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Cuex
Lawson

PART A

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notify REGISTRY of movement)


 PO -CH /NL/0194

 PART A

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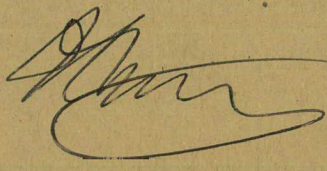
CHANCELLOR'S PAPERS ON
CIVIL SERVICE (CS)
MANAGEMENT AND PAY
ISSUES

PO -CH /NL/0194
PART A

Begin: 23/1/87

DD: 25 years

Ends: 19/6/87 (CONTINUED)
19/6/87

 7/9/95

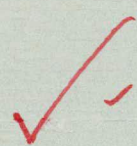


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CH/EXCHEQUER	
REC.	23 JAN 1983
ACTION	MST
COPIES TO	

FCS/86/013

CHANCELLOR OF THE EXCHEQUER



Pay, Recruitment and Retention

1. We spoke on 9 September last year about the manpower problems facing the Diplomatic Service. I told you then that levels of Civil Service pay provided one of the main reasons why we could not compete in the South East market. You mentioned that you might want to pursue geographical pay. I know your officials have been looking further at this. You may find it useful to know how matters stand in my Department.
2. Our most pressing problem is over the retention of clerical staff (DS Grade 10, AOs and AAs and Secretaries). Because of the high drop-out rate in these grades we are having to intensify our recruitment (itself an expensive business) in order merely to maintain the present unsatisfactory establishment levels (with shortages in all of these grades). We need to break this spiralling cycle of recruitment and resignations. It is costly and wasteful.
3. Our recruitment policy is nationwide. This is partly to ensure a representative national intake of staff into a Department with a high profile representational role at home and overseas. For many junior grades this means leaving



home to seek accommodation in London. Unlike many other Government Departments we do not recruit staff for work in regional offices where the labour market is less tight. We are therefore not only competing to offer employment in the most expensive labour market in Britain - and clearly your moves in favour of regional pay scales for the Civil Service support this point - but staff working in London are faced with the highest accommodation costs in the country. This can be a real obstacle to persuading staff, particularly young school leavers, to take up appointments in London, as they have to before working abroad.

4. In view of the emphasis that you are giving to regional considerations in the pay structure in the course of forthcoming central pay negotiations, I think there is a strong case this year for a substantial increase in the London Weighting Allowance. This would reflect not only the higher salaries paid in the private sector in the South East, but also alleviate the problems staff must experience in paying for accommodation in London. In stretching geographical differentials in this way you would help both to retain staff and raise the morale of those in the South East. You would also be making immediate use of the one form of geographical leverage we already have over pay and would thereby avoid having to negotiate new or special arrangements with the Civil Service Unions.

5. I know that there has already been some discussion of this among officials, who have pointed out that London Weighting rates for the Civil Service are below those paid by other employers. Similarly attention has been drawn to the decision to withdraw the Government subsidy from the London Hostels Association. That decision has hit us particularly hard since we generally recruit outside the London area and our clerical/secretarial staff have come to rely on low-cost hostel accommodation on arrival in London.

/Although



Although we recognise the reasons for the subsidy decision both points demonstrate the importance of the need to take greater account of costs in the South-East.

6. I am copying this minute to Richard Luce.

A handwritten signature in dark ink, consisting of a large, stylized initial 'G' followed by a series of loops and a final horizontal stroke.

(GEOFFREY HOWE)

Foreign & Commonwealth Office

23 January 1987



Foreign and Commonwealth Office

London SW1A 2AH

Sir Patrick Wright KCMG
Permanent Under-Secretary of State

MANAGEMENT IN CONFIDENCE

6 March 1987

PERM. SEC'S. OFFICE	
RECEIVED	
- 9 MAR 1987	
Action	Mr Gilhooly
Copies	Mr Roubel
To	Mr Tinson
	Mr Kemp

fidw

Sir Peter Middleton KCB
HM Treasury
Parliament Street
LONDON SW1

Dear Peter,

*Mr Linn
Mr Mansfield
Mr Davis*

PUBLIC SECTOR PAY

1. I have only recently seen the Note by the Treasury (PSP(O)(87)3 of 2 February) on the Government's views on the TSRB's 1987 Review. I was struck by a statement in paragraph 5(b), which is relevant to the relationship between pay and recruitment and retention.
2. The paper suggested that the position on recruitment and retention in the Senior Open Structure was relatively satisfactory. We would agree with that in respect of our own Senior Grade. It is also generally true that we do not seem to face many problems in the next immediate grade of Counsellor (HCS Grade 5 equivalent). Even though pay for staff in that grade has increased by no more than Civil Service pay in general, the subsequent attraction of Senior Grade jobs and pay scales probably has some effect. That said, however, most staff at Counsellor level can expect to spend at least ten years in the grade: a period for which a four point incremental scale is very inadequate.
3. What surprised me about that paragraph, however, was the reference to an improvement in recruitment and retention "at more junior levels". That is not our experience. Our most serious shortages continue to be in the clerical and secretarial grades. On 31 January we were some 65 below our full clerical and secretarial strength at home. Wastage in these grades is disturbingly high. For example, in 1986 we lost through resignation more than twice as many AOs and AAs as in 1983. We are therefore having to maintain an intensive recruitment campaign to compensate. This is a costly and wasteful cycle.

MANAGEMENT IN CONFIDENCE

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98-6-3



MANAGEMENT IN CONFIDENCE

4. There are also worrying signs of increased numbers of resignations in the crucial middle management DS5 grade (HCS Grade 7). After losing only three and two officers in 1983 and 1984, we then saw the departure of ten in 1985, and six in 1986. We are already losing two senior DS5 officers this year (and have lost one Assistant Legal Adviser to the City).

5. Although salary levels are not the only reason for resignations, they are certainly an important factor, particularly at DS5 level. These are experienced and able officers in their thirties or early forties, capable of attracting high rewards outside. In our case many have specialist linguistic skills which they can market with ease in, for instance, the City, often for twice, if not more, of the mean of the DS5 scale (£18,356). And there are also attractive perks in the private sector with which we can never compete. It is at this level in the Diplomatic Service that we are pressed to meet our staffing requirements, yet this is the main policy-making band. If the losses of the last two years continue, we could face real difficulties which will in due course work through in terms of inadequately trained or skilled staff for the most senior grades. At a time when there is no let-up in the traditional tasks we are asked to take on (our statistics for consular and commercial enquiries and for PQs are all increasing sharply), new tasks such as drugs, AIDS, and counter-terrorism are being added. The plain fact is that Ministers want an active foreign policy; we risk impairing our effectiveness if we cannot offer competitive pay.

6. Recruitment is a particular problem at the most junior levels. We are having difficulty in attracting enough suitably qualified applicants. The relatively low level of Civil Service pay puts us at a disadvantage compared with other employers. And the scarcity and high cost of accommodation in London makes it difficult to attract recruits from the provinces. The Foreign Secretary made this point in his minute of 23 January to the Chancellor. It is therefore disappointing to see that your offer to the CCSU on London Weighting should be so low. Unlike other Departments, we are entirely London-based. Our staff either join us from widely dispersed parts of the United Kingdom or return from abroad for postings at home. In both cases, they often lack the home base in the South-East from which Home Civil Service staff can travel to work and which acts

MANAGEMENT IN CONFIDENCE

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MANAGEMENT IN CONFIDENCE

as a buffer against low pay. Spiralling costs, including house prices in the South-East rising at nearly 25% a year, are making matters worse: a large rise in London Weighting now seems to us essential to bridge the gap, and would be defensible on regional grounds.

7. I am copying this to Robert Armstrong.

Yours a.
Patrick Wright

Patrick Wright



9/3/57

cc Chief Secretary
Minister of State
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr C C Allan
Mr Chivers
Mr Truman
Mr Enderby
Mr Halligan
Mrs Todd
Mr Willis

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

PRIME MINISTER

GEOGRAPHICAL PAY VARIATIONS IN THE NON-INDUSTRIAL CIVIL SERVICE

When we discussed my outline proposals for introducing some geographical variation into civil service pay, you asked for a fuller analysis. I now enclose the report of an inter-departmental working party under Treasury chairmanship, which has been looking at the evidence and considering the possible ways forward.

The working party has identified persuasive evidence of serious problems in recruiting and retaining civil servants in many areas in and around London, and in pockets elsewhere. These lead to costs and inefficiencies, and pay is part of the reason. The question is how to tackle the problem areas without adding too much to the cost of the civil service. The approach recommended is to allow departments to pay extra in parts of the South East (the South East Supplement), and in particular places elsewhere (local pay additions). Although departments would have some detailed discretion, this would be within rules and criteria established centrally which would include limits on the maximum and average payments. For practical reasons the arrangements could not be introduced until at the very earliest, 1 October 1987, (or possibly later). The size of payments suggested in the report would have a full-year cost of around 0.35 per cent of the non-industrial civil service paybill. The 1987-88 cost would be some £8-9 million, or under 0.2 per cent of the pay bill, and that only if the scheme came into full operation from 1 October this year. All costs would, of course, have to be met from Departments' running cost limits. Although in the short-term it can be argued that the costs would be largely additional, the benefits of better balancing of the

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paybill as between high and low cost areas (so that the first does not drag up the second) should lead to savings.

