relevance of our proposals, particularly the scope for applying them to pay in the NHS.

THE FIRST OBJECTIVE: PAY FACTORS

A. Comparisons with outside pay and related conditions of service

a. General

12. At present, in line with the Report of the Priestley Royal Commission of 1953-55, pay rates in the Civil Service are based mainly on comparisons with those paid for similar work outside, taking account of differences in other conditions of service.

13. If a new system is to meet Ministers' present requirements it must clearly give much greater weight to factors other than direct pay comparison. But Ministers have recognised that comparison in some form will need to play a part. There are three main reasons why it should. First, the level of remuneration offered by other employers for comparable jobs does, to some extent, represent a useful "proxy" for the market. It shows what other employers have decided to pay to get staff of sufficient quality and quantity. Second, civil servants, both present and prospective (and their unions), are bound to make comparisons between their own pay and the pay of people

doing similar work outside in assessing the pay rates offered to them. Third, Civil Service pay levels have to be publicly defensible in relation to pay levels in the rest of the community.

14. Comparisons with outside pay can, in principle, be based either on pay rates or on percentage movements in pay. Of the two, comparisons based on outside rates provide a much more satisfactory starting point for meeting the considerations in paragraph 13 since these reflect directly the real position in the outside market. Moreover, information on them can be collected in much more detail to establish separate and more valid comparisons for different groups of staff.

15. If the use made of pay comparisons in a new system is to be readily defended then it is important that they should be made as precisely and accurately as possible. Also, only through detailed comparisons of rates can proper allowance be made for differences in other conditions of service such as pensions and hours and leave.

16. Under the pay research system the negotiators were left with comparatively little room for manoeuvre once these pay comparisons had been made. Reducing the scope for argument between the negotiating parties has its advantages in terms of industrial relations and of public presentation. But Ministers have been more concerned about the degree of "automaticity" involved in the present system. This can be reduced by bringing other factors into play which provide more room for manoeuvre. But, in our view, a necessary part of an ordered and agreed system and of its public defence is that comparisons should be undertaken in a structured way.

17. We have considered what changes should be made in the way in which information about outside pay rates is collected at present and in the way these are adjusted to take account of other related conditions of service.

18. Our findings are set out in Annex B. In brief we have concluded that under a new system some features of the present methods of comparison should continue:-

a. "whole job" comparisons are preferable to "factor weight" comparisons and can be made satisfactorily for the main Civil Service grades. (But it will be important to keep under review the Civil Service jobs selected as a basis for comparison to make sure that the field is fully representative and properly weighted);

b. the field from which outside comparisons are drawn should exclude other public services under the direct control of central Government but should include both the trading public sector and local government;

c. outside pay rates must be adjusted to take account:-

i. of the relative value of pension benefits and differences in contribution levels (which will enable the appropriate deductions to be made in the light of the decisions which are reached on the Scott Report);

ii. of differences in hours and leave;

iii. of "fringe benefits" received by employees outside the Civil Service (but the way in which these are assessed needs to be reviewed);

d. the "median" of outside rates (the use of which minimises the influence of untypically high or low rates) is an appropriate starting point in assessing these rates for the purpose of negotiation.

19. But two important changes should be made:-

a. the field from which outside comparisons are drawn should be as fully representative as possible. It should therefore include a full range of private sector firms including a wider spread in terms of their size than at present;

b. the present method of uprating should be abolished. This compensates both for "latest rates", ie changes which will have taken place in analogue rates before the Civil Service settlement date but are not known in time; and for "time lag", ie the difference in timing between the settlement dates of the analogues and the Civil Service. It is very difficult to argue against some form of compensation for "latest rates". There is a strong logical case for taking account of "time lag" as well. But we think that any link with price movements (on which the present procedures are based) should be discarded. It might be possible to base an alternative approach on an earlier settlement date with a degree of retrospection so that more up-to-date information would be available. But that possibility turns largely on whether a change in the settlement date is desirable in order to enable cash limits to reflect realistically the likely outcome of the annual pay negotiations; and to take account of any implications for the pattern of the national pay round (see paragraph 79). A final decision cannot be taken on this point yet. But the unions will certainly be looking for some adjustment to take account both of "latest rates" and of "time lag".

B. Market factors of recruitment, retention and job security

20. Like any other employer the Government needs to set rates of pay which are adequate to recruit and retain staff to meet its requirements in terms both of quantity and quality.

21. Rates of pay set by other employers for comparable work cannot be taken as they stand as the rates which the Civil Service needs to pay to meet its management requirements. The relative attractiveness or otherwise of employment in the Civil Service, including the degree of job security which it offers, needs to be taken into account by looking also at market factors such as recruitment rates and voluntary wastage.

22. At present, statistical material is available for all the main Civil Service grades on recruitment and voluntary wastage. There is, however, a shortage of comparable data on the experience of outside organisations. The current work of a Treasury-led working party may shed more light on this subject. But in our view the likelihood is that few outside organisations collect and maintain adequate information. It would take time to improve the position and this could well impose significant additional demands on the organisations concerned.

23. We have considered the scope in these circumstances for introducing a formula to take account of comparative recruitment/voluntary wastage in a prescribed and quantified way. For example, outside pay rates might be adjusted on the basis of an agreed formula to take account of the relative position of the Civil Service in terms of "quit" rates, ie voluntary wastage. We concluded that because of the lack of external data this would not be possible. There would also be difficulty in defining analogue groups for the purpose of measuring voluntary wastage rates in the private sector, in taking quality into account and in deciding how to reflect the fact that many staff join the Civil Service with a long-term career in mind which affects its patterns both of recruitment and of wastage. In the private sector planned career progression is often dependent on moving from employer to employer.

24. Nonetheless, we think that much more use should be made of information on recruitment and voluntary wastage in the Civil Service and elsewhere as a factor in pay negotiations even though in the absence of a formula both sides will have to be free to interpret the data as they see fit. Data on the Civil Service position would be produced by management and such data as are available from outside organisations would be collected alongside the information on their pay rates. In arguing its case management would need to take account of its anticipated forward manpower requirements.

25. A number of unsuccessful attempts have been made in recent years (including the work of the Comparability Commission) to quantify relative job security in the Civil Service and in outside employment separately from the indications to be derived from the available data on recruitment and retention generally. The Scott Inquiry said that the evidence produced to them on this topic had been largely subjective and underlined the difficulty in securing appropriate data to make a proper comparison and ensuring that like was being compared with like. They were unable to resolve the problems of valuing differences in job security and concluded that they could not suggest any assessment of this factor.

26. There are very considerable practical difficulties in producing any precise statistical assessment of relative job security as such. Nonetheless, we think that in a new pay agreement there should be specific provision for job security to be taken into account in the negotiations as a relevant market factor. This would enable, for example, high unemployment levels to be argued as a moderating factor in Civil Service pay settlements.

27. It would also be desirable to see what can be done to refine existing data on redundancy and the Department of Employment are examining this. The redundancy figures which are currently available do not distinguish between the public and private sector or between manual and non-manual employees. There are also problems of definition. Management practices bearing on redundancy will inevitably differ from organisation to organisation: for example, the Civil Service encourages "early retirement" in circumstances which might count as redundancy in other cases.

C. Other factors?

28. We believe that the primary determinants of Civil Service pay rates should be the market factors we have described, ie outside pay rates, recruitment and wastage assessed against forward manpower requirements and reflecting relative job security. We consider in paragraphs 47 to 51 the way in which the factors of cost and economic circumstances should be brought to bear. Before turning to other factors which are relevant to the way in which a new Civil Service pay system should be applied to meet management requirements it would be convenient to consider the organisational arrangements for producing the data required on the market factors we have discussed in the preceding paragraphs.

D. Institutional arrangements for data collection and processing

29. A new pay agreement would need to provide for data on outside pay rates and on recruitment rates and voluntary wastage outside the Civil Service to be available to the negotiators. We believe that it would be desirable to have a "third party" organisation to assemble this material.

30. At present the collection of data on outside pay is the responsibility of the Civil Service Pay Research Unit. Its work is supervised by the Pay Research Unit Board. The unions will press for any institutional arrangements associated with a new pay system to carry sufficient independent authority to ensure that in future data will not be withheld from them.

31. We have considered whether some entirely new form of organisational arrangements would be desirable. But we have concluded that it would be preferable to build on the experience which the Pay Research Unit has gained and on the role of the Pay Research Unit Board as an independent guarantor of the way the data are produced. If this course is followed it would be important to recruit more staff from outside the Civil Service for the Unit and to ensure that individuals of stature are appointed to its directing Board. We think that in future the Board itself should have executive control of data collection (and any subsequent processing of the material before it is presented to the parties). Apart from meeting the concern of the unions this should encourage greater public confidence in the way in which the processes of comparison are conducted. For the same reason the Board's practice of releasing information about the data which is collected should

be extended if the agreement of outside organisations can be secured to this.

32. We see advantage in the Board's role being extended beyond simple data collection to include the actual processing on an agreed basis of the data on outside pay which is now carried out by the parties. This would involve making the necessary adjustments to reflect differences in other related conditions of service taking account of the different grading patterns and career progression of staff in the Civil Service and in outside organisations. The negotiating parties would need to be fully satisfied about the way in which the data was to be processed and therefore any new pay agreement would need to regulate the way this was to be done by the Board.

33. We do not think that it would be right for the Board to go beyond this and to make an assessment of the weight which should be attached to other market factors of recruitment, wastage and job security since it would then virtually be recommending pay rates to the negotiating parties. This would leave the Government with little room for manoeuvre and it would in any case be unacceptable to the unions. The unions may well not be prepared even to accept that the Board should do any processing of the pay data. This is not, however, an essential point and it could be conceded if this was necessary to secure an agreement with them.

34. It would be helpful to ask the Board to report from time to time on various aspects of the pay system. This would be in line with the role which Ministers envisaged for it at an earlier stage, although in the event no references to it were made because of doubts about the future of the present Pay Agreement. For example, the Board could be invited to make proposals at an early date on how the objective would be met of including in pay surveys a wider spread of private sector firms in terms of size; on the way in which "fringe benefits" should be assessed; and perhaps on some replacement for the "uprating" procedures (see paragraphs 18 and 19 above). The PRUB would also need to keep under review the adequacy of the internal field of Civil Service jobs as a basis for comparison.

SECOND OBJECTIVE: APPLICATION OF PAY SYSTEM

35. If the market factors of comparison with outside pay rates and the position on recruitment, wastage and job security are to be properly applied within a new pay system they should, taken together, ensure that Civil Service management needs are met and that account is taken of the need for the effective use and deployment of staff once they have been recruited. But there is a number of more detailed aspects of pay structure which are relevant to efficiency.

36. We have examined three of these:-

a. Internal relativities

Internal relativities are bound to play an important part in establishing and maintaining any complex pay and grading

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structure. Therefore, within any new pay system arrangements for pay links (whereby the pay of one group of staff is settled on the basis of an agreed relativity with that of another) will have to continue, particularly where external comparisons are not feasible. Provision will need to be made for the review of these links at intervals.

In some pay systems pay rates are, so far as possible, determined separately group by group despite the effect which changes in relative pay may have on the cohesion of existing grading structures. In others, maximum importance may be attached to the cohesion of the grading structure with internal relativities accordingly playing a more important role. Present practice in the Civil Service leans, through the pay research system, much more to the former approach. There are some large management groupings (eg the Professional and Technology category) which on this approach could conceivably be broken down into smaller groups for pay purposes if that were desired.

The post-Fulton creation of the Science and P&T groups brought together in each of the two structures a range of professional disciplines with technical supporting staff, including those responsible for supervising industrials. This has led to a number of problems for pay research. The averaging involved inevitably produces a lower rate for some than a strict **market comparison** would justify, and a higher rate for others. The problems caused by this have particularly affected the recruitment of professional engineers and the interface with industrials.

Moreover, where it might be more favourable to their members the unions will naturally press (as in the past) for internal relativities to be the determinant of pay even where separate outside comparisons can satisfactorily be made. There may be situations where there are also sound management reasons for allowing internal relativities to modify the straight market rates, for example, in dealing with problems of pay differentials between industrials and their direct supervisors and between senior management jobs of comparable responsibility. But in our view it is important that internal relativities should continue to be a secondary rather than a primary factor in fixing Civil Service pay rates. Otherwise this factor could become a costly element in the Civil Service pay system.

b. Regional pay

At present Civil Service pay rates are negotiated at national level. The rates themselves are national ones with London Weighting* paid as a supplement. Many

* Note This is not based directly on comparison or on recruitment/retention factors but on the differences in certain elements in the cost of living in London by comparison with the rest of the country. The pay research process takes account of the value of London Weighting payments in equating the pay bill cost of the Civil Service and its pay research analogues.

(though not all) other large employers with staff scattered across the country also rely on national rates with variations only for London and sometimes for one or two other large cities.

There is, in principle, a strong case for trying to match Civil Service pay rates more closely to local "market" conditions through greater geographical differentiation in pay rates. The main argument in its favour is that it might meet management requirements more effectively and even out the quality of staff recruited in different areas. Uniform national rates can entail paying above the market in some areas to the detriment of local organisations with which the Service competes for staff while in others the Service experiences its own difficulties of recruitment because its rates are not sufficiently competitive. Clearly the case for pay variations is strongest in the case of non-mobile staff who are recruited locally. On the other hand, a system geared more closely to local market rates would not necessarily prove cheaper to operate than a system of national rates: savings in some areas would probably be matched by extra costs in others; and there would be strong pressure from the unions to leapfrog from one locality to another.

We have examined the results of an analysis by the CSD of data on geographical pay variations available in the Department of Employment's New Earnings Survey. Unfortunately, **these data do** not provide an adequate basis for reaching a firm view on the case for greater geographical variation. **They do** suggest that different rates at regional level would not be sensible but **they do** not enable us to judge the relative merits of local rates area by area or national rates with limited variations for a few areas.

We also understand that Departments generally see considerable management difficulties if greater geographical differentiation in pay is introduced. Certainly there is a risk that the resource cost of administering more pay variations would outweigh the advantages to be gained from these.

We have therefore concluded that further work is required to collect more data and to consider the practical implications of introducing greater geographical variations in Civil Service pay before firm conclusions can be reached with confidence. It would be helpful to ask the PRUB to collect more detailed and relevant information on outside practice as a contribution to this.