When drawing up the outline scheme officials have paid particular attention to the need for local consultation between different departments. Recent events at Reading and Livingston have shown all too clearly how essential this is.

The proposals as to control and administration require further detailed consideration and refinement. They are therefore currently being tested in two "dry runs", one involving six major departments across the country, and the other focussing on four specific areas - Cambridge, Glasgow, Guildford and Greenwich to examine how departments would intend to operate the scheme in practice. The detailed arrangements may be modified in the light of these exercises. Even so, any scheme implemented would be regarded as experimental. It would be monitored very closely, with particular attention paid not only to the benefits in terms of lower resignation rates but also to the costs, including the administrative costs involved. It is envisaged that the scheme would be reviewed within two years.

I believe that a scheme along the lines recommended by the working group would be a further important move towards greater flexibility in civil service pay. The proposals are consistent with the wider approach to flexibility which is provided for in the provisional agreement with the IPCS.

As you know, the unions have already been put on notice that we will be bringing forward proposals. Handling will need careful consideration, and I shall wish to return to this when I next report to you on progress on the 1987 pay negotiations. Meanwhile, I hope that you will agree the general approach outlined above, subject to the detailed arrangements being considered further in the light of the dry runs and the views of departments.

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I am also enclosing a more general report on regional pay variations, in the economy generally, which contains some suggestions for tackling the issue elsewhere in the public services. I would be glad to receive colleagues' views on these suggestions.

Copies of this minute and the enclosures go to members of the Cabinet and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be "N.L." with a flourish.

N.L.

9 March 1987

cc CST
 MST
 Sir P Middleton
 Mr F E R Butler
 Mr Luce
 Mr Kemp
 Mr Chivers
 Mr Culpin
 Mr Gilhooly
 Mr Truman
 Mr Woodall
 Mr Anson
 Mrs Todd
 Mrs Harrop
 Mr S Willis
 Mr Ross Goobey



13/3/87

Treasury Chambers, Parliament Street, SW1P 3AG
 01-270 3000

PRIME MINISTER

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

Since we last discussed Civil Service pay, events have moved quickly. As you know, the provisional agreement with the IPCS has been made public; and the other unions have, as agreed, been offered 4 per cent or £4.50 a week, whichever is the greater. This they rejected, by return of post.

Since then, my officials have been busy exploring informally with the unions whether there is a package which they would be willing, if not to recommend, at least to put to their members without any recommendation to reject, and which has a reasonable chance of an early and peaceful outcome. Although the situation is inherently uncertain, it now seems we may be able to achieve such a package.

The main element of the package would be a new offer of 4½ per cent or £5.75 a week, whichever is the greater, costing overall about 4.6 per cent without the IPCS deal. A £5.75 underpinning would be the maximum, and my officials would try, if possible, to do better.

There are as well various changes which management wishes to make, but which have some negotiating value. As well as the important IPCS flexibilities, these include a restructuring of the executive grades scale; changes needed to help some recruitment and retention difficulties with lawyers, accountants and computer staff, and a reduction in the waiting period before staff qualify for five weeks annual leave. There are also the proposals for geographical pay about which I minuted you on 9 March.



If we were to implement all these changes, that would add nearly a further 1 per cent to the paybill, on top of the 4.6 per cent from the new offer (and of course on top of the 1 per cent already being carried forward from last year's pay deal). I do not think we can go that far. But I would be content for the most important additional changes to be added to the package if that would be enough to swing the deal, provided that the total cost was close to 5 per cent.

A package on these lines is not ideal. In particular, the underpinning (a negotiating inevitability given the importance of the CPSA) is higher than we should like, and has the effect of giving lower paid people a larger percentage increase than better paid people. And I regret that it may well mean foregoing on this occasion any regional differentiation obtained by paying more in London and the South-East. ~~But it would be significantly lower than the~~ settlement last year, and if the aim is a quick outcome with the risk of industrial action minimised, then an offer along ~~these lines seems to be the best that can be achieved.~~ For purposes of presentation we would of course only quote the 4½ per cent and the 4.6 per cent.

Major employing departments have been kept in touch with Treasury thinking as it has developed. A deal with an overall average cost of 5 per cent or only a whisker more should be manageable within the running cost limits already set. But of course I stand by what I said at MISC 66 on 17 February, that if insurmountable problems were to emerge in the course of the year it would be open to Ministers to discuss them with the Chief Secretary.

I therefore propose that we make a final offer on the lines above. This would be on condition that the unions put the



package to their members, if not with a positive recommendation, at least without a recommendation against. If that condition is met, I would instruct my officials to move to clinch the deal early next week, but handling matters so that the offer does not become public until after my Budget Statement.

I should be grateful to know if you and others are content, and for any comments by 4.00 pm on Monday, 16 March, since we now need to move very fast.

I am copying this to the other members of MISC 66, the Home Secretary, the Secretaries of State for the Environment, Education, Scotland and Wales, and to Sir Robert Armstrong.


N.L.

13 March 1987



Department of Employment
 Caxton House Tothill Street London SW1H 9NF
 Telephone Direct Line 01-213.....
 Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 LONDON
 SW1H 9NF

CH/EXCHEQUER	
REC	16 MAR 1987
ACTION	Mr Gilroy
COPIES	EST MST Sir P. M. Cotton Mr FER Butler Mr Thompson Mr Kemp Mr Chivers Mr Lube Mr Culpin Mr CC Allen Mr T. M. M. Enderby Mr Todd Mr Willis

16 March 1987

Dear Chancellor,

PAY ARRANGEMENTS IN THE NON INDUSTRIAL CIVIL SERVICE

Thank you for sending me a copy of your minutes of 9th and 13th March to the Prime Minister. I shall be writing later with my comments on the general paper on regional variations in pay.

I would be quite content with a deal on the lines you have outlined if it could be achieved at 5% or a whisker more.

I hope that, in the forthcoming negotiations the unions will be left in no doubt that what you are now proposing is as far as we are prepared to go, and that even if it was turned down in a ballot we could not increase the offer. Any doubt about that could turn the ballot into a simple vote for more pay. When employers seem disposed to move in face of hostile ballots, they merely encourage employees to reject offers which do not seem to be final.

We also need to be clear of our position if the unions are not prepared to back the new offer to the extent of not recommending strike action. If these circumstances develop I suggest we should consider making, at an appropriate time, an open offer at a shade under 5%. Simply to withdraw the new offer leaving only the original 4% or £4.50 on the table would be to invite a vote for strike action.

I have always been an advocate of sticking to running cost settlements except when there are policy changes and I trust that all Departments will be expected to do so. This Department will be particularly hit by the raising of the flat rate element and we have not yet worked out how we can fund the increase within existing cash limits, but we must attempt to do so if that is the general policy.

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I am as you now predisposed to move to geographical variations in pay and, if it could be accommodated in the financial parameters you have set, something on the lines you propose would be a useful first experimental step towards trying to ensure that. I am very disappointed to see that that element is the main candidate you put forward to be dropped to stay within the necessary limit near to 5%. I entirely agree that it would be essential to confine discretion by tight guidelines and carefully managed local consultations. Strict monitoring arrangements will also be needed. Most people who ask for local discretion are asking for permission to be allowed to pay more than they otherwise would not less! I hope that the proposals can be ranked high among the other management priorities, however, and preserved, if only on a limited basis in order to set the agenda for next year's round.

I am copying this letter to the recipients of your minute of 13 March.

KENNETH CLARKE
(Approved by the Minister
and signed in his absence)

CONFIDENTIAL

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

Handwritten initials/signature



HOUSE OF LORDS,
LONDON SW1A 0PW

CONFIDENTIAL

23 March 1987

The Right Honourable
The Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

CH/EX		✓
REC.	23 MAR 1987	23/3
ACTION	MR GILHOOLY	
COPIES TO	CST MPT SIR P. MIDDLETON MR FER BUTLER MR KEMP MR LUCE MR EMBERSY MR CC ALLEN MR HALLIGAN MR CHIVERS MR TODD MR TRUMAN MR LILLIS	

Red checkmark

My dear Nigel:

Geographical Pay Variations in the Non-Industrial Civil Service

XI

I have seen your minute of 9 March to the Prime Minister and its attachments.

I have two comments. First, my problem is to retain staff, not recruit them. Trained county court staff have skills which are in high demand by banks, insurance companies, credit houses and solicitors' offices. I have suffered substantial losses of trained staff to these competitors in places like Reading and Bristol with a consequential substantial drop in the standard of service provided by the courts. I therefore believe that pay supplements need to be available on the basis of a retention criterion alone, without the need to satisfy a recruitment criterion as well.