We think that in negotiations with the unions on a new pay system they should be told the Government wants to explore further the case for introducing greater geographical variation in Civil Service pay rates. But

providing that the agreement leaves the way open for changes in this direction at a later date it is not necessary for negotiations on a new pattern to be carried forward to enable this to be embodied in the new agreement. The unions are strongly opposed to changes of this kind mainly because of the difficulty they foresee in achieving negotiated settlements which meet the conflicting interests of their members in different parts of the country. From a negotiating point of view, therefore, there would be considerable advantages in discussing this with the unions as a later and separate exercise. It would also be desirable to have more time to consider the management implications of any changes. If a more detailed review suggested that a case for change does exist it might be desirable to test this out experimentally with one or two selected grades.

c. Decentralised pay bargaining

We have also looked at the separate question of whether pay negotiations themselves should be decentralised from national level. The Group sees considerable objections to this. The Civil Service is a unitary organisation and to introduce fragmented pay negotiations and rates would be a major and far reaching change with implications going well beyond purely pay matters, to the whole framework of financial and managerial control at departmental and sub-departmental level. Even if authority to undertake pay bargaining was delegated to local management, overall accountability for public expenditure controlled by individual Departments must necessarily remain with the appropriate Minister. A close degree of central monitoring would be required and limits would have to be set on the range of discretion for local management. We do not think that, in the absence of a sound basis for output budgetting, the cash limits system could be refined sufficiently to exert the necessary financial disciplines without a need for further checks. Some members of the Group, however, thought that these difficulties might be overcome and that there would be advantages in decentralising the pay negotiations, at least for non-mobile grades.

The Group agreed that much more detailed work would need to be done before decisions could be reached on this issue. Fortunately, it does not in itself affect the factors on which a new pay system should be based. Moreover, since the unions are known to oppose decentralised pay bargaining strongly, there would be a negotiating advantage in not raising the subject as part of any early discussions with them on a new agreement. If Ministers so wished this idea could be pursued separately.

d. Pay and performance

In the interests of efficiency, pay levels must be adequate to motivate staff to give of their best. This is in itself an argument in favour of an ordered and agreed system which

gives staff an assurance that their pay will be regularly reviewed and settled on a fair and reasonable basis. But the structure of the pay system is also relevant to this.

Merit pay schemes to relate pay and performance for more senior grades were ruled out by Cabinet at its meeting on 15 February in favour of other approaches to the encouragement of better performance. But the scope for reducing the present automaticity of increments is being separately reviewed.

We have, however, considered whether a new pay system should introduce productivity bargaining to the non-industrial Civil Service where so far staff and unions have traditionally co-operated in efficiency measures without special payment. The difficulties in devising measures of efficiency or output which are sufficiently precise could make this hazardous. To the extent that it was necessary to confine productivity bargaining to groups where adequate measurement was possible the effect on staff could be divisive. In particular there would be major problems if schemes were introduced covering employees carrying out simple routine repetitive tasks while colleagues in the same grade carrying out lesser routine tasks could not be included. We have concluded that there is a strong risk that productivity bargaining in the non-industrial Civil Service would make it more difficult and expensive to secure "efficiency" savings rather than the reverse. We believe that it should, however, be made clear to the unions that the establishment of any new pay system is based on the premise that they are expected to co-operate fully in the implementation of efficiency measures.

THIRD OBJECTIVE: MINISTERIAL CONTROL

General considerations

37. Not surprisingly, we have found the reconciliation of an "ordered and agreed" pay system with Ministers' ultimate responsibility for deciding the pay levels which can be afforded to be the most difficult problem of all. Clearly ultimate responsibility cannot in practice mean that every year the Government can enforce pay increases below the amounts indicated by market and management factors to whatever degree it judges necessary for reasons of cost or to reflect wider national policies. Whether there is an ordered and agreed system of some kind or "free collective bargaining", pay will have to be adjusted periodically to be levels which are considered necessary for management purposes or which have to be conceded under union pressure. There is no way in which such increases can be made invariably to match the Government's ideal objectives for expenditure or for pay nationally.

38. There will therefore be occasions when the Government will want on strong management grounds to concede Civil Service pay increases of a size which will clash, or will appear to clash, with these wider considerations. When this happens such increases will either have to be denied, wholly or in part, and the consequences for Civil Service management and industrial relations accepted; or else allowed and the consequences for other policies (whether expressed as a particular level of cash limit or otherwise) equally accepted. If the former happens too often, any system will collapse and it will become impossible to pay the Service adequately or to avoid confrontation with the unions.

39. There are two fundamentally different approaches to reconciling the system of pay determination with Ministers' ultimate responsibility for deciding Civil Service pay levels:-

a. the first is for both the Government and the unions to accept that the system will impose significant limitations on their freedom of argument by generating a range of pay rates indicated by specific "market" factors; but for the Government to have the right, in exceptional circumstances, to override this limitation and impose a settlement outside that range;

b. the second is for the system to allow the Government always to take such factors as general economic circumstances and its judgement of acceptable cost into account. There would then be no need for the Government to have a power to "override" the agreement since it would not agree to a settlement which was more than it wished to afford. However, the unions would then insist on having the right to advance an equally wide range of factors; and the result would be, in essentials, "free collective bargaining".

40. These issues are discussed in more detail in paragraphs 44-51 below.

41. The choice between the two approaches also has an important bearing on the role of arbitration. This is discussed fully in paragraphs 52-61.

42. It is worth noting here that negotiations under the approach in paragraph 39(b) would frequently involve explicit reference to the state of the economy at large, or to the Government's judgment of public expenditure and taxation. These are matters on which it is less appropriate to submit disputes to an outside body; it follows that arbitration could be only by agreement. Under the first approach negotiations would by contrast centre on specific "market" factors, with wider economic considerations being brought in only in the case of "override". Except in such cases, access to arbitration could be less restricted.

43. We also examine in paragraphs 62-66 the separate but related problem of pay increases for the Civil Service which, in percentage terms, are out of line with the "going rate" for pay increases for the rest of the community.

A. "Override"

44. No Government can commit itself absolutely to implementing any pay agreement regardless of circumstances. Inevitably there will be years when economic circumstances are so severe that the Government must deny the increases in Civil Service pay required by "market factors" and management needs. The Government must then be free to curtail the level of pay increase which the Civil Service receives. We believe that the unions are likely to acknowledge the need for this. They might therefore be prepared to accept an "override" clause (or some separate understanding about this) enabling the Government to set aside the main provisions of an agreement when exceptional economic circumstances require this.

45. There would no doubt be disagreement about whether the "override" should operate in a particular year and the unions would argue that this should only occur when a "national pay policy" was operating. There would be difficult negotiations about the precise wording to be adopted. But an "override" of this kind would preserve a means by which the Government could, when necessary, assert its right to fix Civil Service pay levels independently of the market evidence while accepting this as a basis for settling pay in normal times.

46. To have any prospect of negotiating an "override" provision with the unions it would be necessary to assure them that it would indeed only operate in exceptional circumstances and not as a regular event. They would also want to be the more satisfied that when the agreement was operating it would provide a fair and reasonable basis for assessing their pay and that the Government would stick to its provisions. They would also need some assurance that they would be able to "catch up" again if pay had been artificially depressed as a result of a period of "override". These points link with the role of arbitration under any new system.

B. Cost and economic circumstances

47. If a new agreement left the Government free each year to subordinate the evidence of the market to considerations of cost and economic circumstances, the Government could claim every year that it was applying the new system regardless of the level of pay offer which it made. But a pay system of this kind would be little different from "free collective bargaining" (even if there was a procedure agreement) and the unions would want to be as free as the Government to argue any factor as they saw fit.

48. So far as cost is concerned we believe that under an "ordered and agreed" system the Government would have to be ready to defend the payment of the rates which emerged from negotiations under it as being reasonable both from the point of view of the taxpayer and of civil servants. The aim of the system should be to ensure that this claim can be made with confidence. On this basis, the Government would be effectively discharging its ultimate responsibility for Civil Service pay levels by entering into a sound and workable agreement on pay with the right to withdraw from it if it failed to provide a satisfactory basis for pay negotiations. Arguably, it would then be reasonable for the Government to accept that the pay rates emerging from the system constituted the "price" which it had to pay for its staff and that it should therefore provide the funds with which to do so, subject to any volume squeeze which it then decided to apply to reduce the cost of the pay bill. If, however, the Government wished additionally to have full freedom under a new system to impose a "cost ceiling" on the outcome of negotiations there would be no prospect of the unions agreeing to this.

49. Economic circumstances more generally should reflect themselves both in outside pay rates and in the recruitment and voluntary wastage position experienced in the Civil Service. High levels of unemployment could be deployed as an argument in assessing the job security factor. But if economic circumstances were to be introduced explicitly as a factor in any new pay agreement the unionside would regard themselves as being free to introduce similar arguments from their side. They would argue that price movements should be taken into account, whether through direct index linking by reference to the Retail Price Index or in some other way. There are obvious advantages in excluding price movements as a factor in settling Civil Service pay but it would be difficult to argue this (in negotiations with the unions or at arbitration) if economic circumstances generally were to be a negotiating issue.

50. A further disadvantage of including these factors in an agreement is that in the event of arbitration it might be thought inappropriate for the tribunal to have to pass judgment on the weight to be given to them.

51. Ministers will wish to consider whether their position would be sufficiently safeguarded if factors of public expenditure and economic circumstances were excluded as negotiating factors in a new "ordered and agreed" system if, as we have suggested, they had the power of "override" in exceptional circumstances.

C. Arbitration

52. Some understanding about access to arbitration will certainly be a condition of agreement by the Civil Service unions to any new arrangements for settling the pay of their members.

53. At present access to the Civil Service Arbitration Tribunal is available (for most grades) at the request of either party to the negotiations. Governments have consistently (and publicly) reserved the right to refuse arbitration "on grounds of policy because the Government is responsible to Parliament for the administration of the public service and cannot relieve itself of that responsibility or share it with any other persons or organisations". But the Treasury Circular of 1925 which announced the arbitration agreement also contained the pledge that "subject to the overriding authority of Parliament the Government will give effect to the awards of the Court". The qualification was inserted to preserve the constitutional supremacy of Parliament and the possibility of the Government's defeat there. But the pledge has always been interpreted to mean that the Government will not itself propose to Parliament the rejection of an award once this has been made.

54. We believe that it would undermine the utility of arbitration in any new Civil Service pay system designed for the longer term if the Government did not maintain the present position that subject to overriding authority of Parliament it would implement arbitration awards when these are made.

55. Also, in introducing a new pay system it would be desirable to link any provision for arbitration directly to the agreement on pay so that if the new pay agreement was not in operation, as a result, for example of "override", the normal arrangements for access to arbitration was also automatically suspended. This would formalise the right to withhold arbitration on policy grounds which the Government has reserved to itself in the past.

56. The crucial question is what provision should be made for access to arbitration in normal times.

57. In earlier Ministerial discussion on arbitration in the public services it was agreed that future arrangements for arbitration in the non-industrial Civil Service should be considered as part of the wider review of its pay arrangements. If in the future Civil Service pay was negotiated on the basis of "free collective bargaining" and pay disputes could be explicitly about the weight to be attached to public expenditure constraints and to the management of the economy, there would be a strong argument for arbitration to be available only by mutual consent. The position would be different, however, with a pay system which included a specific "override" provision to protect the Government's right to suspend both the operation of the pay agreement and the availability of arbitration, when economic circumstances required this.

58. A system under which both parties were committed to determining Civil Service pay by market factors in an ordered way in the light of the available data would be likely to collapse if the unions were denied arbitration, when an agreed settlement could not be reached, outside periods of "override". Nor would the unions enter into an agreement on this basis unless they had a credible assurance that arbitration would

"normally" be available to them. It is true that with the introduction of a wider range of market factors the range within which an arbitration award might lie would be wider than under the present pay research system. But there would still be occasions when arbitration would be to the advantage of the Government in enabling it to expose the weakness of the unions' negotiating position if they pressed this to the point of breakdown in the negotiations.

59. Indeed it is difficult to see the grounds on which (outside an "override" situation) arbitration could logically be denied within a system of this kind designed with the aim of avoiding industrial strife. If the Government was not prepared when necessary to let a third party assess the validity of its interpretation of the evidence this would undermine in advance the confidence of the unions and their members in the way in which the Government intended to operate the system.

60. We therefore believe that it would be necessary for the Government to be ready to offer the unions an assurance that as part of such a system arbitration would be available except when "override" was in operation.

61. There is, however, an option involving a departure from the normal arbitration procedure which Ministers may wish to consider. This would be to divide the process of pay determination into two parts. First, an independent assessment would be made of what Civil Service pay rates would be if these were determined solely on the basis of quantifiable comparisons with outside pay rates. Second, there would be subsequent adjustments to these "notional" rates to take account of recruitment, wastage, and job security in the light of forward manpower requirements. These adjustments might be subject to a stated limitation on the size of the adjustment which the system permitted. The unadjusted pay rates based on outside comparisons would be subject to negotiation and, in the event of disagreement, to arbitration which could be sought by either side. But arbitration would be permitted only by mutual agreement (if at all) on the adjustment to be made in the light of other market factors. This approach is elaborated in paragraph 70 below in discussion of possible options.

D. Phasing of pay increases

62. In the past difficulties have arisen when the size of percentage increases for the Civil Service has been out of line with the "going rate" of pay increases in the economy generally. We have considered whether procedures could be introduced in any new pay system which would minimise this problem. But we can see no way of ensuring that every year the increase necessary to maintain an appropriate level of Civil Service pay is consistent with the "going rate" outside in percentage terms. However low the "correct" pay relativity of the Civil Service to pay outside there will be presentationally awkward percentage increases from time to time. No amount of smoothing out of the "peaks and troughs" can avoid these entirely.

63. If for any reason Civil Service pay rates are artificially depressed for a period then a "catching up" problem is inevitably created: in comparing pay levels past increases cannot be ignored as these will have determined the rates which are actually being paid outside. If severe management problems (and industrial unrest) are to be avoided then, as already argued, Civil Service pay cannot be progressively depressed year after year to secure a succession of conveniently low percentage increases. Indeed, if a new pay system placed more weight than in the past on factors other than strict pay comparison there are likely to be greater fluctuations from year to year in Civil Service pay increases than under a system specifically designed to keep pay in line with outside rates without varying adjustments. If Civil Service pay is kept down when unemployment is high and recruitment is easy then it will have to rise more sharply when the recession is over and recruitment is more difficult.

64. In any system involving pay comparison there is a "time lag" problem as was pointed out in paragraph 19(b) and in paragraphs 8-15 of Annex B. Unadjusted to allow for this the system will throw up "out of step" settlements which reflect the "going rate" in pay settlements outside as this was running some months earlier rather than reflecting the current trend. The practical effect of the present "uprating" procedures is to bring Civil Service increases more into line with the "going rate" and therefore to mitigate this problem but not to remove it. In any case, as we have pointed out, the current procedures for this are open to objection.

65. We have considered whether there would be advantage in providing for full scale reviews of Civil Service pay rates at intervals with simple ad hoc adjustments in the intervening years. But the realism of the increase awarded in the intervening years would inevitably determine how much of a "catching up" problem would be stored up in consequence for the next full scale review and this approach only redistributes the problem and does not solve it.

66. We have come to the conclusion that the only satisfactory approach is to ensure that Civil Service pay rates are brought up to date as far as possible year by year to avoid storing up an increasingly embarrassing "catching up" problem. As we pointed out in paragraph 19(b) this means that some way will need to be found of ensuring that pay increases reflect the market position at the time of the operative date of a Civil Service pay settlement even if a period of retrospection has to be allowed to achieve this. Essentially, the system itself must be sufficiently soundly based to provide its own justification for the increases which are thrown up by it.

OPTIONS

67. On the basis of our analysis of the possible elements of a new Civil Service pay system, we now set out some options for Ministers to consider.

68. It would be possible to proceed to fix Civil Service pay rates on the basis of wholly untrammelled "free collective bargaining". There would be no agreement with the unions about the basis on which pay should be determined and no procedure agreement governing the conduct of negotiations. But this would not be consistent with what Ministers have already said about the system which they wish to see.

69. Each of the options we set out below assume that the market factors which we have described would form the basis of any new system. The differences between the options lie in their treatment of the factors of cost and economic circumstances and in the provision which they make for arbitration when negotiated settlements are not possible.

70. The four options we have identified are as follows:-

Option A

A procedure agreement which would set out the market factors to be taken into account in settling Civil Service pay rates but leave the way open for both parties to introduce any other relevant factor into the negotiations as they saw fit. This would enable considerations of public expenditure and general economic circumstances to be argued directly in the negotiations and the unions could argue, for example, movements in prices. The agreement would also deal with the arrangements for collecting data on outside pay and on other market factors. Arbitration would be available only by mutual consent and no advance assurances would be given about this;

Option B

An agreement under which the primary determinant of Civil Service pay rates would be the market factors of outside pay comparisons, and the position on recruitment and wastage assessed against the forward manpower requirements of the Service and reflecting its relative job security. There would be provision for "override" (either in the agreement itself or in a separate understanding) for use in exceptional economic circumstances. The unions would be given a firm assurance that, except in periods when "override" was in operation, access to arbitration would not be denied to them if a negotiated settlement could not be reached;

Option C

An agreement under which the negotiating process would be divided into two parts:-

- a. first, "notional" pay rates based on outside comparisons would be established. These would be subject to negotiation and in the event of disagreement there would be free access to arbitration;

b. Second, adjustments would be made to these rates to take account of recruitment, wastage, job security and forward manpower requirements. The adjustment to be made would be discussed by management with the unions and it would be subject to a stated limitation on its size. This might be expressed as, say, 5% of the pay rate itself or one-third of the increase otherwise due. (The adjustments made under this limitation would not be cumulative year by year). Under the agreement the unions would accept that, subject to the prescribed limitation, management had the last word on this adjustment. As Under Option A there would be provision for "override" of the system for use in exceptional economic circumstances;

Option D

This would be a variant of the "two stage" approach of Option C. But the unions would not be asked to commit themselves in advance to acceptance of the Government's adjustment of the "notional" pay rates based on outside comparisons and there would be no prescribed limit on the adjustment which could be made. Instead, arbitration would be available for use if necessary to settle the final pay rates but only by mutual agreement.

71. Under Options C and D it would be necessary to curtail the role of PRUB in processing data on outside pay comparisons proposed in paragraph 32. Otherwise there would be a conflict of role between the PRUB and the Arbitration Tribunal.

Comments

72. We have assessed these four options against existing Ministerial decisions and the objectives which we set out in paragraph 8. Option A would not need a specific "override" provision since under it any factor could be introduced into the negotiations and there would be no access to arbitration except by mutual agreement. But there would be specific provision for "override" in the other three options. As we have pointed out, if "override" had to be brought into operation with any frequency, then the agreement would collapse.

73. The main differences between the options lie in the way in which they would operate in "normal times". Option A would give the Government most room for manoeuvre. It would at the same time offer the least assurance to the unions about the way in which their pay was to be settled, and it would be potentially the most unstable for industrial relations. Beyond a certain degree of looseness in a new system there would be little practical difference between a commitment by both sides to observe it and "free collective bargaining". If the Government in practice tried to set arbitrary and unrealistic limits on annual pay increases (and therefore had to deny arbitration regularly) there would be no effective negotiations, no truly agreed "ordered" system and for that matter, no effective mechanism for keeping Civil Service pay

at the levels necessary for the efficient management of the Service.

74. By contrast, Option B would offer the best prospects of industrial stability but would constrain Ministerial freedom of manoeuvre. It would provide an assurance that Civil Service pay was to be determined on an ordered and structured basis (which met management needs and the legitimate expectations of civil servants). If negotiated settlements could not be reached access to arbitration would be available to resolve them without industrial conflict. The room for legitimate argument between the two sides would be greater than under the present pay research system. But there would be a limit beyond which argumentation could not reasonably be stretched by either side and conventions would no doubt develop about the way in which the various factors should be taken into account.

75. Option C would give the Government more room for manoeuvre than Option B although still much less than Option A. But the unions might be unwilling to accept any system which involved their agreement in advance to management in effect being free to fix, even though within limits, what actual pay rates the Civil Service should receive. Quite obviously the prescribed limitation on the extent to which "notional" pay rates based on outside comparisons could be adjusted would be the key to the acceptability of this approach both to Ministers and to the unions. At one extreme to limit the scope for adjustment to $\frac{1}{2}\%$ would pose no problems for the unions; to allow scope for adjustment by 10% would give Ministers considerable room for manoeuvre. The question would be whether there was a meeting point between these two figures.

76. Option D would be more open-ended than Option C and not very different in its results from Option A although the Government would have to argue its case (except during "override") on the basis of market factors. Since there would be no restriction on the adjustment which could be made to the "notional" pay rates based on outside comparisons the unions would have no assurance and no safeguard for their position through assured access to arbitration. It would seem unlikely that this option would be negotiable with the unions. But they might consider that their negotiating position under it would be strengthened sufficiently by having a right of access to arbitration, if need be, on the "notional" rates based on outside comparisons. The agreement would not restrict their ability to attack as unfair the adjustments made to them subsequently by management.

77. The relative freedom of manoeuvre available to the Government under each of these options will often be more theoretical than real. The simple necessity of paying the Civil Service properly imposes its own limitations on freedom of manoeuvre (quite apart from the effects of union pressure). Both these constraints operate regardless of the pay system in force.

CASH LIMITS

78. We have not considered in detail the problem of reconciling cash limits with the operation of a new Civil Service pay system. Even under Option A some changes in procedures would be desirable in order to give the Government more room for manoeuvre in its handling of pay negotiations. But clearly if Options B, C or D were to operate successfully, the way in which cash limits were fixed would have to be sufficiently realistic and flexible to accommodate the results of applying the agreement. The cash limit could not be set in advance and used to control the outcome in terms of pay rates. It could be used, however, in the light of increases in these to secure consequential adjustments to the planned volume of spending. There is a number of ways in which cash limit procedures could be adjusted to provide more flexibility. The scope for this in relation to the 1982 Civil Service pay settlement was considered by Cabinet on 14 April and its conclusions are relevant to longer term arrangements.

OPERATIVE DATE

79. To ease this cash limit problem there might also be advantage in some change from the present operative date of 1 April for the Civil Service pay settlement. An earlier date would make it easier for the cash limit to be fixed realistically in the knowledge of the outcome of the negotiations or at least on the basis of a more accurate estimate. But a date which did not synchronise with the start of the financial year would have some countervailing drawbacks. In assessing the case for a change it would also be necessary to consider possible changes to the present "uprating" procedures (see paragraph 19(b)); and the impact of any change on the pattern of the national pay round. (Ministers will shortly be considering the case for and against greater uniformity in the date of public service pay settlements.) We have not had sufficient time since Cabinet's discussion on 14 April to reach a firm conclusion on the question of the operative date. But it can be further examined in the light of Ministers' views on the other proposals in this present report.

"NO STRIKE" AGREEMENT?

80. We have considered whether a new pay agreement for the Civil Service could be traded for a "no strike" commitment by the unions.

81. In principle the idea has considerable attractions but there are difficulties in it. The only basis on which the unions could be expected to consider surrendering their strike weapon would be an absolute assurance that the Government could not impose pay settlements on a "cash limits basis" and without recourse to arbitration. This would mean a pay agreement on lines which the Government may not be prepared to concede. It would have to meet the criteria of the unions for a fair and reasonable basis for assessing Civil Service pay coupled with a firm commitment by the Government to accept unilateral access to

arbitration. The unions would regard themselves as free to call strikes if the Government failed to implement the increases flowing from the agreement or from arbitration or if arbitration was denied to them. Some of the unions might be tempted to demand extra pay in compensation for the limitation on their freedom of action. Furthermore they might not be prepared to contemplate a "no strike" agreement which did not run wider than pay. Since other issues could be the occasion for industrial action. The unions might therefore insist on bringing into any discussion of a "no strike" agreement issues connected with, for example, pensions or grading.

82. There would also be practical difficulties in ensuring that the unions could deliver their side of a "no strike" agreement. In the last resort they are not in a position to control the actions of their members. Any agreement would therefore have to rest on an undertaking by them not to call for official industrial action, to use their best endeavours to avert or to halt unofficial action and not to impede management in using sanctions against any staff who did take unofficial action.

83. When Ministers considered the introduction of a "no strike" agreement in the Civil Service some 18 months ago they decided not to pursue the question of any general agreement of this kind. But circumstances have changed with the collapse of the present Pay Agreements and if Ministers wished to re-examine this possibility in the context of a move to a new pay system a further and more detailed report on this could be prepared for them.

INDUSTRIAL CIVIL SERVICE

84. We have concentrated in our study on a pay system to suit the non-industrial Civil Service. But we believe that the kind of arrangements which we have put forward could, with advantage, be adapted to suit the industrial Civil Service as well. A revamped PRUB might have a similar role in the provision of data for the negotiators which would need to take account of the recruitment, wastage and job security position of industrials.

NATIONAL HEALTH SERVICE

85. We were asked to consider whether the arrangements which we put forward for the non-industrial Civil Service might be extended to the NHS.

86. Any arrangements covering the Civil Service will reflect its own circumstances including the special importance of avoiding industrial disputes within the area of central Government. NHS staff are fundamentally different from non-industrial civil servants in not being directly employed by the Government. The NHS is, however, distinguished from most other public services in that virtually the whole of the cost is met by the Exchequer; and this must be the main reason for extending Civil Service arrangements to it. It is, of course, true that there would be great practical and political advantage in establishing arrangements for handling NHS pay

in a way which would minimise the risk of industrial action. This, however, is true of many other parts of the public sector, though it perhaps applies to the NHS with particular force, all the more so because of the public sympathy commanded by some of the staff groups concerned (eg nurses). It is also the case that there have been long standing links between the pay of some NHS staff groups and that of the Civil Service, so that formalising the connection would not involve establishing a new principle.

87. There are four main groups of NHS staff:-

- a. about 150,000 who have in the past had pay links with the Civil Service, eg administrative, clerical and scientific staff;
- b. about 230,000 staff who have links with other groups (eg ancillary staff who follow local authority pay; electricians who follow trade rates);
- c. about 460,000 staff who have no pay links, eg nurses, professions supplementary to medicine and ambulancemen;
- d. about 83,000 doctors and dentists whose pay is covered by their Review Body.

88. It is primarily staff at (a) and (b) where the kind of arrangements discussed in this report might be relevant. They might prove also to have limited relevance to some of the staff at (c).

89. In principle those at (a) could have their pay determined by a similar system in a number of ways. First, the same approach might be adapted to the role of "market" factors but separate data be collected for the Civil Service and NHS negotiations. This would be a costly arrangement. Second, both sets of negotiations could make use of a common data base of information collected from outside. But this would be processed independently in each set of negotiations. This might be an unnecessarily cumbersome procedure. Third, the NHS negotiations might be based on the results of processing the outside data in the Civil Service negotiations but taking account separately of differences in the recruitment, retention and job security position of the two Services. For common pay data to be usable in either the second or third option it would be necessary to establish and test comparisons between the Civil Service and NHS grading structures to enable it to be applied in the right way.

90. There would be similar possibilities if data was to be collected for the industrial Civil Service in making use of this to help in settling the pay of the staff in group (b) provided that the staff concerned would agree the replacement of their existing pay links.

91. The most difficult problem is presented by group (c) and in particular by nurses who are a very large group (well over 400,000) whose pay has hitherto not rested on any established basis. E Committee agreed last summer that the Nurses and Midwives Whitley Council should be invited to consider possible mechanisms for determining nurses' pay, and their response is awaited. Nurses' pay has substantial repercussions on pay in the NHS as a whole, and the establishment of agreed arrangements for settling their pay, if one could be found, would be of particular value. It might be necessary to seek for a number of possible broad comparators, though straightforward job-for-job comparison is unlikely to be practicable; and it is possible that some of the data collected under the Civil Service arrangements might be relevant.

92. However, we think it would be premature for Ministers to consider the arrangements for settling NHS pay until further progress has been made in considering the approach Ministers want to adopt in the Civil Service.