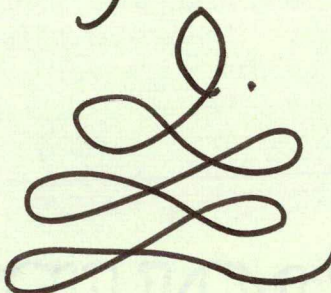
Secondly the amounts you propose will not make any inroad into the problem. Indeed the money will be wasted. An average of £200 per annum after tax, National Insurance and superannuation deductions means £2.50 per week for a newly recruited CO. That will not stop anybody from leaving. A recent survey of staff resigning from my Department showed that competitors are paying anything between £1,000 and £3,000 more per annum. We need to make available average payments of at least £1,000 per annum to make any inroad on this problem.

/If there were

If there were to be an experiment of this kind, could not new money be found for it, as was done with the performance bonus experiment? It is surely unlikely that Departments will be able to make many payments of a size likely to have any impact from their existing running cost limits; and smaller payments would, as I say, in my view be money wasted.

Copies of this letter go to members of the Cabinet and to Sir Robert Armstrong.

yrs:

A highly stylized, cursive handwritten signature consisting of several overlapping loops and flourishes.

Papers
Please



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

26 March 1987

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Parliament Street
London SW1P 3AG

CH/EXCHEQUER	
REC.	26 MAR 1987
ACTION	MR GILHOOLY 26/3
COPIES TO	CST, MST
	SIR P. MIDDLETON
	MR F.E.R. BUTLER
	MR ANSON

MR KEMP MR TELMAN
MR CHIVERS MR ENDERSBY
MR LUCE MR TODD
MR CULPIN MR WILLIS
MR C.C. ALAN

Dear Chancellor,

GEOGRAPHICAL PAY VARIATIONS IN THE NON-INDUSTRIAL CIVIL SERVICE

You copied to me your minute of 9 March to the Prime Minister on this subject, together with the paper on the general question of regional variations in pay.

On geographical pay in the Civil Service, you will already be aware from my Private Secretary's letter of 16 March, that I favour the proposals and would like to see something done in the current year. If we cannot pay the market rate, or something close to it, then we cannot expect to recruit and retain the staff needed for the functions which necessarily have to be carried out in London and the South East.

On the wider aspects of the subject, dealt with in your second enclosure, I believe, as you know, that geographical pay variation can make a useful contribution to more realistic local labour market conditions, to the benefit of industry. But we know from experience that the means open to us to exercise effective downward pressure on pay settlements are limited, and a move away from national bargaining has not been universally welcomed in industry. It will take some time for whatever moves we are able to make to produce results.

JG2BAU



Since the options are, as the paper notes, limited, I was pleased to see that David Young's paper for the next meeting E(CP) on competition and employment law is to cover the possibility that national pay agreements involving groups of employers might be considered a restrictive practice subject to legal review. The existence of national agreements on pay and other matters, such as manning, has an impact not only in the labour market itself, but, indirectly, in the market for goods and services. Considering such agreements as restrictive practices, which could perhaps be investigated under procedures similar to current competition law, has attractions, although much work is clearly needed to establish whether such an approach would be practicable in the special and sensitive areas of pay and labour relations. While national pay agreements are the important element in the context of geographic pay variation, I hope that David Young's paper will look at the point in relation to the labour market generally.

I am copying this letter to the Prime Minister, to the other members of the Cabinet, and to Sir Robert Armstrong.

Yours sincerely,

Michael Cilliberton

✻ PAUL CHANNON
(Approved by the Secretary of State
and signed in his absence)



NORTHERN IRELAND OFFICE

WHITEHALL

LONDON SW1A 2AZ

SECRETARY OF STATE

FOR

NORTHERN IRELAND

The Rt Hon Nigel Lawson MP
 Treasury Chambers
 Parliament Street
 LONDON
 SW1P 3AG

CH/EXCHEQUER	
REC.	30 MAR 1987
ACTION	MR GILHOOLY
COPIES TO	CST MST SIR P. MIDDLETON 27 March 1987 MR PER BUTLER MR KEMP MR LUKE MR CALLAN MR CHIVERS MR TRUMAN MR ENDERSBY MR TODD MR LILLIS

Nigel Lawson

GEOGRAPHICAL PAY VARIATIONS

Thank you for copying to me your minute of 9 March to the Prime Minister.

I am generally content with your proposals on civil service pay. It is unlikely to be necessary for me to have frequent recourse to the arrangements for Local Pay Additions. Experience suggests, however, that there may exceptionally be circumstances in which the greater flexibility available through this facility may be useful. I agree that there will need to be close liaison between Departments in each location to ensure uniformity of approach. The central role of the Department of Finance and Personnel (DFP) will ensure this so far as the NI Departments are concerned but there will also need to be good lines of communication established to this end between DFP and the Whitehall Departments which have staff in Northern Ireland.

I have also read with interest the more general report on regional pay variations. This is not a course to be lightly undertaken, before we have established more fully:

- 1) the likely economic consequences for the regions;
- 2) the implications for the policy; and
- 3) the viability of the means for implementing it.

/...



So far as the private sector is concerned, the experience of NI, where there have been periods when pay levels have been markedly below the GB level, has not been encouraging. The substitution of labour for capital may well make an industry inherently less competitive. Companies attracted into a region with low labour costs may be those most vulnerable to competition from really cheap labour countries. Low pay regions may find it difficult to attract managerial and other skills from outside or to retain the services of their best people, lured away by higher rewards elsewhere. It could be argued that it is more important to reduce unit costs in the regions most in need of economic growth by a steady growth in productivity. This is unlikely to be assisted if it is perceived to be the policy to hold down pay in those regions.

So far as the public sector is concerned, it would be vitally important that any savings resulting from lower pay should be retained in the region, to be used in the ways indicated in paragraph 56 of the report. Otherwise the proposition, even if sustainable on other grounds, would simply not be saleable. It is not clear how one would maintain an adequate supply of people in those fields (eg, Higher Education) where the relevant labour market is national or even international rather than local. Yet to exempt from the policy those whose skills are most readily marketable could make the policy socially unacceptable.

The implications of freeing up existing highly centralised pay bargaining arrangements would need further study. As paragraph 63 of the report indicates in respect of local authorities, widespread local bargaining could prove more expensive overall. The risks of leapfrogging forcing up the pay bill would need to be carefully assessed. I would also be less sanguine than paragraph 44 of the report that the 'unemployment trap' would not be a problem if pay levels in the regions fell significantly.

Finally, the report suggests how we might move forward in a number of significant parts of the public sector. In the country as a whole, I suspect that this will give rise to a substantial range of industrial relations difficulties. In Northern Ireland, where so many of the relevant services are on direct drive, Government will be in the front line. There would be peculiar problems in such sectors as Prisons and Police, where staff could be expected to feel that, in Northern Ireland of all places, pay should not be constrained on any principle of regional pay variation.

No doubt there will be further work undertaken which will explore all these issues in depth before decisions are taken. Given the sensitivity in Northern Ireland of some of the areas of the public sector involved and the tradition of parity with pay levels in GB (enshrined in statute in some cases) I should be grateful if your officials would ensure that mine are kept fully abreast of work in this field.

/...



Copies of this letter go to members of the Cabinet and to Sir Robert Armstrong.

TK

TK



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1

CH/EXCHEQUER	
REC.	30 MAR 1987 ✓ 30/3
ACTION	MR GILHOOLY
COPIES TO	CST MST SIR P. MIDDLETON MR FER BUTLER MR KEMP MR LUCE MR CALLEEN MR CHIVERS MR TRUMAN MR ENDERBY MR TODD MR ULLIS

My ref:

Your ref:

30 March 1987

Don Nigel

GEOGRAPHICAL PAY VARIATIONS

I have seen your minute of 9 March to the Prime Minister and its attachments, and would like to offer a comment on what is said about local authorities in the paper on Regional Pay Variations.

You know of my view that geographical pay variation is a highly desirable objective for local authorities, as in other fields. It is being pursued in discussion with the Department of Employment, for example by looking at ways to enable local negotiating arrangements to be established. I do not believe, however, that the use of the rate support grant, as suggested in paragraph 64 of your paper, is an appropriate way to achieve our objectives on this. If we were to introduce regionally variable pay factors into our need assessments, the result would be that local taxpayers would derive no benefit from these pay variations. This is something we can consider further in the context of the Green Paper on the local government finance system. But looking forward to 1990, it seems to be preferable that the benefit of a local authority reducing its pay bill should be reflected in a lower community charge for the area; correspondingly where pay levels are locally higher then that burden should be carried through to a higher community charge.

Copies of this letter go to the Prime Minister, members of the Cabinet and Sir Robert Armstrong.

Nicholas Ridley

Nicholas Ridley

NICHOLAS RIDLEY

B/f with
advise



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

7 April 1987

I have seen your minute of 9 March to the Prime Minister on geographical pay variations in the non-industrial civil service.