SUMMARY

93. In our report we have reached the following conclusions:-

a. a Civil Service pay system should have three objectives (paragraph 8):

i. to establish pay rates which enable the Government both to recruit and staff in the quantity and of the quality required and which can be defended as reasonable to public opinion and to civil servants;

ii. to meet management needs as effectively as possible;

iii. to reconcile the ultimate responsibility of Ministers for deciding pay levels with the need to minimise industrial strife;

b. the primary determinants of Civil Service pay rates should be the market factors of outside pay rates taken with other conditions of service, and recruitment and wastage assessed against forward manpower requirements and reflecting relative job security; (paragraphs 12-28)

c. comparisons should be based on outside pay rates on the basis of "whole job" comparisons. These rates must be adjusted for the relative value of pension benefits and differences in contribution levels (taking account of decisions on Scott); differences in hours and leave; and "fringe benefits". The procedures for assessing fringe benefits should be reviewed. The field of outside comparisons should exclude other public services under central Government's direct control but should include the trading public sector and local government; (paragraph 18)

d. the "median" of outside rates remains the appropriate starting point in assessing these rates for the purposes of negotiation; (paragraph 18)

e. two important changes are necessary in the way comparisons are made (paragraph 19):

i. the field of outside comparisons should be as fully representative as possible, including a full range of private sector firms, with a wider spread in terms of size;

ii. the present method of uprating should be abolished. Some alternative arrangements will be required but a final decision cannot yet be reached on these.

f. much more use should be made of information on recruitment and voluntary wastage in the Civil Service (and elsewhere to the extent that data are available) as a factor in pay negotiations. Forward manpower requirements and relative job security should also be taken into account. It is not possible to devise a formula which would indicate in an objectively quantified way what allowance should be made for these factors in determining pay rates (although it might still be possible to put a figure on the allowance that had been made for them in negotiations); (paragraphs 12-27)

g. a "third party" organisation should be used to assemble data on outside pay rates and on recruitment rates and voluntary wastage outside the Civil Service; (paragraph 29)

h. it would be desirable to use the Pay Research Unit for this purpose with the Pay Research Unit Board as independent guarantors of the way the data are produced. There should be more staff from outside the Civil Service in the Unit and individuals of the necessary stature should be appointed to its directing Board; (paragraph 31)

i. in future the Board itself should have executive control over the Pay Research Unit's work and the data collection process. Its role could, with advantage, be extended to include the processing of outside pay data in accordance with the provisions in a new pay agreement; (paragraphs 32-33)

j. internal relativities are important but they should continue to be a secondary rather than a primary factor in fixing Civil Service pay rates; (paragraph 36(a))

k. the question of introducing more geographical variations in Civil Service pay rates should be **discussed with the unions as a later and separate exercise**; (paragraph 36(b))

l. there are considerable difficulties in decentralisation of pay negotiations from national level: but this could be pursued as a separate matter if desired; (paragraph 36(c))

m. productivity bargaining should not be introduced into the non-industrial Civil Service but it should be made clear to the unions that any new pay system is dependent on their readiness to co-operate fully in the implementation of efficiency measures; (paragraph 36(d))

n. there are two fundamentally different approaches to a new system. Under the first both the Government and the unions would accept limitations on their freedom of argument by specifying the "market" factors which would determine Civil Service pay rates. Under the second there would be in essence "free collective bargaining"; (paragraph 39)

o. no Government can commit itself absolutely to implementing any pay agreement regardless of circumstances. So there will be a need for an "override" provision unless a new agreement leaves the Government free each year to argue factors of cost and economic circumstances; (paragraphs 44-51.)

p. some understanding about access to arbitration will be a condition of agreement by the unions to any new pay arrangements; (paragraph 52)

q. it would undermine the utility of arbitration in any new pay system designed for the longer term if the Government was not prepared to implement arbitration awards when made; (paragraph 54)

r. there is no way of ensuring that Civil Service increases will always match the "going rate". The best approach is to ensure that Civil Service pay rates are brought up to date as far as possible year by year to avoid storing up an increasingly embarrassing "catching up" problem; (paragraphs 62-66)

s. the four main options for a new pay agreement are (paragraphs 67-77) :-

i. Option A

A procedure agreement setting out market factors but leaving the way open for any other relevant factor to be introduced in the negotiations. Arbitration would be available only by mutual consent;

ii. Option B

An agreement under which market factors would be the primary determinant of Civil Service pay rates with provision for "override" ~~for use in exceptional economic circumstances.~~ A firm assurance that except during "override" access to arbitration would not be denied;

iii. Option C

An agreement dividing the negotiating process into two parts. "Notional pay rates" based on outside comparison would be subject to negotiation with free access to arbitration. Adjustments to take account of other market factors would, with the agreement of the unions, be made by management after discussion with them but would be subject to a stated limitation in terms of size. There would be provision for "override" in exceptional economic circumstances;

iv. Option D

A variant of the "two part" procedure of Option C under which there would be no prescribed limit on the adjustment which could be made to the "notional" rates based on comparisons; and the unions would not be committed in advance to accept the adjustment. Arbitration available to settle the final pay rates only by mutual consent;

t. the Cabinet's discussion on 14 April of adjustments to secure greater flexibility in the cash limits procedure is relevant to longer term arrangements. The case for a change in the operative date of Civil Service settlements can be further examined in the light of that discussion and Ministers' views on this report; (paragraphs 78-79)

u. the idea of trading a new pay agreement for a "no strike" agreement is attractive in principle but it has practical difficulties and the price asked would almost certainly be beyond what the Government would be willing to pay. A more detailed report could be made if Ministers so wish; (paragraphs 80-83)

v. the arrangements described in the report could with advantage be extended to the industrial Civil Service; (paragraph 84)

w. it would be premature to reach decisions on the scope for extending these arrangements to the NHS although they could be applicable to certain groups; (paragraphs 85-92)

LIST OF PAY FACTORS SUGGESTED TO E COMMITTEE BY CPRS

The following factors might be included in a new formal system for the determination of non-industrial Civil Service pay, group by group:

- a. link with private sector: eg the earnings and other conditions of service of people with similar qualifications, skills and responsibilities working outside the Civil Service, taking account of pension contributions and the nature of the eventual pension;
- b. job security: eg the average number of days the people similar to (a) were unemployed in the previous year;
- c. recruitment needs: eg any shortages in the Civil Service of particular groups of staff, nationally or locally;
- d. pay above longer-term market rates: eg any glut of unemployed staff of particular groups, nationally or locally;
- e. future demands: eg any increase or decline in the future demand by Government for particular groups, whether because of demographic movements or because of cuts decided on by the Government for economic reasons - groups affected would have their future pay amended by a percentage factor to take account of the need to attract more or fewer recruits in future years;
- f. efficiency: eg changes to take account of special gains in efficiency, such as when a better service is achieved by fewer staff as a result of new procedures or equipment;
- g. keeping in phase: eg special procedures to deal with the case when a rapid change in the rate of inflation makes a comparison going back as far as a year inappropriate: the "going rate" might then be the determining factor, with a procedure for getting back to parity if the estimated "going rate" turns out to be misleading.

PAY COMPARISONS

Basis for comparison

1. In a system using comparisons with outside pay rates it is necessary to consider how these can best be made. The method that has been used by the present Pay Research Unit is based on "whole job comparison": ie looking for jobs in the external organisations whose functions and responsibilities taken in the round are closely similar to Civil Service jobs. We believe that this approach is right. While there may be problems at more senior levels (most of which are covered by the TSRB) and in the case of some of the smaller and more specialist Civil Service grades it has not been difficult to identify with some confidence suitable analogue jobs for the main Civil Service grades.
2. The alternative method of comparison by "factor weight" on the lines employed by some management consultants builds up "job scores" by assessing the various component parts of different jobs and drawing an equivalence between those with similar scores even though the work content and mix of factors in the various jobs may be quite different. We believe that this is a more subjective basis for pay comparisons between different pay structures (as opposed to the fixing of internal relativities within one overall structure).
3. In addition, in making comparisons of pay rates the necessary adjustments need to be made to reflect differences in other related conditions of service taking account of the different grading patterns and career progression of staff in the Civil Service and in outside organisations.

Adjustments to pay rates

4. Any system for comparing the position of groups of staff in terms of remuneration must look wider than pay rates alone. We believe that under any new system (as under pay research) comparisons must be made on this basis. There are several aspects to this:-

- a. Pensions

There is a need to take account both of the relative value of pension benefits and of differences in contribution levels. The appropriate deduction for the benefit of index linked Civil Service pensions is being considered as part of the follow-up to the Scott Report. But it would be more difficult to ensure an appropriate deduction if there **were no formalised basis for quantifying pay comparisons** within the new system.

b. Hours and leave

The Civil Service unions have always argued that hours and leave should be negotiated separately and disregarded for purposes of pay comparison. There is no justification for this approach and any new system must continue to take account of differences in hours and leave as the present one does.

c. Fringe benefits

The present Pay Agreements provide for the quantification of the value to external analogues of company cars, free travel and discounts, free or cheap meals and luncheon vouchers. Other benefits such as cheap loans and mortgages, BUPA subscriptions and help with children's education are not precisely quantified but are admissible as factors in the final stages of negotiation. Fringe benefits are used much more widely now even than when the 1975 Pay Agreement was prepared: they are a familiar method of circumventing in the private sector the effects of incomes policy. The benefits are only of significance in comparisons drawn at SEO/Principal level and above (ie less than 20% of the Service) but it would not be possible to argue that they should be disregarded in any pay comparisons which are made. There are both advantages and disadvantages in quantifying fringe benefits as precisely as possible. It will be necessary to consider in detail how they should be handled in any new pay agreement and the way in which the benefits should be assessed.

Fields for comparison

5. It is important that there should be a consistent approach to the field from which outside comparisons are drawn. Variations in the coverage from year to year would be difficult to defend either to the public or to the unions.

6. The aim of the present pay research arrangements is to obtain adequate evidence of rates paid for comparable work which is representative both in its geographical spread (where this is appropriate) and in the distribution of analogues between different industrial groupings. While this approach seems to us to be broadly right we have examined three aspects of the selection of external analogues which have attracted criticism:-

a. Public sector

The Scott Report recommended that the public sector should be excluded from the field of comparison for both pay and pensions purposes. It suggested that otherwise there was a risk of making "circular comparisons". Some public sector organisations do indeed follow Civil Service rates very closely. But bodies with direct pay links to the Civil Service are already specifically excluded from the field of comparison in pay research as are also the NHS.

We think that it is right that the other central Government public services should be excluded from the outside field. A number of other public sector employers take account of Civil Service rates to some extent in their negotiations. But as one of the country's largest employers the Civil Service pay rates, however these are determined, are bound to interest large employers in all sectors, public and private alike. In its turn the Civil Service needs to take account of the rates of pay offered by its major competitors in the recruitment market. These necessarily include public sector organisations and to exclude them entirely would arguably provide an unbalanced basis of comparison. Indeed there is every likelihood that over a period of time including the public sector would not push up Civil Service rates but would rather have the reverse effect. We think that the right course would be to exclude from the field of comparison other public services under the direct control of central Government but to include both the trading public sector and local government.

b. Private sector comparisons

The pay research process has been criticised on the grounds that it gives undue weight to the banking and insurance sector (which tends to be high paying). But these employers are in the market for the same type of staff as the Civil Service and some account of this has to be taken if a valid assessment of the market is to be made. A complementary argument is that the Civil Service does not at present take sufficient account of sectors where pay rates are lower, especially the private manufacturing sector in its present difficulties. We believe that it is difficult to argue that any important areas of employment should be deliberately excluded from the basis on which the initial pay comparison is made whether this may push up or push down the basis of the comparison in any particular year. Clearly there would be no possibility of any agreement with the unions on an approach which deliberately regulated the external field to produce a biased sample. We believe that to be defensible comparison must be based on as fully representative a sample of outside employers as can be achieved.

c. Size/type of firm

This links with (b). The Priestley Report recommended that pay comparisons should be made with "good employers" with well structured personnel and pay systems and of a reasonable size. It made it clear that it did not define the "good employer" as one offering higher rates of pay. Indeed work commissioned by the Pay Research Unit Board has found no correlation between the size of organisations and their pay levels within the present pay research field. Nonetheless we think that if comparisons are to be based "on a fully representative sample of outside employers" then some way should be found of including a wider spread of organisations in terms of their size. We recognise

that there may be difficulties both in deciding on the structure of a more extended sample and in finding smaller firms with suitable analogues. The smaller the firm the greater the likelihood that a person is employed on a wide range of tasks spanning several job levels in **Civil Service** terms. But some widening of the field should be possible.

7. It will also be important to ensure under any new system that the basis on which Civil Service jobs are selected for use in the comparison process produces a fully representative and properly weighted internal field.

Problems of timing

8. Any pay system which includes comparisons of pay levels (whatever role these comparisons are to play) involves the problem of ensuring that the comparisons are as up-to-date as possible. This is particularly acute in periods when pay rates are changing rapidly. The Priestley Report recognised the need to find some way of dealing with this problem in deciding on the operative date of Civil Service pay settlements.

9. There are two distinct ways in which the analogue rates may be out-of-date. The first arises because the evidence collected as the basis for comparison of pay levels has to be assembled some time before the actual date of the Civil Service settlements to allow time for negotiation. Within that period some of the outside rates will be due for adjustment and the comparisons should take these increases into account. This may be called the "latest rates" problem. The second problem arises because some of the outside rates, although in payment at the time of the Civil Service settlement, will have been fixed up to a year earlier and will be due for revision in the near future. To that extent any Civil Service settlements based on such rates are likely to be generally out-of-date from the start. This may be called the "time lag" problem. As it happens, most outside organisations used in the present pay research survey at present have their pay settlements nine months or more before the date of that of the Civil Service.

10. Before 1975 the first problem was covered by retrospection (ie backdating the increase to an earlier date than that on which the negotiations were actually concluded). This made it possible to base the settlement on information on the rates which were actually in payment outside at the operative date of the Civil Service settlements. Retrospection did not however, make any adjustment to deal with the "time lag" problem.

11. The present "uprating" procedures introduced in 1975 were designed to meet both problems in a way which avoided **backdating over a period of months**. The method adopted is to increase each actual outside rate derived from pay research by the percentage change in the Retail Price Index over the period between the operative date of the outside settlement which produced it and the date of the Civil Service settlement.

12. There would be general agreement that any reliable system of comparison of pay levels must deal with the "latest rates" problem by basing itself on evidence of the rates actually in payment at the time of the Civil Service settlement.

13. It is more arguable whether it is right to make any allowance for the "time lag" problem. Any adjustment involves, in effect, a degree of anticipation of the next pay increase due to the analogue; and making an assumption about the level of that increase. It has been criticised as inflationary. But if no adjustment is made **then** rates based on outside pay information could quickly become uncompetitive again in terms of the outside market. In addition, civil servants would receive less pay over a period of time than did their outside analogues since they would always be "in arrears". Over a period of some years the differences in earnings could be considerable. However, even if the argument for some adjustment for this factor is accepted the present "uprating" procedures are open to objection because of their reliance on adjustments based on actual forecast movements in the retail prices index rather than on pay movements. If any "uprating" procedure was retained this would in our view have to avoid this feature.

14. We have examined four possible approaches:-

- a. to refuse to take account of either the "latest rates" or the "time lag" problem;
- b. to take account of both problems by retaining an "uprating" procedure but in some revised form which avoids reliance on price movements;
- c. to take account of the "latest rates" problem by allowing a period of retrospection in the operative date of the Civil Service settlement to enable up-to-date evidence to be used (ie in line with the pre-1975 practice). In addition the operative date might be altered to bring it as close as possible to the date of settlements for the majority of other employers in order to reduce the "time lag" problem;
- d. to avoid any formula to deal with these factors in a prescribed way and instead leave them for negotiation between the parties on an ad hoc basis.