In general I support the idea of introducing greater geographical flexibility into civil service pay in order to improve recruitment and retention. I am however very doubtful whether the specific proposals now under consideration will help much, if at all. In my Department, where all relevant staff are in the same building, we would in practice be limited to the minimum payment of £200 per annum to all those in relevant grades. In the case of secretarial staff, where we already have great difficulties in competing in the market, the extra £200 would be more than offset by the ending of the special pay addition of £400 for personal secretaries. For the secretarial grades we should therefore be worse off. For other grades also I doubt whether £200 a year would be enough to improve our position in the marketplace.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

PETER WALKER

H/EXCHEQUER	
REC.	7 APR 1987 ✓ H
MR GILHOLLY	
CSTMST SIR P. MIDDLTON	
MR TER BUTLER MR ANSIN	
MR KEMP MR CHIVERS	
MR WICE MR WARD	
MR CALLEN MR TRUMAN	
MR ENDORSON MR STODD	
MR HILLIS	
MR ROSS GAWSEY	



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Bif with
advised
10/4
Papers Pse

CH/EXCHEQUER	
7 APR 1987 ✓ 7/4	
MR GILHOLLY	
CST MST SIR P MIDDLETON	
MR TER BUTLER MR ANSON	
MR KEMP MR CHIVERS	
MR LUCE MR WILFID	
MR CALLEN MR TRUMAN	
MR ENDERSBY MRS TODD	
MR LILLIS	
MR ROSS GOBBY	

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

Dear Chancellor

7 April 1987

para 3 is 7
part 2 is 5th
if 'national' firms
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the reduction
of unemployment
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HMG's do
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GEOGRAPHICAL PAY VARIATIONS

1. Thank you for copying to me your minute of 9 March to the Prime Minister in which you invited comments from colleagues on two reports, one on geographical pay variations in the Civil Service and the other about regional pay variations in the economy generally.
2. As far as the Civil Service is concerned, there are clearly severe difficulties of recruitment and retention in London and the South East which warrant some adjustment to pay levels if they are to be alleviated for those whose work requires them to be in London or the South East and I am to that extent content with the report's proposals for dealing with this. The report contains interesting evidence of the difficulties in the South East and I noted as I am sure you did that it acknowledges (in paragraph 28(i)) the contribution that could be made by the dispersal of more Government work outside this region. In effect, the report's proposals put a price tag of some £16m a year for pay alone over and above the cost of existing London Weighting on offices in and around London. This figure may well prove to be a conservative one. When accommodation costs are also taken into account, it is clear that the real extra costs of a South East location are very significant. The evidence of inefficiencies now being experienced in towns like Reading contrasts sharply with the situation in towns such as Glasgow and Edinburgh. I think therefore that the content of this report requires us to pursue dispersal on the grounds of good management and best use of resources which we agreed at E(A) in January. The extent to which Departments with large cohorts in London and the South East seek to decant work to areas where London allowances and local pay additions etc are unnecessary would depend upon the tightness of departmental running costs - in London in particular - and on a satisfactory scheme to permit the long term savings from dispersal to be set against the undoubtedly high short term costs. It seems to me, however, far more appropriate for the Government as a whole to initiate significant new dispersal of those whose work does not necessitate them being in London or the South East. It would be a foolish waste of resources, contrary to the best practices of the private sector, and politically indefensible to pay higher

salaries to civil servants in London or the South East whose work could be done elsewhere without additional payments or staff shortages.

3. I have to say that the analysis in the general paper does not strike me as forming a convincing basis for a general movement towards wider regional pay variations. The paper itself recognises that Government's ability to influence the private sector largely boils down to exhortation; and my belief is that few companies with plants in different parts of the country would be prepared to provoke the industrial relations trouble that increased regional pay variations would cause, or would see it as worthwhile in terms of their overall production costs. Locally based firms are of course free now to determine their own pay rates irrespective of the going rates for their competitors in other regions. As regards inward investment, various studies have been done over the years to show the factors which firms see as important in determining the location of new investment projects. Availability of sufficient skilled labour is clearly important as is the financial package available, the rates burden and adequate infrastructure. But my Department's experience is that regional rates of pay, even where they exist, are not considered to be a major factor by firms in a country as small as the UK. I suggest we therefore need to think very carefully and have a fuller knowledge of the situation as it is likely to exist in practice before we try to adopt a policy based on the arguments in the general paper.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

Yours sincerely
Malcolm Rifkind

MALCOLM RIFKIND

Approved by the Secretary of State
and signed in his absence

NF/B22



Department of Employment
Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....5949.....
Switchboard 01-213 3000

b/f with advice
(or 21/4)
(Cathy)

The Rt Hon Nigel Lawson
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

CH/EXCHEQUER	
REC.	14 APR 1987
ACTION	Mr KEMP
COPIES TO	CST MST SIR P. MIDDLETON MR FOR BUTLER MR LEE MR O'CALLAHAN MR CHIVERS MR TRUMAN MR ENDERBY MR STODD MR WILKINSON

13 April 1987

Dear Nigel,

REGIONAL PAY VARIATIONS

In your minute of 9 March to the Prime Minister you asked for views on the paper prepared by your officials on Regional Pay Variations. In my letter of 16 March I commented on your particular proposals for the Civil Service and I have since seen letters from Nicholas Ridley and Paul Channon.

I was pleased that this exhaustive and well researched paper supports what you and I have been saying about the need for greater geographical variation in pay settlements.

We now need to consider what we can do to encourage bargainers to move in this direction. I agree with the conclusions of your paper that there is little scope for any direct intervention in the private sector. This would be completely counter to the policies we have been pursuing. But the hopeful sign is that the private sector is, with some prodding from us, considering these issues and moving slowly in the direction we should like.

The paper raises the possibility of looking again at Wages Councils and of treating national pay agreements as restrictive practices. We review the operation of the 1986 Wages Act and our new powers under it, next Spring after Councils have been operating in a restricted form for about a year. Also as you know I am in favour of doing what we can to inhibit undersirable national pay agreements, but I think it is expecting too much to look to the E(CP) paper for a clear line on this issue. The relationship between competition, employment law and the better functioning of the labour market is very complex and there is much work to be done before we can know whether there is anything practical in this area.



Our main task must be to achieve regional variations in pay in the public service as quickly as reasonably practicable. I particularly hope that we will now put the issue of greater pay flexibility at the forefront of future pay negotiations with the Civil Service and NHS. As you know, I am disappointed that we have made so little progress with geographical pay in this year's Civil Service pay negotiations. Given that the Civil Service is organised and funded on a departmental functional basis it will be very difficult to regionalise collective bargaining but we should certainly be doing all we can to get more geographic variation in the operation of public service pay scales. I think we must ask the official Committee on public sector pay to keep the options under review. I hope too that Kenneth Baker will ask the advisory committee on teachers pay to look at geographical pay.

I do appreciate that there could be dangers if we do not exercise care in the arrangements we set up. Too much local discretion in the NHS for example could lead to anarchic leap-frogging pay increases between some RHAs unless Norman Fowler's improvements in the management of the service are now complete and past weaknesses are eliminated. Most of the pressure in support of local discretion in pay from within our Civil Service comes from managers who wish to give their own staff large pay increases. We have to progress, within the constraints of good management controls, with clearly identified objectives and tight running cost controls.

The other local authority groups will be more difficult because we have less influence, and individual local authorities will have to renegotiate the contracts of employment of their staff before they can pay anything other than the national agreed rates. The present political composition of the local authorities employers' associations means that employers negotiators will not seek to negotiate more flexible pay arrangements. But we should encourage those authorities that do wish to move in this direction to consider new contracts or at least to offer contracts of employment to new staff without commitment to paying national rates. I also look forward to seeing the report from officials now considering how we can finally break pay links between Non-Departmental Public Bodies and their local authority or civil service analogues. Their recommendations may have wider implications for local authority employers.

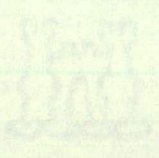


If we can make progress on these fronts in the public service it will certainly help encourage a more positive response from the private sector.

I am copying this letter to the Prime Minister, other members of the Cabinet, and Sir Robert Armstrong.

KENNETH CLARKE

CONQUEROR





CH/EXCHEQUER	
REC.	13 APR 1987 ✓ 15/4
ATTN	MR KEMP
COPIES TO	CST MFT SIR P. WOODLETON MR TIER BUTLER MR LUCE MR CALLEN MR CHIVERS MR TRUMAN MR ENDERSBY MR STODD MR LITTLE

QUEEN ANNE'S GATE LONDON SW1H 9AT

13 April 1987

The NI argument is a 2nd line - close to a special case. As for the matter, it has been argued for some time for a review of the situation.

Dear Nigel,

GEOGRAPHICAL PAY VARIATIONS

I have read with interest the general report on regional pay variations, which you enclosed with your minute of 9 March to the Prime Minister about geographical pay variations in the non-industrial civil service. You say in this that there is no reason in principle why geographical variations should not be introduced into police pay in the 1988 pay settlement. I doubt if it will be as easy as that.