15. We regard (a) as an unrealistic objective for any system agreed with the unions (and it could certainly not be pursued with success in the event of arbitration). Both (b) or (c) have their difficulties. (b) would be open to objection from those who believe that no adjustment should be made to take account of the "time lag" problem and would probably involve some form of linkage to a pay index. No entirely satisfactory index for this purpose is at present available. (c) would involve the reintroduction of retrospection which is now less frequent in major pay settlements outside; and the scope for any change in the pay timetable also depends on the relationship between fixing pay and cash limits **and on other**

wider considerations of the impact on the pattern of the pay round. (d) only has attractions if the aim is to find ways of introducing more room for manoeuvre in the negotiations but might have to be adopted if no satisfactory formula can be found.

Point of comparison

16. It is necessary to decide the point in the range of outside pay rates which should be used as a reference point in Civil Service pay negotiations. The point taken now (in line with the Priestley Report) is the "median" rather than the average. Where large differences exist between the highest and lowest payers and where the distribution of rates is asymmetrical the use of the median prevents a relatively few, and therefore untypical, rates (whether these are very high or very low) from having an undue influence on the comparison process. Put another way, it ensures that the comparison is drawn in terms of "the middle ground". Under any new system pay comparisons will have to be adjusted for a range of other factors. In these circumstances providing that the outside field is made truly representative in the way in which we have suggested we think it would be preferable to accept that the "median" is a reasonable starting point in assessing outside pay rates for the purpose of the negotiations, including the impact of other factors. As now, both parties could advance arguments about the validity of the "median" on particular occasions if the pattern of outside rates proved to be an unusually erratic one.

Copied to:
Mr. Vesker
Mr. Duguid
Mr. Gaffin

CONFIDENTIAL



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

28 April 1981

The Rt. Hon. Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council

Dear Lord Soames

CIVIL SERVICE DISPUTE

There is one point which is not covered in the letter of 23 April from your Private Secretary to No.10 reporting the outcome of your discussions with the Civil Service unions last week, and which gives me some concern.

As I understand matters, when the unions raised the question of access to arbitration in 1982, you initially replied that you could neither promise nor exclude arbitration at this stage: in other words, that you did not think it appropriate either to withdraw from the 1925 Arbitration Agreement or to commit the Government to not exercising the right which it has consistently reserved to refuse arbitration on grounds of national policy. If I may say so, this seems absolutely the right line to take.

I also understand, however, that on further questioning you undertook to reflect, without commitment, on the possibility of a commitment to arbitration in 1982 and to consult your colleagues as necessary. I recognise that this is consistent with the decision that Cabinet took on 14 April. Nevertheless, I do think it would be unwise, particularly at such an early stage, to give the unions the impression that a commitment to arbitration in 1982 is something which the Government is likely to concede. As you know, I have very strong misgivings on the matter, as do several of our colleagues; and I could certainly not agree to a concession being offered when the unions are being so intransigent on other matters. I feel strongly that the unions should

/be left in

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be left in no doubt that this is a point on which the Government will find it very difficult, maybe impossible, to yield.

I am sending copies of this minute to the Prime Minister and the Secretary of State for Employment.

[Handwritten signature]

GEOFFREY HOWE

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1981

MR VEREKER

cc Mr Wolfson
Mr Hoskyns
Mr Lankester

LAYING-OFF WHITE COLLAR WORKERS

2.

1. Your minute of 27 April to the Prime Minister concludes by saying that the question of legislation to permit laying-off white collar civil servants might need to be reconsidered shortly.
2. When this was discussed by Ministers, it was agreed that legislation should be prepared on a contingent basis. I think the general consensus was that if a change in the law was made, it should not only affect the position of civil servants. Instead, it should affect the generality of white collar workers. There must be many private sector companies which are increasingly dependent upon small groups - eg computer operators or maintenance men - and are therefore vulnerable to selective strike action in the same way as the Civil Service. Technological developments are likely to make this an even bigger threat in the future. Against this background, it seems extraordinary that a well-organised union could ensure that only a few key people were pulled out, but the employer was left with an obligation to pay the full salary of all those white collar workers rendered unable to do useful work.
3. Properly explained, I think it would be possible to sell a legislative change. But one which singled out the civil servants would be very hard to justify.
4. There has been very little public debate of this issue. Many people are, I am sure, unaware of the legal position. I recall that when Ministers discussed the possibility of a change, the Department of Employment informed us that private sector employers would have no wish to see such a change. The point of this minute is to tell you that at a private lunch two weeks ago, Sir Terence Beckett expressed the opinion that the present state of affairs should be rectified. This is not to say that the CBI have a clear policy on the point. But we should not readily accept a suggestion that the CBI would be opposed to a change.


ANDREW DUGUID

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b.c. Mr. Vereker
Mr. Duguid



10 DOWNING STREET

From the Private Secretary

27 April 1981

CIVIL SERVICE PAY

The Prime Minister has read Sir Ian Bancroft's letter of 24 April to Sir Douglas Wass. As I told you on the telephone, her initial reaction is that the draft terms of reference for the proposed inquiry, which was enclosed with Sir Ian's letter, are too narrow: she would prefer a wider ranging inquiry which would cover such major issues as structure and organisation as well as pay and grading. She also does not see why those civil servants whose salaries come within the remit of the Top Salaries Review Body should be excluded from the inquiry. In addition, she believes the preamble to the draft needs to be improved, and would prefer something on the following lines:

'Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service; to the need for the Government to reconcile its responsibilities for the control of inflation and public expenditure with its role as an employer; to the need to maintain good industrial relations and to avoid disruption; and to the experience and difficulties of operating the existing arrangements in recent years.'

I am sorry not to have got these comments to you before Sir Ian's meeting this morning. However, you told me that they could still be taken into account in the Lord President's submission to the Prime Minister.

I am sending copies of this letter to the Private Secretaries to Sir Robert Armstrong, Sir Kenneth Barnes and Sir Douglas Wass.

T. P. LANKESTER

Jeremy Colman, Esq.,
Civil Service Department.

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cc: Mr Wolfson
Mr Ingham
Mr Duguid

2

PRIME MINISTER

CIVIL SERVICE INDUSTRIAL ACTION

mf

I said this morning that I would clarify the status of the Air Traffic Controllers employed by the Civil Aviation Authority who are taking industrial action today. I confirm that although they are members of one of the Civil Service unions (the IPCS), they have not been Civil Servants since the CAA was hived off from the Civil Service in 1972; but it was a condition of that hiving off that there should be a firm pay link with the Civil Servants. Late last week all the unions concerned in the CAA adopted a formal pay claim, which the CAA could not accept, so there is now a formal dispute. Although action before then probably could have been the subject of an injunction under the Employment Act, that would not be possible now. The CSD and the CAA have agreed to make it clearer in their public briefings that the air traffic controllers are not civil servants.

Civil Service industrial action today appears to have intensified slightly, according to reports received by Mr Heyhoe's monitoring group. The morning shift were on strike in five air traffic control centres, and although the backlog of aviation traffic should be clear by the end of the day the pattern for the whole week is expected to be substantial disruption in both morning and afternoon. Action in Customs and Excise has spread to the South Coast ports. Action continues at defence establishments and DHSS offices; and the Department of Employment Benefits Computer at Livingston is likely to be out of action for three days this week. But the Inland Revenue report that their revenue collecting arrangements at Bush House are still going well. The Treasury expect the backlog of revenue to be about £2½ billion by the end of this month, but are not alarmed at that prospect.

The threat of Temporary Relief from Duty (TRD) is increasingly, and successfully, being used - I hope some figures will be available in time for Questions tomorrow. Numbers are beginning to build up of those who are unable to work because of industrial action taken by

/others;

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- 2 -

others; there are perhaps now a few hundred, and they might reach 2 - 3 thousand over the next two weeks. If they do reach such a level, the question of legislating to lay them off without pay might become an issue again.

J.

(The CAA Chairman is Sir Nigel Foulkes)

27 April, 1981

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MS

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Prime Minister

cc Mr. Whitmore /
Mr. Hoskyns
Mr. Gaffin

MR. VEREKER

Kendall has asked to see Lord Soames "in a personal capacity", and this has been arranged for 1030 on Monday. We understand that he does not propose to tell the press about the meeting. You may like to have a word with Lord Soames on ~~Friday~~ the telephone on Sunday about the dispute generally.

CIVIL SERVICE PAY DISPUTE

The following points of interest arose at Mr. Hayhoe's daily monitoring meeting today (chaired by Sir John Herbecq):

Friday, 24 April.

24.4

a. CSD have received hints that the unions are ready to continue talking. It should become clearer on Monday whether they really are - and if so whether overtly or in secret. Herbecq hoped that Ministers could be restrained for a day or two while the position became clearer. Departments hoped that managers and moderates would be told soon if the unions have not - as it first appeared - slammed the door. This would boost morale.

b. Departments were on the whole unable to report grass roots reaction to the Government's move yesterday. They had all taken steps to notify staff of the Government's position.

c. Action at the Passport Office is now expected for another week. Air Traffic Controllers have voted in a secret ballot for strike action next week, by a small majority. The pattern will become clearer tomorrow.

d. Revenue collection was down this week, but this could partly be the effect of Easter. Treasury now expected a backlog of £2.25 billion by the end of the month. The economic effects continue to give little cause for concern.

e. Unlawful picketing may be taking place at the courts in Bristol. The civil remedies provided in the 1980 Employment Act were unlikely to be of much use to management. The more effective remedy would

I attach a copy of Kendall's letter to Lord Soames declining to resume yesterday's talks later the same day.

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/be for the

be for the police to enforce the criminal law strictly. Any suggestion of obstruction or intimidation would provide a basis for this. Herbecq thought it important that the facts should be put to Ministers.

f. There was scope for increased use of TRD. Herbecq said that CSD Ministers would not want to restrain any Department from getting on with this.

g. Herbecq referred to the possibility of escalation by the Government if the unions did slam the door. Greatly increased use of TRD might make large numbers of people unable to work. This would raise the question of action to make lay-offs possible. "Floating" the effective settlement date (ie removing any implied commitment to retrospection to 1 April) was another possibility.

h. There was general agreement that some unions - particularly CPSA - were more intent on a higher figure than 7% this year, while others attached more importance to 1982 and the longer term arrangements.

i. MoD said there was some evidence that military opinion, with the AFPRB recommendations looming, was that the Government had treated its civilian employees badly.

j. Today's press coverage had not been very good from the Government's point of view, partly because CSD Ministers had deferred briefing the Press until the unions had responded. This meant that too many reporters got the story of the Government's offer from the union press conference - rather than from Government sources.

What evidence?

24 April 1981

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AD
ANDREW DUGUID

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PRIME MINISTER

Civil Service Pay: The Longer Term

24/4/81
The letter from Sir Ian Bancroft to Sir Douglas Wass at Flag A sets out some draft terms of reference for the proposed enquiry into the long-term pay arrangements for the Civil Service. These, and the question of the membership of such an enquiry, are due to be discussed at a small meeting of Permanent Secretaries on Monday, with a view to a submission being made to Ministers as soon as possible.

In his letter Sir Ian Bancroft touches upon the question of whether the scope of the enquiry should be confined to pay and those factors which impinge directly on pay or whether it should be widened to include such other major issues as structure and organisation. He comes down on the side of going for a narrower enquiry on the grounds that this is the best way of reaching conclusions in time for the 1983 pay round. He acknowledges, however, that you may be in favour of a wider enquiry.

54 6-4-81 24/4/81 — The Policy Unit have submitted advice at Flag B. They strongly prefer a wide ranging enquiry. They also offer comments on the terms of reference circulated by Sir Ian Bancroft.

Do you wish to take a view at this stage before the matter has been put formally to Ministers on whether the enquiry should be in principle a wide one or a narrow one?

If, in the interests of speed, you decide in favour of a narrow enquiry, are you content for me to pass on to Sir Ian Bancroft the changes in the draft terms of reference proposed by the Policy Unit?

The proposed terms of reference are much too narrow. JAW.

24 April, 1981

I agree with policy unit proposal.

MS.

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Copy to Mr Vesker
Mr Douglas.

CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.

Head of the Home Civil Service

Sir Douglas Wass GCB
HM Treasury
Parliament Street
LONDON SW1P 3AE

24 April 1981

Dear Douglas,

CIVIL SERVICE PAY

... I attach a revised draft of the terms of reference of the proposed inquiry into the future pay arrangements for the Civil Service. You will see that we have tried to keep them fairly narrow in the hope that this will improve our chances of getting an outcome in time for 1983.

Robert Armstrong's earlier draft ranged wider. It covered structure and organisation as well as pay and grading. That would be an enormous job and it is doubtful whether it could be completed in time for 1983. But the Prime Minister would probably prefer a more wide ranging inquiry and we must take that into account.

My office has set up a meeting here at 10.30 on Monday, to which we have also invited Robert and Ken Barnes, so that we can take each other's minds about the terms of reference and also the composition of the inquiry, particularly the chairmanship which will be of the utmost importance. The Lord President feels that, despite the unions' initial reactions, we should press on urgently and privily with the preparatory work for setting up the inquiry.

I am sending copies of this letter to Robert Armstrong, Ken Barnes and also, for his information, to Clive Whitmore.

Yours ever,

Ian

IAN BANCROFT

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TERMS OF REFERENCE

Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service; to the need for the Government to be able to reconcile its obligations as the employer of civil servants with its responsibilities to Parliament for the control and management of public expenditure; and to the experience and difficulties of operating the existing arrangements in recent years:

to consider and make recommendations on the principles which should govern the settlement of the rates of pay of the non-industrial Civil Service (excluding those civil servants whose salaries come within the remit of the Top Salaries Review Body) and the methods by which those principles should be applied, taking account of all relevant terms and conditions of service.