In practice there is little prospect of getting the Police Negotiating Board to consider geographical pay variations as part of the 1987/88 pay review. The way in which the review is to be conducted will be a matter for agreement between the two sides of the PNB. The attitude of the Police Federation is likely to be obstructive in any case: geographical pay proposals would be interpreted by them as a direct attack upon the Edmund-Davies formula and would almost certainly provoke a serious confrontation. I am writing separately to colleagues on the police pay review which is to follow the 1987 pay settlement. As I say in that letter it seems to me out of the question to water down our commitment to the Edmund-Davies formula at this stage.

I have a reserve power to impose a settlement and it might be argued that, whatever the outcome of the 1987/88 pay review, this could be used to introduce geographical variations in police pay. But it has always been understood that this reserve power would be used only in the most exceptional circumstances, such as a breakdown on the police negotiating machinery, and it is important to maintain this understanding if we are not to lose the support of the police service. Moreover, there is real doubt whether the regulation making power which governs police pay (Section 33 of the Police Act 1964) would permit me to prescribe different levels of pay for different forces. If this is so the Government is in no position to impose its will without changing the legislation. Indeed it could not even try to influence the Official Side of the PNB towards considering the matter.

There may in any case be valid reasons why geographical variations (which contributed to the unrest which led to the police strike of 1919) should not be introduced into police pay.

/Taking the

The Rt Hon Nigel Lawson, MP

Taking the arguments on cost of living grounds to their logical conclusion, police rates of pay in Northern Ireland should be the lowest in the country. Given the difficulties and dangers experienced by members of the RUC, that would not be acceptable. I believe, therefore, that the possibility of applying geographical variations to police pay needs very careful thought and that we should not allow ourselves to believe that this could be achieved either simply or quickly. Indeed if such variations were to be introduced, they could not just be based on cost of living grounds, but would need to reckon with the extra difficulties of attracting policemen willing to work in eg the inner cities and Northern Ireland.

Copies of this letter go to the Prime Minister and other members of the Cabinet and to Sir Robert Armstrong.

Yours,

Douglas.

CONFIDENTIAL



FROM: N G FRAY

DATE: 14 April

*b/f with
advice to
letters below.*

MR GILHOOLY

cc: CST
MST
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr Chivers
Mr Luce
Mr Culpin
Mr C C Allen
Mr Truman
Mr Endersby
Mrs Todd
Mr Willis
Mr Ross Goobey

GEOGRAPHICAL PAY VARIATIONS

The Chancellor has seen the Secretary of State for Scotland's letter of 7 April. He finds paragraph 3 particularly unconvincing.

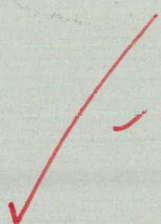
2. He has commented further that if "National" firms pay Southern rates in the North it is clearly more difficult for Northern firms to pay Northern rates. And the preoccupations of potential inward investors do not include the reduction of unemployment, whereas HMG's do.

Nigel Fray
N G FRAY



RD

CH/EXCHEQUER	
REC.	15 APR 1987 ✓ 15/4
ACTION	MST
COPIES TO	



FCS/87/099

CHANCELLOR OF THE EXCHEQUER

Public Sector Pay and South-East Supplements

1. We had a word on 6 April about my concerns over the serious impact of current pay levels on our recruitment and retention. This followed my minute of 23 January and Patrick Wright's of 6 March to Peter Middleton.

2. Since our conversation, officials have submitted to me their views on your minute of 9 March to the Prime Minister about pay supplements for the non-industrial Civil Service in the South-East. I have also received a letter about pay from the Foreign Office equivalent of the First Division Association, complaining about the squeeze on pay in our middle management ranks (Home Civil Service Grades 5 down to Administration Trainee). They have drawn attention to the disparity between the increase in Civil Service pay of 38.8% since 1980 and that in the private sector of 70-80%. They too have emphasised the inadequacy of current London Weighting and have asked me to convey this to my Ministerial colleagues. A particular concern of theirs is that pay regrading exercises have taken place over the last couple of years in respect of secretarial and clerical grades, but that nothing has been done of a similar nature in the

/important



important managerial grades immediately below Under-Secretary. The second tranche of increases now proposed in these grades should help. But if you intend to push ahead with performance-linked pay from next year, my feeling is that the awards on offer will have to be very much better than those under the Performance Bonus Scheme.

3. Your own minute about the South-East supplements concentrates on the more junior clerical and secretarial grades. We have had a good look at the proposals, but find little in them to attract us. In particular:

- the report admits that the real problems in this area can only be solved by large increases in London Weighting, but then goes on to reject such changes;
- the suggested average of £200 per annum per member of staff in the South-East (in the grades to which the supplement would apply) hardly squares with the report's own identification of, for instance, £2000 per annum for fringe benefits payable in similar jobs in Reading;
- An additional problem for us is that we would have to remove Inner London Special Pay Addition for our secretarial staff (currently payable at £300 and £400 according to grade) and could only replace it at the expense of not paying other staff any South-East supplement;
- the proposed restriction over the level of resignations and vacancies is too severe: our position over staffing is indeed critical, but would have to worsen to levels disastrous to the efficient running of the Diplomatic Service before we could even apply the supplement.



4. We would prefer to retain the Special Pay Addition for Secretaries, and offer assistance over hostel accommodation in London to our Grade 10s, rather than pursue the supplement approach.

5. Two final points are of particular concern to the Foreign Office, given that 56% of Diplomatic Service staff work abroad. First, most Foreign Allowances are salary-linked, either in terms of the standard of living which Cost-of-Living Addition is designed to sustain, or in terms of specific percentages of salary. In both these cases, if salaries are held back, allowances too fail to provide the necessary funds to compensate for the extra costs and difficulties of life overseas. Secondly, there is a widespread feeling among both Diplomatic Service officers and the representatives of their wives that they are unduly penalised in terms of total family income by comparison with their Home Civil Service counterparts. Wives of our officers cannot maintain and develop a full-time career because of their frequent moves overseas. They also find it very much more difficult to re-establish themselves in a job on return home after a long break abroad. At present we offer no compensation for this loss of family income. It is a particular problem for officers returning to work in Central London with all the associated costs of living in the South-East.

6. My Departmental Budget could not, of course, accommodate the kind of increase needed to resolve our problems. In my view, we may have reached the point where, in order to maintain an efficient Diplomatic Service preferring much the same levels of activity as at present, further central funds will have to be made available.




FROM: A W KUCZYS
DATE: 15 April 1987

MR KEMP

cc PS/Chief Secretary
PS/Minister of State
Sir P Middleton
Mr F E R Butler
Mr T Luce
Mr C C Allen
Mr Chivers
Mr Truman

GEOGRAPHICAL PAY VARIATIONS

The Chancellor has seen the Home Secretary's letter to him of 13 April. He has commented that the Northern Ireland argument is a red herring - clearly Northern Ireland is a special case. As for the mainland, it would be interesting to see figures for recruitment and retention for each police force. (I think I have seen recent press reports that the flow of experienced officers from the Metropolitan Police to provincial forces has recently reached alarming levels).


A W KUCZYS

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

EX-CHEQUE	
Date	06 MAY 1987 ✓ 6/5
ACTION	MR KEMP ✓
COPIES TO	CST MST SIR P. MIDDLETON MR FERGUSON MR LUCE MR MACANSLAN MR CHIVERS MR STRUMER MR ENDERBY MRS TODD MR LILLIS.

✓

6 May 1987

GEOGRAPHICAL PAY

I have seen your minute of 9 March to the Prime Minister and comments of some colleagues on it.

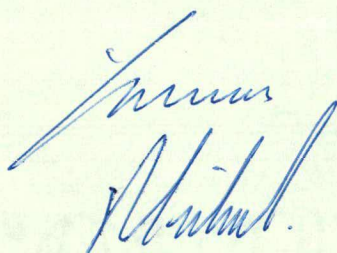
I entirely support the idea of introducing geographical variation into civil service pay in order to deal with the problems you mention. I also understand your reasons for adopting initially a cautious approach. However, we do need to be clear that what we are doing is genuinely cost-effective. The issue is particularly relevant to my Department with a very wide geographical spread of staff with concentrations in some of the particularly difficult places like Guildford and Cambridge. I am therefore concerned that we find adequate ways to retain staff where this is particularly difficult and also to encourage mobile staff to come and work in the South-East. I do not believe the present proposal will do this. Firstly it relates primarily to non-mobile staff. I recognise that other measures are currently being introduced to assist the transfer of mobile staff but these are limited and, apart from IPCS grades, do not cover basic pay. Secondly, and more importantly, I fear that the sums we offer will need to be significantly higher than those you mention if the scheme is to achieve its objectives. I hope this can be re-examined or at the very least departments allowed greater flexibility in the payments they make in specific areas in response to local needs, if necessary within some Departmental ceiling.