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24 April 1981
Civil Service Department

24 April 1981

Policy Unit


PRIME MINISTER

CIVIL SERVICE PAY

1. If there is to be an independent enquiry into the longer-term arrangements for Civil Service pay, the terms of reference and membership are obviously crucial. The Scott experience makes that abundantly clear.
2. This enquiry provides an opportunity which is unlikely to be repeated during the 1980s to look at the related subjects of Civil Service efficiency and management structure. If questions like regional variations in pay or productivity payments or other forms of incentive are to be addressed, it is clear that they raise issues of management structure. But if the terms of reference refer only to pay, the enquiry team will probably feel unable to consider related management issues. This will in turn ensure a fairly conventional approach to pay, and a missed opportunity to make progress on Civil Service reform.
3. We therefore strongly favour a more wide-ranging enquiry. No doubt there will be CSD resistance to this. One argument will be that such an enquiry could not be ready for 1983. Of course, such a wider-ranging enquiry will be a big job - both to conduct and to implement. But we should not accept, too readily, the idea that it would be impossible to do it in time for 1983. For comparison, one only has to look at the speed with which restrictive practices have been dropped, union rule books laid to one side and management authority reasserted in the private sector - all over a period of months, rather than years - once management and unions realised that "the party was over".
4. If, however, further study suggests that it really is impossible to have a new system in place for 1983, there may be positive advantages in having only interim arrangements (rough justice on the lines suggested in our earlier papers) for 1982 and 1983.
5. Whatever the scope of the enquiry, we have the following observations on the draft circulated by Sir Ian Bancroft:

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- (a) The preamble does not need to refer to concepts of "fair remuneration" and "employer obligations". Pay is not primarily a matter of fairness but simply a price necessary to ensure recruitment and maintenance of the right staff. It is essentially a market concept, not one of "fairness". Because the normal market processes cannot operate fully in a large career service, we need some kind of pay system to approximate to the market outcome. Our aim is to find the best approximation - in other words the most efficient solution, rather than the fairest.
- (b) We should refer explicitly to the Government's responsibility for maintaining a stable currency (controlling inflation was also stated to be the first economic priority of the previous Government).
- (c) Part of the enquiry's objective should be to find a system which makes industrial disputes unnecessary.
- (d) We see no reason to exclude those grades covered by TSRB.
6. We have incorporated a few drafting changes to reflect these points on the attached redraft of the preamble. However, the terms of reference need much more radical re-casting if the scope of the enquiry is to be widened.
7. I am copying this note to Sir Derek Rayner, in view of the connection with Civil Service reform.



JOHN HOSKYNS

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TERMS OF REFERENCE

✓ Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service; to the need for the Government to reconcile its responsibilities for the control of inflation and public expenditure with its role as an employer; to the need to maintain good industrial relations and to avoid disruption; and to the experience and difficulties of operating the existing arrangements in recent years:

to consider and make recommendations on the principles which should govern the settlement of the rates of pay of the non-industrial Civil Service and the methods by which those principles should be applied, taking account of all relevant terms and conditions of service.

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CIVIL SERVICE DEPARTMENT
 WHITEHALL LONDON SW1A 2AZ
 Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Cipri ✓ *Mr Verdel*
Mr August
Mr Griffin

N.B.M.

MU
23w

C A Whitmore Esq
 Private Secretary
 Office of the Prime Minister
 10 Downing Street
 LONDON SW1

23 April 1981

Dear Clive,

INDUSTRIAL ACTION PROGRESS REPORT

We will of course be letting the Prime Minister have a full report on today's meeting with the unions, but meanwhile, you and copy addressees may like this factual report on recent industrial action.

The industrial action over Easter weekend did not cause too many problems - the union propaganda was, as usual, considerably exaggerated. There were no undue delays to passengers as the result of action by Customs Officers. There were delays at Glasgow Airport on Easter Saturday because of industrial action by Immigration Officers but, that apart, no real difficulties. No industrial action was taken by Civil Aviation Authority staff.

There has been no marked change in the pattern of the industrial action since my last report on 16 April. In the Ministry of Defence, selective action continues to affect the naval programme; staff are on strike in four areas of Customs and Excise (VAT office at Southend, Northern Ireland Land Boundary, West Coast ports, Manchester (Betting Duty)); the two Inland Revenue Accounts Offices at Cumbernauld and Shipley are closed; some staff are on strike in Scotland (Edinburgh and Glasgow Sheriff Courts, Scottish Office Computer Centre, Registers of Scotland and three DHSS local offices); and 240 staff are still out in DHSS, mainly at the Newcastle computer recording national insurance contributions.

The one new development is that 42 staff (Passport Examiners) are on strike at the London Passport Office. A restricted service is being maintained; the position does not yet appear to be serious.

CONFIDENTIAL

C A Whitmore Esq

23 April 1981

The unions have said that they do not propose to change their strategy for the time being. This means that we can expect much the same pattern of activity to continue next week. One development could be industrial action by Air Traffic Control Officers, Air Traffic Control Assistants and technical staff employed by the Civil Aviation Authority. I will report on this when we have firmer information.

Details of the numbers on strike yesterday are given in the attached Annex.

Copies as usual.

Yours ever,

Jeremy Colman

J G COLMAN
Private Secretary

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2

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
SUMMARY OF POSITION - 23 APRIL 1981

Department	Number on strike	Remarks
Customs & Excise	743	277 data processing staff on strike at Southend computer; 243 customs staff at West Coast ports; 185 staff on the NI Boundary 38 Manchester Betting Duty Office.
MOD	582	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, bill-paying (Liverpool), Mapping and Charting Establishment (Feltham & Taunton) Directorate of Submarine Projects (Bath) and 5 Oil Fuel Depots.
Employment		Staff at Runcorn computer centre are working normally.
Environment	4	Cartographers at HQ, Marsham Street.
DHSS	240	230 staff on strike at Newcastle computer recording NI contributions; 10 at North Fylde Central Accounts Office; plus 120 staff taking unofficial strike action at three local offices in Scotland.
Inland Revenue	1479	901 on strike at Cumbernauld, Shipley and Worthing computer centres; remainder at various Collection Offices.
Lord Chancellor's Department		
PSA	23	Strike by maintenance engineers at RAF Brawdy works offices. 3 Engineers at Aberporth. 10 PTOs at St Athans.
Depts of Trade & Industry	140	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists at Cardiff.

Scottish Office	25	Staff at the Scottish Computer Centre.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
FCO	42	Passport Examiners at the London Passport Office.
Home Office	6	Staff picketing Horfield Prison, Bristol.
TOTAL	3,558	

COUNCIL OF CIVIL SERVICE UNIONS

12

19, ROCHESTER ROW • LONDON SW1P 1LB • Tel. 01-828 277-9

Secretary General:
W.L. KENDALL

Secretary:
P. D. JONES

B.G. SUTHERLAND

LORD SOAMES
ICE
23 April 1981

Mr Fraser
Mr Jamieson
Mrs Stannard
Mr Buckley (Try)
Mr Bennett
Mr Pearce
Mr Allen

Mr Murray

The Rt. Hon. Lord Soames,
Lord President of the Council,
Civil Service Department,
Whitehall,
London SW1A 2AZ

W.L. Kendall

We promised an early response to the points put to the Trade Union Side at the meeting today. I have to say that the sincerity of the Government's longer-term intentions would be more credible if there were a willingness to negotiate or arbitrate now.

1981

We note your statement that you "are not in a position to offer more than 7 per cent" for the 1 April 1981 pay settlement. The evidence shows that 7 per cent is inadequate and that Government has determined this figure without reference to the facts. There is no way out of the present dispute whilst the Government adheres to 7 per cent. If you are not prepared to negotiate and move towards a settlement of our claim, we must insist upon access to independent arbitration. We will honour any arbitration award.

1982

We note your statement that the Government will not allow the pay agreement to apply in 1982 but will be prepared to agree that the salary cash limit for that year will not be set in advance of the pay negotiations. This falls far short of a positive assurance that realistic and genuine negotiations will take place. Although you acknowledge that the Government did

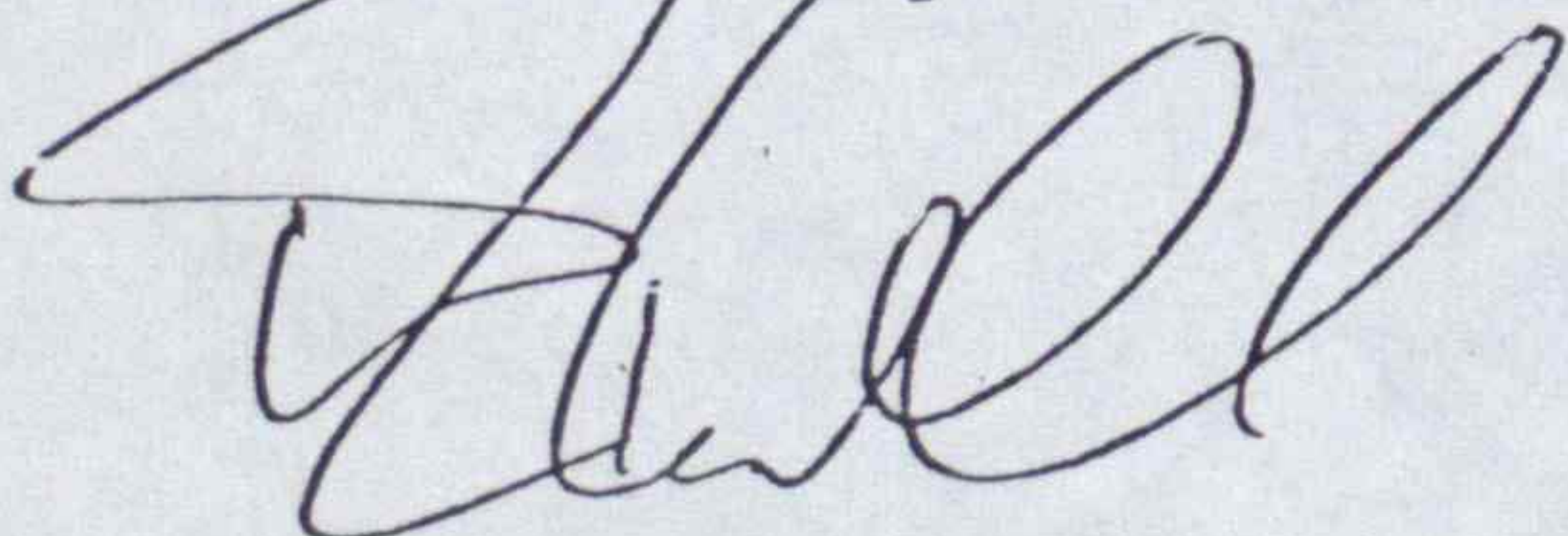
not want the Civil Service to fall behind and wish to ensure fair treatment, you referred in vague terms to other factors which would have to be taken into consideration. However, you did not define these factors, neither did you assure us that there would be independent fact-finding through Pay Research or independent arbitration.

Beyond 1982

As an alternative to a joint review of the Pay Agreement, you suggested the possibility of an "authoritative independent inquiry" to advise on establishing an orderly pay system for the Civil Service. This would be followed by joint negotiations to produce a new agreement. We see no need for such an inquiry because the basic principles of the Priestley Royal Commission - fairness to the taxpayer's interest and fairness to the civil servant as employee - remain valid and defensible against all public criticism. Moreover, the procedures you suggest would involve further long delay, going well beyond 1982. We are at a loss to understand why you have put this proposal forward in preference to making concrete proposals for reviewing the Pay Agreement.

I have to repeat that our approach to 1982 and beyond is conditional upon a reasonable response to our request for realistic negotiations in 1981 or the acceptance of independent arbitration.

Yours sincerely,



W L KENDALL
Secretary General



From the Private Secretary

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

23 April 1981

Nick Sanders
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Nick,

CIVIL SERVICE DISPUTE

This is no more than a bare summary of what has happened today which I hope will be suitable for you to put straight into a telegram to the Prime Minister.

The Lord President saw the Council of Civil Service Unions today (Thursday) at 1230. The Lord President told them:

1. 7% was the most that could be afforded from cash limits this year;
2. For 1982 the Government would enter pay negotiations without a pre-determined limit on the cost of the settlement;
3. For the longer term, the Government was not prepared to return to the existing Pay Agreement which no longer commanded public confidence but a framework was needed which could take account of relevant factors, including for example the position on recruitment and retention. The Lord President suggested that an authoritative outside inquiry might help in working out a new system.

The Council of Civil Service Unions asked a number of questions about 1981 and 1982 and then responded to the Lord President's invitation for them to continue talks after a period of reflection later that afternoon by saying they would contact us.

That they did by sending a letter (copy attached for the Prime Minister's return) and holding a Press Conference. The letter is disappointing but in spite of what looks like a clear turndown we were surprised to hear informally from Mr Kendall that there could still be scope for continuing the dialogue. I will report further.

To ensure that the Government's initiative goes directly to civil servants we sent a circular letter to all Departments early this afternoon. A Press Statement was issued and the Lord President was interviewed by BBC TV and radio, ITN and Independent Radio News.

Yours sincerely,
Jim Buckley.

J BUCKLEY

Copy to N Verelst
Mr Duggan
N Gaffin.

File:
N-



Civil Service Department

Whitehall SW1

LP
1150

23 April 1981

LORD SOAMES OFFERS INDEPENDENT INQUIRY ON CIVIL SERVICE PAY

Lord Soames, Lord President of the Council, offered to set up an independent inquiry to determine future pay arrangements for the Civil Service at a meeting with representatives of the Council of Civil Service unions today (Thursday).

He also said that the Government would enter pay negotiations in 1982 without a pre-determined limit on the cost of the settlement.

On the level of pay increase for 1981 Lord Soames reaffirmed that 7% was the most that could be afforded from within cash limits. He said the offer was a fair and reasonable one: workers in other public services had already settled at around the same level.

On future pay arrangements for the Civil Service Lord Soames repeated that the Government was not prepared to return to the existing Pay Agreements which no longer command public confidence. The Government's objective remained the establishment of a new ordered and agreed system which would meet the legitimate interests of all concerned and which would win wide acceptance as a fair and reasonable way of settling Civil Service pay. He assured the unions that within a new system there would be a role for outside comparison and that it was not the Government's intention that the terms and conditions of service of civil servants should, generally speaking, fall behind those being applied outside the Service. But a framework was needed which could take account of all relevant factors including for example the position on recruitment and retention.

Lord Soames suggested to the unions that an authoritative outside inquiry which could examine in depth all the issues involved might help in working out a new system. He would be happy to discuss both the terms of reference and the composition of the inquiry with the unions, and asked them to let him have their views on this possibility.

Whether an inquiry was set up or direct negotiations launched with the unions on a new system it was unlikely to be in place in time for the 1982 settlement. In those circumstances negotiations would take place in which each side was free to introduce whatever factors they considered to be relevant. Lord Soames gave the unions an assurance that the Government would be prepared to negotiate without a pre-determined limit on the cost of the 1982 settlement.

The union representatives, led by Mr William Kendall, Secretary General of the Council of Civil Service Unions, agreed to consider the Lord President's proposals and to respond to them in due course.

Press Office
Civil Service Department
Old Admiralty Building
WHITEHALL
London SW1A 2AZ

Tel: 01-273 3283, 4002 and 4274



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 5448
Switchboard 01 273 3000

23 April 1981

Dear Establishment Officer

The Lord President met the Civil Service unions late this morning to discuss the present pay dispute. With this letter I am sending you a summary of the main points in the statement which he made at the meeting. The discussion was adjourned while the unions consider the statement; it may be resumed later in the day. We shall keep you briefed on developments. Meanwhile you can draw on this note for briefing management and getting the Government's position across to staff in a positive way.