In his letter of 7 April Malcolm Rifkind argues the case for pursuing dispersal. But I do not see positive measures on geographical pay as an alternative to dispersal, rather as mutually reinforcing. Increasing salaries in the South-East would in fact assist dispersal by altering relative costs and encouraging the creation of employment in areas where salaries were lower.

/Predictably

Predictably enough, you say that Departments should meet the cost of the proposed scheme from within their running cost limits. I must point out that it is the Treasury which has devised a scheme which is entirely incremental. This is no doubt because of the legal problems over making reductions in pay. However the result is that it simply adds to the pressure on running cost totals in a way which would not be the case if the scheme were based on some kind of balance between high and low cost areas. Whether the costs can be contained within running cost limits depends upon the level of the basic pay award. This is not just a short-term problem. As we have seen with the IPCS deal if these pay innovations have to be achieved solely on top of normal pay negotiations they can be very expensive indeed.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read "Michael Jopling". The signature is written in a cursive style with a long, sweeping underline.

MICHAEL JOPLING

NP

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

CH/EXCHEQUER	
REC.	07 MAY 1987 7/5
ACTION	MR KEMP
COPIES TO	CST MST SIR P. MIDDLETON MR FORBUTLER MR LUCE MR MACAVAN MR CHIVERS MR TRUMAN MR ENDERBY MR STODD MR LILLIS.

7 May 1987

CONFIDENTIAL

Dear Nigel

GEOGRAPHICAL PAY VARIATIONS

Thank you for sight of your minute of 9 March to the Prime Minister together with the copy of the general report on regional pay variations in the economy generally. I have seen the various responses that you have received from colleagues and I agree entirely with the reservations expressed by Malcolm Rifkind. I can confirm his view that potential inward investors give more consideration to factors such as the quality of the labour force, the financial package available and infrastructure than they do to variations in wage rates. Our success in recent years in attracting a high proportion of the inward investment to the UK demonstrates this.

letter at X

The paper is deficient in a number of respects. It does not demonstrate that the historic differences in employment and unemployment levels have been caused by a lack of variation in regional pay. It accepts, in a number of places, that the data, on which the paper is based, are deficient and does not attempt to calculate the degree of variation that is necessary to effect the changes in attitude required. Of greater concern is the acceptance that the policy will lead, in the first instance, to a reduction in employment in areas of higher unemployment, particularly in the service industries. The maintenance of a high-quality service sector is of prime importance in attracting firms to an area and the consequences of the proposed policy is as likely to lead areas of higher unemployment into a spiral of decline as to increase employment in the long term. We do need to consider the consequences very carefully before we attempt to proceed to a policy along the lines indicated by the paper.

What is clear is that the situation is right in suggesting that there has been a high wage in the South East we should get the Government work done in the Region.

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

✓
Nigel

19/5 - 8 MAY 1987 - 32

FROM: MRS M J HARROP

DATE: 8 May 1987

1. MR GILHOOLY ✓
2. MINISTER OF STATE ✓
3. CHANCELLOR

C/letter to issue?

CR 11/5

OK -

9/5
This is cleared, but
I would like to
have a brief
meeting on the
secretarial issue
in particular:
Customs & Excise

experience had been that last year's
changes had resolved the problem -

PB 9/10

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Painting
Mr Halligan
Mr Ranford
Mr Willis

PUBLIC SECTOR PAY AND SOUTH EAST SUPPLEMENTS

The Foreign Secretary minuted the Chancellor on 15 April about civil service pay generally and in particular about the South East supplement recommended in the report of the Working Party on Geographical Pay.

2. The detailed comments were not very well-informed and Mr Kemp held a meeting with the Chief Clerk at the FCO to explain the background. This left the FCO generally content with the proposals - except for the level of payment (a maximum of £500), which they think is too low to have much effect. Other Ministers have raised the same point, but the problem is of course the cost of larger payments. There may have to be a Ministerial discussion about this as and when you are ready to return to colleagues with proposals. However, the immediate point is to dissuade the Foreign Secretary from opposing the approach in principle.

3. At the meeting we also agreed that there should be a review of some aspects of foreign service allowances etc by officials in the two departments, FCO will shortly be putting proposals to the Treasury.

4. I attach a draft reply, which makes it clear that the cost of any changes in allowances would have to be found from within existing running costs limits.

MJA.

MRS M J HARROP

Pse ty 12

~~DRAFT~~ MINUTE FROM THE CHANCELLOR TO THE FOREIGN SECRETARY

FOREIGN SECRETARY

Public Sector Pay and South-East Supplements

Our officials have dicussed the issues raised in your minute of 15 April. Since then, we have made a revised offer to the FDA, and are near a settlement with them ^{which would need} ~~and the~~ ^{across to the} Diplomatic Service Association. ~~[I am now replying to the points you raise on the geographical pay ideas.]~~

You suggest that large increases in London weighting are needed, and that extra central funds will have to be made available. There is ~~[you will not be surprised to hear,]~~ ^{can be} no question of extra money. ~~[The report did raise the possibility of large automatic increases, but only to reject it immediately on grounds of cost. Instead, it]~~ ^{The report} recommended a ~~[more]~~ flexible approach which would allow departments to concentrate the limited sums available on the groups with the worst problems of recruitment and retention. The amounts payable may look modest, but would at least be a start in tackling the real problems in London and some other parts of the South East, and are as far as we could go at present. But the scheme would be monitored closely and could be modified in the light of experience after one year, before the complete review within two years.

Since the report was circulated, my officials have ~~done~~ ^{undertaken} more work on the details of the scheme. As a result, ~~we~~ can meet you on two

of your specific concerns - that of secretaries in Inner London, and on the criteria for paying the supplements. In some circumstances ~~we~~ might also be able to accept some relaxation of the £200 average payment, which you also queried. I hope that you will agree that these changes, which are spelt out in a draft note which your officials are considering, would make the scheme more acceptable to the FCO, especially as ~~we~~ can also agree in principle that supplements payable to your secretaries in Inner London can also be paid to secretaries overseas, although the details will have to be worked out.

You also mentioned the question of assisting with hostel accommodation, which your officials will be following up with mine, and two points of particular concern to the Foreign Office. These raise the whole question of the form of Foreign Allowances and the problems caused for wives whose careers are interrupted by service abroad. I acknowledge that some aspects of these problems are more serious for the FCO than for the Home Civil Service, and suggest that our officials should together consider, without commitment on either side, the possible ways forward, within the constraints of existing running costs limits.

19
12



Mrs. Harrop
A. advise

CH/EXCHEQUER	
REC.	15 APR 1987
ACTION	WST
COPIES TO	

De 1/4

FCS/87/099

MINISTER OF STATE	
REC.	16 APR 1987
ACTION	Mr Kemp
	PS/ch/cx
	PS/EST, PS/EST
	PS/EST
	Six PMiddleton

12/13
Mr FOX BUTL
Mr Guthrook
Mr Painter
Mr Halliday
Mr Rayford
mst

CHANCELLOR OF THE EXCHEQUER

Public Sector Pay and South-East supplements

1. We had a word on 6 April about my concerns over the serious impact of current pay levels on our recruitment and retention. This followed my minute of 23 January and Patrick Wright's of 6 March to Peter Middleton.

2. Since our conversation, officials have submitted to me their views on your minute of 9 March to the Prime Minister about pay supplements for the non-industrial Civil Service in the South-East. I have also received a letter about pay from the Foreign Office equivalent of the First Division Association, complaining about the squeeze on pay in our middle management ranks (Home Civil Service Grades 5 down to Administration Trainee). They have drawn attention to the disparity between the increase in Civil Service pay of 38.8% since 1980 and that in the private sector of 70-80%. They too have emphasised the inadequacy of current London Weighting and have asked me to convey this to my Ministerial colleagues. A particular concern of theirs is that pay regrading exercises have taken place over the last couple of years in respect of secretarial and clerical grades, but that nothing has been done of a similar nature in the

1/100/121



important managerial grades immediately below Under-Secretary. The second tranche of increases now proposed in these grades should help. But if you intend to push ahead with performance-linked pay from next year, my feeling is that the awards on offer will have to be very much better than those under the Performance Bonus Scheme.

3. Your own minute about the South-East supplements concentrates on the more junior clerical and secretarial grades. We have had a good look at the proposals, but find little in them to attract us. In particular:

- the report admits that the real problems in this area can only be solved by large increases in London Weighting, but then goes on to reject such changes;
- the suggested average of £200 per annum per member of staff in the South-East (in the grades to which the supplement would apply) hardly squares with the report's own identification of, for instance, £2000 per annum for fringe benefits payable in similar jobs in Reading;
- An additional problem for us is that we would have to remove Inner London Special Pay Addition for our secretarial staff (currently payable at £300 and £400 according to grade) and could only replace it at the expense of not paying other staff any South-East supplement;
- the proposed restriction over the level of resignations and vacancies is too severe: our position over staffing is indeed critical, but would have to worsen to levels disastrous to the efficient running of the Diplomatic Service before we could even apply the supplement.



4. We would prefer to retain the Special Pay Addition for Secretaries, and offer assistance over hostel accommodation in London to our Grade 10s, rather than pursue the supplement approach.

5. Two final points are of particular concern to the Foreign Office, given that 56% of Diplomatic Service staff work abroad. First, most Foreign Allowances are salary-linked, either in terms of the standard of living which Cost-of-Living Addition is designed to sustain, or in terms of specific percentages of salary. In both these cases, if salaries are held back, allowances too fail to provide the necessary funds to compensate for the extra costs and difficulties of life overseas. Secondly, there is a widespread feeling among both Diplomatic Service officers and the representatives of their wives that they are unduly penalised in terms of total family income by comparison with their Home Civil Service counterparts. Wives of our officers cannot maintain and develop a full-time career because of their frequent moves overseas. They also find it very much more difficult to re-establish themselves in a job on return home after a long break abroad. At present we offer no compensation for this loss of family income. It is a particular problem for officers returning to work in Central London with all the associated costs of living in the South-East.

6. My Departmental Budget could not, of course, accommodate the kind of increase needed to resolve our problems. In my view, we may have reached the point where, in order to maintain an efficient Diplomatic Service preferring much the same levels of activity as at present, further central funds will have to be made available.

3302/023

17598/87



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

The Rt Hon Stan Orme MP
House of Commons
LONDON
SW1A 0AA

12 May 1987

Stan Orme

*N/A
Brecked Rees
Office - mistake
AA*

Thank you for your letter of 17 April enclosing correspondence from the Trade Union Side in the Manchester Collection of Customs and Excise.

The Society of Civil and Public Servants (SCPS) which represents executive grades and the Civil and Public Services Association (CPSA) which represents clerical grades are currently conducting a campaign of industrial action on the general lines described in the letter. In Customs and Excise, traffic which cannot be handled at the inland clearance depots (ICDs) affected is being cleared at ports.

It is a matter of public record that this Government has reduced the size of the Civil Service, but it has also recognised the particular needs of Customs and Excise and allocated a considerable number of extra posts to them both last year and this.

The Customs and Excise Manchester Trade Union Side have chosen as their pay example the bottom point of the salary scale of the Administrative Officer (AO) which is payable to a new entrant aged 16. The new pay scales proposed offer increases to this grade of 4.25 per cent or £5.75 per week, whichever is the greater, for adults and £3 per week for juveniles. This would, from 1 July 1987, increase the salary scale of this particular grade to £7247 at the maximum and to £3664 at the bottom end of a new entrant aged 16 with intermediate age points on the scale of £4014 (age 17); £5070 (age 18); £5600 (age 19) and £6077 (age 20).

The Executive Officer grade, which is also employed at Manchester International Freight Terminal by Customs and Excise, has been offered increases payable in two stages. The first of these would be payable from 1 April and is again 4.25 per cent or £5.75 per week, whichever is the greater. The second tranche would be payable from 1 September and produces a salary scale of £6038-£10870.

X

A

→ claim not the offer

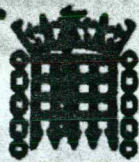


Both clerical and executive staff working in the London area receive London Weighting in addition to these national salary scales.

Over the past few years the Trade Union Side in Customs and Excise have conducted a campaign for additional staff, one of their main planks being the increase in drugs traffic. It is therefore disappointing that during this dispute they have encouraged their members to take unauthorised absence and thus reduce the preventive checks being performed on import traffic.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', written in a cursive style.

NIGEL LAWSON



17th April, 1987.

Rt. Hon. Nigel Lawson M.P.
Chancellor of the Exchequer
Parliament Square
London SW1P 3AG.

Dear Nigel,

I enclose a letter dated 16th inst. received from the Customs & Excise Manchester Collection, Local Whitley Committee, Trade Union Side, whose base is in my constituency.

I should be glad to hear from you as soon as possible with regard to the points raised in the letter.

Yours sincerely,

S Orme

387 industrial

HM TREASURY - <i>Manchester</i>	
RECD	22 APR 1987
ACTION	IRD
	CC
	CLASSIFY
SIGNATURE	CHX
REF No.	17598/87

1. Received in Customs: *23/4/87*
2. Action: *M. M. M. PDD*
R556 KBH

**CUSTOMS & EXCISE MANCHESTER COLLECTION
LOCAL WHITLEY COMMITTEE
TRADE UNION SIDE**

Room 502
Custom House
Trafford Road
Salford
M5 3DB
061 872 4282 ext. 326

AK.
Sund. Co.
H. H. H. H.

16 April 1987

Mr S Orme
47 Hope Road
SALE
Cheshire M33

Dear Mr Orme

With reference to your telephone conversation with Janice Kirkham on Saturday, 11 April 1987, the details of the consortium pay claim are shown on the attached poster. The industrial action planned within the Civil Service will basically be as follows:-

- a) a rolling programme of industrial action on a regional basis using selected locations for a three day strike in each region, beginning with the North West and Wales on 6 April,
- b) the selective strike action to be followed immediately by all members in the region taking strike action for the last two days of the week,
- c) further selective strike action on targets determined nationally.

In addition within Customs and Excise is the strategy that selective strike action will be taking place from week beginning 6 April 1987 in the following Inland Clearance Depots (I.C.D.'s) for the duration of the industrial action:-

Birmingham
Dover
East Midlands
Liverpool
London Port
Manchester
Northampton
Reading.

I.C.D.'s identified as the most sensitive to exports clearance will begin to be closed down from as yet unspecified date.

It is felt that this Government has attempted to decimate the Civil Service. Each day that goes by sees a worsening service to the public, morale within the service is at an all time low, turnover of staff is high due to poor conditions of service causing chronic staffing problems, particularly in the South East.

Manchester International Freight Terminal (M.I.F.T.) is the I.C.D. in this region which has been the target for strike action from 6 April. Customs staff employed at M.I.F.T. are required to rummage within 40 ft. containers containing all manner of goods for import or export. Freight is required to be checked in all weathers and it is only recently that overalls and uniforms have been promised. Associated paperwork has to be

**CUSTOMS & EXCISE MANCHESTER COLLECTION
LOCAL WHITLEY COMMITTEE
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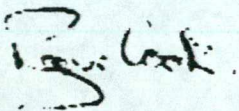
checked and processed and any queries resolved. For the above responsibilities the employee would receive £3,507 p.a. as an Administrative Officer. There are also thousands of members working in a lower grade as Administrative Assistants.

During the period of industrial action the trade using M.I.F.T. will not be able to obtain Customs clearance for export at M.I.F.T. and will have to attempt to do this at other I.C.D.'s not yet closed down. Import paperwork and Customs checks are now being waived creating an open door for smugglers and the like.

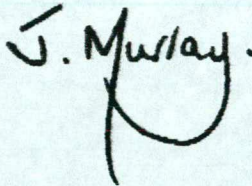
Your assistance in the creation of a better Civil Service would be greatly appreciated.

Yours sincerely

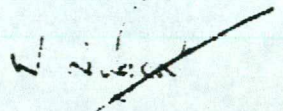
R COOK
T.U.S. Chairman



J MURRAY
S.C.P.S. Acting
Branch Secretary



W NUGENT
C.F.S.A. Branch
Secretary





13/5/87 [Signature]

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

FOREIGN AND COMMONWEALTH SECRETARY

PUBLIC SECTOR PAY AND SOUTH EAST SUPPLEMENTS

Our officials have discussed the issues raised in your minute of 15 April. Since then, we have made a revised offer to the FDA, and are near a settlement with them which would reach across to the Diplomatic Service Association.

You suggest that large increases in London weighting are needed, and the extra funds will have to be made available. There can be no question of extra money. The report recommended a flexible approach which would allow departments to concentrate the limited sums available on the groups with the worst problems of recruitment and retention. The amounts payable may look modest, but would at least be a start in tackling the real problems in London and some other parts of the South East, and are as far as we could go at present. But the scheme would be monitored closely and could be modified in the light of experience after one year, before the complete review within two years.

Since the report was circulated, my officials have undertaken more work on the details of the scheme. As a result, I can meet you on two of your specific concerns - that of secretaries in Inner London, and on the criteria for paying the supplements. In some circumstances I might also be able to accept some relaxation of the £200 average payment, which you also queried. I hope that you will agree that these changes, which are spelt out in a draft note which your officials are considering, would make the scheme more acceptable to the FCO, especially as I can also agree in principle



that supplements payable to your secretaries in Inner London can also be paid to secretaries overseas, although the details will have to be worked out.

You also mentioned the question of assisting with hostel accommodation, which your officials will be following up with mine, and two points of particular concern to the Foreign Office. These raise the whole question of the form of Foreign Allowances and the problems caused for wives whose careers are interrupted by service abroad. I acknowledge that some aspects of these problems are more serious for the FCO than for the Home Civil Service, and suggest that our officials should together consider, without commitment on either side, the possible ways forward, within the constraints of existing running cost limits.