A note in similar terms is being sent to your Permanent Secretary.

John Pearce
John Pearce
J B Pearce

ENC

MEETING BETWEEN LORD PRESIDENT AND CIVIL SERVICE UNIONS ON 23 APRIL

1. At a meeting with representatives of the Council of Civil Service unions this morning Lord Soames, Lord President of the Council, offered to set up an independent inquiry on future pay arrangements for the Civil Service. He also said that the Government would enter pay negotiations in 1982 without a pre-determined limit on the cost of the settlement.
2. On the level of pay increase for 1981 Lord Soames reaffirmed that 7% was the most that could be afforded from within cash limits. He said the offer was a fair and reasonable one: workers in other public services had already settled at around the same level.
3. On future pay arrangements for the Civil Service Lord Soames repeated that the Government was not prepared to return to the existing Pay Agreements which no longer command public confidence. The Government's objective remained the establishment of a new ordered and agreed system which would meet the legitimate interests of all concerned and which would win wide acceptance as a fair and reasonable way of settling Civil Service pay. He assured the unions that within a new system there would be a role for outside comparison and that it was not the Government's intention that the terms and conditions of service of civil servants should, generally speaking, fall behind those being applied outside the Service. But a framework was needed which could take account of all relevant factors including for example the position on recruitment and retention.
4. Lord Soames suggested to the unions that an authoritative outside inquiry which could examine in depth all the issues involved might help in working out a new system. He would be happy to discuss both the terms of reference and the composition of the inquiry with the unions, and asked them to let him have their views on this possibility.
5. Whether an inquiry was set up or direct negotiations launched with the unions on a new system it was unlikely to be in place in time for the 1982 settlement. In those circumstances negotiations would take place in which each side was free to introduce whatever factors they considered to be relevant. Lord Soames gave the unions an assurance that the Government would be prepared to negotiate without a pre-determined limit on the cost of the 1982 settlement.

B. R.
file
KWH
23rd

CONFIDENTIAL

MR WHITMORE

cc:- Mr Gaffin
Mr Duguid

CIVIL SERVICE PAY DISPUTE

It may be helpful if I set out where we have got to on the Civil Service pay dispute, as events are moving quite fast.

Negotiations with the Unions

The Lord President saw Mr Kendall and other representatives of the Council of Civil Service unions this morning. The Civil Service Department have prepared the attached summary of the main points he made to them. The Union side did not respond at the time, but have now sent a message to the effect that they would be making written comments later today (and Mr Gaffin has since told me that Mr Kendall will be holding a press conference at 1630 hrs this afternoon; accordingly, Mr Gaffin has advised the Lord President that he should also put the Government's position on record).

Mr Heyhoe gave some further details to his group this afternoon. Most notably, it appears that the central issue of arbitration was, despite its absence from the summary, discussed this morning. The Lord President ruled out arbitration on this year's settlement, but said that although he hoped for a negotiated solution for the 1982 settlement he would not rule out arbitration then. He took note of the considerable interest attached to arbitration by the unions. This seems to me to be sailing too close to the wind, since he does, of course, have to consult the Chancellor before offering arbitration for 1982, and the Treasury are distinctly edgy about it.

The atmosphere of the meeting was good, and the unions did not react sharply when the 7% limit for this year was reaffirmed. Sir John Herbecq commented that he thought the unions were surprised at how substantive a statement the Lord President had made, but they were a long way from calling off the industrial action.

/The Heyhoe Group

CONFIDENTIAL

CONFIDENTIAL

- 2 -

The Heyhoe Group

Mr Heyhoe's group, charged with responsibility for monitoring the industrial action, is meeting daily. There is no significant new trend in the pattern of industrial action. I have detected the beginnings of some antipathy between the major employing departments and the CSD over the management of the negotiations, as the big employers come under increasing pressure from their senior staff who are carrying the extra work-load. I have asked for a round-up report to be sent to us in time for the Prime Minister's weekend box.

MISC 54

The report of MISC 54, which is now only relevant either as an input to Government evidence for the proposed public enquiry, or if the unions reject such an enquiry, will be discussed for the last time among officials tomorrow morning, and thereafter will go to the Lord President and the Chancellor. I note that it is on the draft Cabinet agenda for 30 April, but there must be some doubt as to whether the Lord President and the Chancellor will be ready to put it forward by then. The report concludes that there are four main options for a new pay agreement, ranging from something closely akin to free collective bargaining, through the mixed approach which I circulated round No.10 in draft some weeks ago, to a fully automatic system with provision for a Government override in exceptional economic circumstances. When this does come to Cabinet, I should like to have the opportunity to provide a short brief.

↓
N.

23 April, 1981

CONFIDENTIAL

MEETING BETWEEN LORD PRESIDENT AND CIVIL SERVICE UNIONS ON 29 APRIL

1. At a meeting with representatives of the Council of Civil Service unions this morning Lord Soames, Lord President of the Council, offered to set up an independent inquiry on future pay arrangements for the Civil Service. He also said that the Government would enter pay negotiations in 1952 without a pre-determined limit on the cost of the settlement.

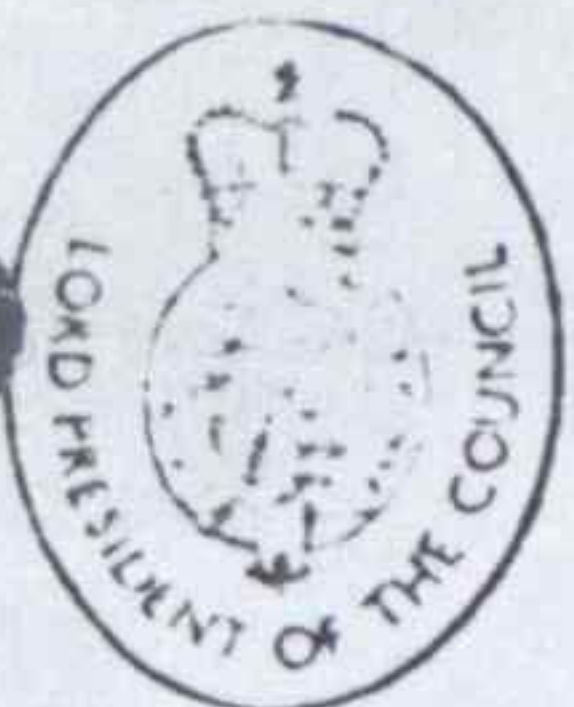
2. On the level of pay increase for 1951 Lord Soames reaffirmed that 7% was the most that could be afforded from within cash limits. He said the offer was a fair and reasonable one: workers in other public services had already settled at around the same level.

3. On future pay arrangements for the Civil Service Lord Soames repeated that the Government was not prepared to return to the existing Pay Agreements which no longer command public confidence. The Government's objective remained the establishment of a new ordered and agreed system which would meet the legitimate interests of all concerned and which would win wide acceptance as a fair and reasonable way of settling Civil Service pay. He assured the unions that within a new system there would be a role for outside comparison and that it was not the Government's intention that the terms and conditions of service of civil servants should, generally speaking, fall behind those being applied outside the Service. But a framework was needed which could take account of all relevant factors including for example the position on recruitment and retention.

4. Lord Soames suggested to the unions that an authoritative outside inquiry which could examine in depth all the issues involved might help in working out a new system. He would be happy to discuss both the terms of reference and the composition of the inquiry with the unions, and asked them to let him have their views on this possibility.

5. Whether an inquiry was set up or direct negotiations launched with the unions on a new system it was unlikely to be in place in time for the 1952 settlement. In those circumstances negotiations would take place in which each side was free to introduce whatever factors they considered to be relevant. Lord Soames gave the unions an assurance that the Government would be prepared to negotiate without a pre-determined limit on the cost of the 1952 settlement.

X CL = "to a limited extent, provisional"



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

~~return pls to~~ 23 April 1981
R

A J Wiggins Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

in the ~~Handwritten~~ *Duguid*

R.
R. 25/4

Dear John,

CIVIL SERVICE PAY

As you know, Cabinet on 9 April asked the Chancellor and the Lord President to circulate as soon as possible a list of facts and points for Ministers to draw on in discussions about the current dispute.

... Treasury and CSD officials have now prepared the enclosed draft material, which is agreed between them on a provisional basis. It consists of a short Guidance Note suggesting points to be made about Civil Service pay, pensions and job security, and a more detailed Fact Sheet. The Lord President is generally content with this material, although he would be glad to have the Chancellor's views, and those of the Secretary of State for Employment, on whether the available statistics would enable us to say anything more about job security than is at present contained in the Guidance Note and Fact Sheet (Section IX). If the Chancellor is also content, I would propose to write to Private Secretaries on the lines of the enclosed draft letter.

I am sending a copy of this letter and enclosures to Clive Whitmore, Richard Dykes and Sir Robert Armstrong.

Yours sincerely,
Jim Buckley.

J BUCKLEY

GUIDANCE NOTE FOR MINISTERS

Ministers may wish to draw on the following statements about Civil Service pay, pensions and job security, when making public references to the current Civil Service dispute. The statements are based on the accompanying fact sheet (references are to the relevant fact sheet section). All figures are for the non-industrial Civil Service, unless otherwise stated. Industrial civil servants are not involved in the present dispute.

PAY
Civil Service pay increases have kept broadly in line with those of white collar workers in the private sector since 1970.

And the pay research settlements of the last two years - which gave average increases of almost 50% - brought Civil Service rates fully up to date with the rates paid for comparable work outside after a period of falling behind during the incomes policy of the previous Administration. [Payment of both settlements was staged or deferred in the first year to keep within cash limits; but both have now been fully implemented.]

II

Over the same two year period in the economy as a whole prices have gone up by 34%, average earnings by 38%, and non-manual earnings by 40%.

III & V

Pay research has been implemented five times in the last decade - and four of the five were implemented by Conservative Governments.

IV

The Cost of Civil Service pay cannot be ignored. This year's total pay bill (industrials and non-industrials) is £5 billion - or £7½ billion including other administrative costs and pensions too. £7½ billion is 10% of all central Government expenditure. Each 1% increase in pay this year will have cost £46 million.

VII & VIII

Pay and price increases generally are coming down. In the current pay round [since 1 August 1980] pay increases are now within single figures, and price increases have fallen from 15% in December to about 12½% in March.

IX

JOB SECURITY

At the present time of high unemployment and of a steeply rising level of redundancies in the economy as a whole, civil servants enjoy relatively high job security.

[It is advisable to rely on general statements on this subject as insufficient evidence is available at present to indicate whether civil servants' jobs are more or less secure than those of people in comparable - white collar - work outside.]

PENSIONS

X Like other public servants, civil servants have had index linked pensions since 1971.

No decisions have yet been taken on action in the light of the Scott Report. It recommended a Civil Service pensions deduction of 7%-13%. The present total effective employee contribution of 7.9% is at the lower end of the range.

CIVIL SERVICE NUMBERS

Current Civil Service numbers are: 543,000 non-industrials;
152,000 industrials.

PAY

I Pay Increases, 1970-1980: Comparisons between Civil Service (or public sector groups including CS) and private sector(1)

	<u>1970</u> ⁽²⁾	<u>1975</u>	<u>1980</u>
(a) (i) <u>Basic pay of Civil Service Administration Group:</u>	100	200	368
(ii) Average earnings of private sector non-manual males:	100	191	402
(iii) (i) as proportion of (ii)	100	105	92
(b) <u>Index of average weekly earnings of non-manual employees in central Government(3) as proportion of index of average weekly earnings of non-manual workers in private sector</u>			
Men aged 21 and over:	100	101	104.8
Women aged 18 and over:	100	99.8	96.4
Amalgamated figure:	100	104.9	105.2
(c) <u>Index of average weekly earnings of non-manual employees in public sector as proportion of index of average weekly earnings of non-manual employees in private sector</u>			
Men aged 21 and over:	100	106.6	100.8
Women aged 18 and over:	100	99.9	91.4
Amalgamated figure:	100	105.3	99.1

(1) The following data are drawn mainly from the Department of Employment's New Earnings Survey. The Survey does not publish separate figures for the Civil Service as a whole. Example (a) gives movements in Civil Service Administration Group basic pay (drawn from Civil Service Department records) which are broadly representative of general Civil Service pay movements in the period. In examples (b) and (c) the 1975 figures are depressed because the April 1975 settlement for non-industrial civil servants was implemented too late for inclusion in that year's New Earnings Survey. Figures for women reflect the move to equal pay in outside industry (equal pay already existed in Civil Service and other parts of the public sector in 1970).

(2) 1970 = 100 in each example. Figures show movements in relative earnings. Relative earnings levels cannot be deduced.

(3) NHS + number of Government-financed organisations eg Courts of Justice, AEA, + Civil Service. Excludes Armed Forces.

II Percentage increases in Civil Service Administration

Group basic pay ¹

1970-1980	268%
1975-1980	86%
1978-1980	48%

Corresponding increases in prices and in earnings in economy as a whole ²

	1970-1980	1975-1980	1978-1980
Retail Prices Index	260%	102%	34%
Average Earnings Index	319%	103%	38%
Non-manual Earnings Index	321%	107%	40%

¹ The figures quoted give the average cumulative increase resulting from each annual settlement after the base year and thus show total increases over the last 10, 5 and 2 years respectively. The Civil Service employs a large number of different grades carrying out a large variety of different tasks requiring a wide range of skills. Since the market rate for these different skills will have varied according to supply and demand, civil servants engaged in one type of work will have received different increases from those doing another. In particular, the "umbrella" figure of about 50% over the past two years covers a wide range of increases:-

Data Processors	63%
Principal	60%
Assistant Scientific Officer	51%
Senior Executive Officer	49%
Executive Officer	47%
Clerical Assistant/Typist	45%
Senior Scientific Officer	39%
Cleaner	31%

² These figures relate to the whole economy while the figures in Ia(ii) are for the private sector only.

III Annual Percentage Increases for the Civil Service Administration Group since 1970⁽¹⁾

1970	(Central Pay increase) ⁽²⁾		8½%
1971	(Pay research)	approx	10%
1972	(Central pay increase) ⁽²⁾		7½%
1973	April - (Central pay increase) ⁽²⁾		7%
	November - (Pay research)	approx	11%
1974	(Pay policy)		7%
1975	(Pay Research)	approx	33%
1976	(Incomes Policy Phase 1)	approx	10%
1977	(Incomes Policy Phase 2)	approx	5%
1978	(Incomes Policy Phase 3)		10%
1979	(Pay research - staged)	approx	25%
1980	(Pay research - deferred payment)		18.75%

(1) A more detailed table of Civil Service Administration Group settlements since 1964 is at Annex A.

(2) Pay research was introduced on an annual basis in 1975. Before that 'Central Pay Increases' were given in non-pay research years.

IV Costs /

(i)	1981-82 Civil Service pay bill:	£5,000 million*
(ii)	Increase over 1980-81:	£370 million
(iii)	Each 1% increase in pay bill in 1981-82 has cost:	£46 million
(iv)	1981-82 provision for Pay + general administrative expenditure + pensions:	£7,500 million
(v)	Total Central Government expenditure in 1981-82:	£76,500 million
(vi)	(iv) as proportion of (v):	<u>10%</u>

/Source: Total Supply Estimates, published in Chief Secretary's Memorandum. All figures rounded and relate to pay, overtime and employers' National Insurance costs for industrial and non-industrial staff of Central Government departments, plus casuals..

*£4,000 million for non-industrials alone.

V Implementing Pay Research

Since 1970, Conservative Governments have implemented settlements based on pay research in:

1971, 1973, 1979, 1980

Labour Governments have implemented settlements based on pay research in:

1975

VI Current Salaries of Some Main Civil Service Grades

	<u>Min</u>	<u>Max</u>
	£	£
Clerical Assistant	41.91	72.60 (per week)
Clerical Officer	2,396	4,740 (per annum)
Executive Officer	3,775	6,745
Principal	10,600	14,000
Assistant Secretary	16,500	19,500
Permanent Secretary		31,000

NB. London Weighting is payable additionally for all grades below Deputy Secretary. Current rates are £1,016 per annum for Inner London and £424 per annum for Outer London.

VII Current Indices (at April 1981)

(a) Year-on-Year

Pay (average earnings index,
January 1980 - January 1981): 18.9%

Prices (RPI, March 1980 -
March 1981): 12.6%

NB Apart from a minor hiccup last month as a result of the Budget, the increase in the RPI year on year has fallen for nine consecutive months. 22% in May 1980; 15.1% in December 1980; 12.5% in February 1981. RPI forecasts (Financial Statement and Budget Review): end 1981 - 10%; mid 1982 - 8%.

(b) Current Round (since 1 August 1981)

Indications from the Index of Basic Wage Rates and from the CBI pay survey are that private sector pay settlements have averaged about 8 or 9% in recent months.

VIII Other Settlements

(NB These examples are significant but not necessarily typical. Most are for manual rather than non-manual staff).

British Leyland	6.8%
Road haulage	3.0 - 6.8%

Textiles: generally very low;
some firms have had
no increase at all

Teachers)	7½%
Local Authority manuals		

NHS ancillaries	7½%
-----------------	-----

(for 15 months; equivalent of just
under 6% for 12 months)

Job Security

The present high levels of unemployment and redundancy in the economy as a whole support the general contention that civil servants enjoy relatively high job security. However, ^{the} absence of suitable statistics makes it necessary to rely on general statements about this, rather than specific statistically-based comparisons.

There has been a marked reduction in the level of voluntary resignations from the Civil Service in the past year. If present trends continue the level will fall below that experienced in the middle 1970s.

1971 Pensions Increase Act: provided for the protection of public service (including Civil Service) pensions against inflation.

1972 Principal Civil Service Pension Scheme: number of changes, including

- pensions "as of right" (not at Treasury discretion);
- qualifying period reduced from 10 to 5 years;
- pension based on salary in last year of service;
- enhanced early retirement terms.

Scott Report, 1981: recommended pensions deduction from Civil Service pay of 7-13½%. The present total effective employee contribution of 7.9% of pensionable pay is towards the lower end of that range.

(NB Under the pay research arrangements, Civil Service pay has been reduced to take account of differences in pension contributions and benefits between the Civil Service and the analogue organisations. 7.9% was the composite deduction figure at the time of the last, 1980, pay research settlement).

Current Costs

Estimated expenditure on Civil Service Pension Scheme,

1981-82: £913m net

Total number of Civil Service pensioners: 385,000

Average pension (since November 1980): £29 per week

[Comprising average pension for retired civil servants of £34 per week; and average pension for widows and dependants of £13 per week.]

(1) All figures for industrials and non-industrials.

Year	Civil Service Administration Group settlement	Pay policy	Inflation indicators	
			RPI	Non-manual earnings
1964	Pay research 7½% (paid in full)	"guiding light" 3 - 3½%	4% (Oct 63 - Oct 64)	-6% (Oct 63 - Oct 64)
1965	3½%	"norm" 3 - 3½%	5%	9%
1966	3½%	"norm" 3 - 3½%	4%	4%
1967	none	Jan - June "severe restraint" July - Dec zero "norm"	2%	5%
1968	Pay research 10% staged over 2 years	Jan - April zero "norm" April - Dec 3 - 3½% "norm"	6%	7%
1969	5%	3 - 3½% "norm"	5%	8%
1970	8½%	Jan - June 2½% - 4½% "range" June - Dec no restrictions	7%	13%
1971	Pay research 10%	No restrictions	9% (Apr 70 - Apr 71)	12% (Apr 70 - Apr 71)
1972	7½%	Jan - Oct no restrictions Nov - Dec temporary standstill	6%	12%
1973	7% (April) + 11% (Pay research: 'anomalies' settlement - November)	Jan - April Stage 1 April - Nov £1 + 4% Nov - Dec £2.25 or 7%	9%	10%
1974	7%	Jan - July £2.25 or 7% July - Dec Social Contract	15%	13%
1975	Pay research 33%	Jan - July Social Contract Aug - Dec Phase I £6 supplement	22%	26%
1976	£6 supplement (10% approx)	Jan - July Phase I £6 supplement Aug - Dec Phase II £2.50/5%/£4	19%	19%
1977	£2.50/5%/£4 supplement (5% approx)	Jan - July Phase II Aug - Dec Phase III 10%	17%	9%
1978	consolidation + 9½% (total 10%)	Jan - July Phase III	8%	13%
1979	Pay research approx 25% staged April 10% August 5%	No restrictions	10%	12%
1980	January 10% Pay research approx 18.75 in full year but deferred to 7 May 80 with 2.3% manpower reduction to reconcile with 14% cash limits	Cash limits 14%	22%	25%

MANAGEMENT IN CONFIDENCE

DRAFT LETTER FROM MR BUCKLEY TO:

John Halliday Esq
Private Secretary to the
Secretary of State for the Home Department
Home Office
50 St Anne's Gate
London SW1H 9AT

CIVIL SERVICE PAY

As you will know, the Chancellor and the Lord President agreed at Cabinet on 9 April to circulate a list of facts and points for Ministers to draw on in discussions about the current Civil Service pay dispute.

The Chancellor and the Lord President have now approved the enclosed material, and I should be grateful if you would bring it to the attention of your Secretary of State. It consists of a short Guidance Note, suggesting points which Ministers might make about Civil Service pay, pensions and job security; and a more detailed Fact Sheet. The contents of the Fact Sheet are not confidential, but there are obvious dangers in quoting selectively from it and thereby inviting a similarly selective response from the unions or the media. We would therefore recommend use of the Guidance Note only in any public references to the dispute.

Civil Service Department and Treasury officials will be glad to help with any queries about the factual material. Departments are asked to contact Mr Paul Rayner (Treasury: 233 5953) or Mrs ^{Mary} Brown (CSD: 273 3165).

Copies of this letter and enclosures go to the Private Secretaries to all members of the Cabinet and the Minister of Transport, and to Sir Robert Armstrong.

GRS 280
UNCLASSIFIED
FM F C O 232000Z APR 81
TO IMMEDIATE SALALAH
TELEGRAM NUMBER 9 OF 23 APRIL.

FOLLOWING FOR LANKESTER, PRIME MINISTER'S PARTY, FROM WHITMORE,
10 DOWNING STREET.

CIVIL SERVICE DISPUTE

THE FOLLOWING IS A BRIEF SUMMARY OF TODAY'S DEVELOPMENTS IN THE
CIVIL SERVICE PAY DISPUTE.

LORD SOAMES SAW THE COUNCIL OF CIVIL SERVICE UNIONS AT 1130Z TODAY.
HE TOLD THEM: (A) 7 PER CENT WAS THE MOST THAT COULD BE AFFORDED
FROM CASH LIMITS THIS YEAR: (B) FOR 1982 THE GOVERNMENT WOULD
ENTER PAY NEGOTIATIONS WITHOUT A PREDETERMINED LIMIT ON THE COST
OF THE SETTLEMENT: (C) IN THE LONGER TERM THE GOVERNMENT WAS NOT
PREPARED TO RETURN TO THE EXISTING PAY AGREEMENT WHICH NO
LONGER COMMANDED PUBLIC CONFIDENCE BUT A FRAMEWORK WAS NEEDED
WHICH COULD TAKE ACCOUNT OF RELEVANT FACTORS, INCLUDING FOR
EXAMPLE THE POSITION ON RECRUITMENT AND RETENTION. LORD SOAMES
SUGGESTED THAT AN AUTHORITATIVE OUTSIDE INQUIRY MIGHT HELP IN
WORKING OUT A NEW SYSTEM.

THE UNIONS ASKED A NUMBER OF QUESTIONS ABOUT 1981 AND 1982 AND
THEN RESPONDED TO LORD SOAMES' INVITATION TO THEM TO CONTINUE
TALKS AFTER A PERIOD OF REFLECTION LATER THIS AFTERNOON BY SAYING
THAT THEY WOULD CONTACT THE CSD. THEY SUBSEQUENTLY DID THAT BY
SENDING A LETTER WHICH REJECTED LORD SOAMES' APPROACH AND BY
HOLDING A PRESS CONFERENCE AT WHICH THEY MADE THEIR POSITION KNOWN.
NONETHELESS, EVEN THOUGH THE LETTER APPEARS TO BE A CLEAR
TURN-DOWN, THE CSD HAVE SUBSEQUENTLY HEARD INFORMALLY FROM MR.
KENDALL THAT THERE COULD STILL BE SCOPE FOR CONTINUING THE
DIALOGUE. THE CSD WILL REPORT FURTHER TO US ON THIS SURPRISING
DEVELOPMENT.

TO ENSURE THAT THE GOVERNMENT'S INITIATIVE GOES DIRECTLY TO CIVIL
SERVANTS, THE CSD SENT A CIRCULAR LETTER TO ALL DEPARTMENTS THIS
AFTERNOON. THEY ALSO ISSUED A PRESS STATEMENT AND LORD SOAMES
HAS BEEN INTERVIEWED BY BBC TV AND RADIO, ITN AND IRN.

CARRINGTON
LIMITED
PPD
PS/PUS
CHIEF CLERK

COPIES TO:
CSD

COPIES SENT TO
No. 10 DOWNING STREET



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1

16 April 1981

Dear Mike,

INDUSTRIAL ACTION PROGRESS REPORT

Details of the number of non-industrial civil servants on strike yesterday are given in the attached Annex. They do not differ greatly from those for Friday 10 April (3,722 on strike then; 3,543 yesterday).

The use by MOD of naval personnel to help in re-equipping Resolution on Monday night led to a call by the Council of Civil Service Unions for their members to walk out during 14 April. It will be some time before final returns are available, but preliminary indications are that about 45% of non-industrials were absent for part of the day (mostly during the afternoon). Support varied from Department to Department and from region to region; I will let you have a fuller report in due course. The total absenteeism was less than on 9 March (the one-day strike which had been planned for some time) but considerably more than on 1 April which, like Tuesday's action, was called at short notice.

Although the work of all Departments is continuing - in some cases despite considerable difficulties - a number of recovery problems, similar to those in 1979 are building up:

(i) Inland Revenue

It would now take the Accounts Offices at Cumbernauld and Shipley 12 weeks to return to normal. If the strike were to end this month, it would take the PAYE system 6 months to recover; if it goes on beyond 19 May, when

*Civil Service
Pay & Pension
T. Venetian
2/1/4*

*1. CLIVE
2. MIKE
To see.
MJS
16/4*

Civil Service

the first payments of PAYE and National Insurance relating to the new fiscal year are due to be received, recovery would take 18 months. The introduction of Schedule D collection arrangements might have to be deferred for a year.

(ii) Customs & Excise

Resumption of normal working would depend on the co-operation of staff and their willingness to work overtime. It would take the computer at Southend 7 months to catch up on VAT and 12 months on the Trade figures - these periods would extend to 11 and 18 months respectively if the strike continues beyond the end of the month.

(iii) DHSS

The backlog of benefit enquiries could be cleared in a few weeks; most supplementary benefit contributions are received in May/June and there would be serious difficulties if the strike extends beyond the end of April.

(iv) MOD

Repair work and participation in trials had been lost; the computers processing industrials' pay and supplies would take some months to recover.

(v) Trade and Industry

The Companies House Library would need 1 week for each week of the strike to return to normal. In addition, a backlog of enquiries would have to be cleared.

(vi) Scottish Office

Three times the duration of the strike at the Scottish Office Computer Centre would be required for recovery.

(vii) Paymaster General's Office

It would take about 1 week to recover for every day of industrial action.

*Yours ever,
Jeremy*

J G COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 15 APRIL 1981

Department	Number on strike	Remarks
Customs & Excise	750	277 data processing staff on strike at Southend computer; 243 customs staff at West coast ports; 185 staff on the NI Boundary 7 HQ staff; 38 Manchester Betting Duty Office.
MOD	572	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, bill-paying (Liverpool), Mapping and Charting Establishment (Feltham & Taunton) Directorate of Submarine Projects (Bath) and 5 Oil Fuel Depots.
Employment		Staff at Runcorn computer centre are now working normally.
Environment	13	Driving examiners at test centres.
DHSS	252	230 staff on strike at Newcastle computer recording NI contributions; 10 at North Fylde Central Accounts Office; 12 at Merseyside and Manchester Local Offices.
Inland Revenue	1479	901 on strike at Cumbernauld, Shipley and Worthing computer centres; remainder at various Collection Offices.
Lord Chancellor's Department		
PSA	13	Strike by maintenance engineers at RAF Brawdy works offices. 3 Engineers at Aberporth.
Depts of Trade & Industry	140	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists at Cardiff.

Scottish Office	25	Staff at the Scottish Computer Centre.
Scottish Courts Administration	235	Strike by <u>staff</u> at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
FCO	25	Passport Examiners at the Glasgow Passport Office.
GCHQ		
TOTAL	3543	A reduction of about 138 from last week, mainly because of the return to work at ALAC's.

PART 3 ends:-

Hausard extract of 15/4/87.

PART 4 begins:-

CSD to MAP + all of 16/4/87