A handwritten signature in black ink, appearing to be 'N.L.' with a small horizontal line underneath the 'L'.

N.L.

13 May 1987

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Gilhooly
Mrs M J Harrop
Mr Painting
Mr Halligan
Mr Ranford
Mr Willis



NOTE OF A MEETING HELD AT NO.11 DOWNING STREET
ON FRIDAY, 15 MAY AT 10.15 AM

Present

Chancellor
Minister of State
Mr F E R Butler
Mr Kemp

CIVIL SERVICE PAY

Mr Kemp said that some decisions on handling were now needed. The General Secretary of the CPSA (Mr Ellis) had been in touch with him that morning. Mr Ellis wanted to say at his conference that afternoon that he had felt it right to see whether the Treasury had any more to say; and the Treasury had agreed to see him the following week.

2. The Chancellor said he would not want any new initiative taken this side of the Election. It must be made clear that any further talks with the Treasury were at the unions' request; that there was no more money on the table; that no fresh instructions could be obtained from Ministers until after the Election (and that should certainly not be taken to imply that any new money would then be forthcoming); and that any talks about future long-term pay deals could cover only what had already been offered.

3. Mr Butler said he very much agreed with this line. He did not favour any new action now, such as writing to the unions about long-term pay deals. He had considered whether we might say that we could not agree to any further talks unless the unions were to agree not to ballot for further industrial action; but he did not think that would be effective. The Chancellor agreed; if the unions were planning to ballot for an all-out strike then we might reasonably refuse to talk to them at all; but since all they were

11/5 19 MAY 1987 -9



MINISTER OF STATE

FROM: L D HAWKEN

DATE: 19 MAY 1987

Board Room
HM Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

cc APS/CX
PS/Sir P Middleton
Mr Kemp
Mr Scholau
Mr Truman.

INDUSTRIAL ACTION AT SOUTHEND

You asked for a note on the effect of industrial action currently being taken by some of our computer staff at Southend.

On Monday 18 May thirty three staff voted to take strike action for a period of three weeks. These people form three teams of computer software support staff who act as "troubleshooters" should a data fault arise in any of our Southend based computer systems.

Unfortunately the VAT system has already developed a data fault which members of one of these teams would normally rectify. This system is therefore out of action for the time being.

The position at the moment is that whilst we can continue to bank VAT receipts we are unable to make VAT repayments. Thus over the next three weeks we estimate that VAT repayments totalling £275m may be delayed for 3 weeks; a further £250m for 2 weeks and another £250m for one week. This could result in recipients becoming entitled to VAT repayment supplement totalling £14.5m.

Other computer systems at Southend including CEDRIC and trade statistics are still operating at present as is the Customs DEPS computer.

J. Hall
J. HALL

PP L D HAWKEN

FROM: D FAULKNER
DATE: 29 MAY 1987

1. MR TRUMAN
2. MINISTER OF STATE

cc PPS
Chief Secretary
FST
EST
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr T Luce
Mr Burgner
Dr Freeman
Miss Peirson
Mr Scholar
Mr Chivers
Mr Gilhooly
Mr Willis
Mr Pettifer
Mr Woodall

Minister of State/PCO
Sir Robert Armstrong
Miss Mueller
Mr Wilson
Miss S Phippard

*Per let the MSB
have a write up re
negotiations of X.*

INDUSTRIAL ACTION: 19 - 29 May

Since the rolling programme of regional strikes ended a fortnight there has been further selective industrial action in four departments.

2. The long running strikes at the four DHSS Computer Centres (carry out developmental work on the Social Security Reforms and Operational Strategy) have continued throughout this period; it appears that the strikers in these units are unlikely to return to work until at the earliest after the mooted "all-out" national stoppage on 8 and 9 June.

X | 3. HM D&E have been affected by strikes in three operational areas. The 15 Inland Clearance Depots which were among the first locations to be targetted for selective action have continued to be affected by strikes; however many ICD staff are expected to resume normal work next week. Perhaps one reason for this apparently sudden return to normal working has been the lack of significant media interest in the ICD strikes. By contrast, considerable notice has been taken of the strike by the "Trouble Shooting" Unit working on the software side of the VAT Computer; the computer has been closed down since the end of last week. There are rumours, so far unsubstantiated, that the Unit will remain on strike for the duration of the pay dispute. Much media attention has also been paid to the series of three day strikes at 9 South and East coast ports by Customs officials involved in export documentation.

Although there were considerable delays to freight traffic early in the week, these have now been reduced by management efforts; and staff at Dover and Ramsgate have already resumed normal work.

4. Two day strikes have also continued in various Passport Offices in protest by CPSA members against management's provision for overtime.

5. A continuing dispute about the Restart programme has closed three Jobcentres and a small YTS work unit.

6. Departments have been affected as follows:

	DHSS	HM C&E	HO	MSC	Total
19/5	281	203	161	68	713
20/5	281	203	--	68	552
21/5	281	203	--	66	550
22/5	281	203	--	65	549
26/5	285	309	180	67	641
27/5	286	336	181	86	689
28/5	287	418	--	86	791
29/5	288	309	--	85	682

D Faulkner

D FAULKNER



FROM: CATHY RYDING

DATE: 1 June 1987

PS/MINISTER OF STATE

cc Chief Secretary
Financial Secretary
Economic Secretary
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Truman
Mr Faulkner

INDUSTRIAL ACTION: 19-29 MAY

The Chancellor has seen Mr Faulkner's minute to the Minister of State of 29 May.

2. The Chancellor has noted in Mr Faulkner's paragraph 3 that considerable notice has been taken of the strike by the "Trouble Shooting" Unit working on the software side of the VAT Computer and there are rumours that the Unit will remain on strike for the duration of the pay dispute. The Chancellor thinks it would be useful for the Minister of State to have a note on the implications of this.

CR

CATHY RYDING



OK. Jo (5)
Psr Mr.

Ch

A late development on this was a phone-call from Leslie Christie (General Secy SCPS) to Peter Kemp to say what's all this about. His indication was to make a song and dance about this if it was a cook-up by you or Central Office, but not if — as is clearly the case — it was a mistake by junior civil servant. //over.

John Gilhooly explained
position to Christie; it
sounds as if he won't press
this, provided he has a
bit of paper admitting
mistake.

If you prefer not to
write yourself, alternatives
are

(a) PS letter by me to
Stan Orme

(b) Letter from Gilhooly
to Christie, with me
sending it under cover of
short PS letter to Orme.

Which do you prefer?

AA

Exclusive

Nigel's gaffe cheers 'duty frees'

By Mike Duffy

AN AMAZING gaffe by the Chancellor today had Britain's striking Customs men hoping for a massive cash windfall.

For the slip-up appeared to concede a big pay rise for 75,000 executive officers locked in a bitter dispute with the Government.

In spelling out what he was prepared to pay the Customs men as part of a two-stage wage increase, Mr Lawson confused the union's claim with the Government's offer.

Today, cock-a-hoop officials of the Society of Civil and Public Servants were trying to establish whether or not the Chancellor can be held to the figures.

Election '87 - Pages 4 and 5.

In a letter to Labour's energy spokesman Mr Stan Orme, election candidate for Salford East, Mr Lawson explains that the two-stage offer to executive officer grades would first bring weekly rises of up to £5.75 payable from April.

He adds: "The second tranche would be payable from September 1 and produces a salary scale of £6,038 to £10,870."

But a Manchester spokesman for the union claimed today: "The point is, the Government's offer is less than this."

"The claim is for £10,870 so what he is saying is that from September 1 he will be paying the Civil Service claim."

It is not clear whether the mistake can be construed as some form of commitment to pay for cash.

Mr Lawson's office admitted the boob as soon as it was drawn to their attention by the Manchester Evening News.

But it is clear hopeful civil servants can expect no change from the Chancellor.

A spokesman for his office in the Treasury said: "There is an error and we are grateful to you for pointing it out."

The spokesman added: "This was a draft prepared by officials and the error was not spotted. The correct figures should be £5,820 to £10,100."

Ch

I think you should formally set the record straight with Stan Orme by writing on the lines of the draft attached.

AA

Note

Michael Gunter reports one phone-call from Manchester Daily News, who didn't sound very interested when told it was innocent mistake.

AA

FROM: E P KEMP
DATE: 1 June 1987

MR ALLAN

cc Mr Gilhooly

CIVIL SERVICE PAY ETC

You spoke to me yesterday about Executive Officer pay and the report that might be appearing in a Manchester newspaper.

2. I attach an extract from the Society circulated to their members of 18 March in which they set out our final offer (I am sorry for the slightly untidy state it is in). You will see that they set out the position, from their point of view, very fully; the existing rate as it stood before the offer (the April 1986 rate), the April 1987 proposed improvement of $4\frac{1}{4}$ per cent, the effects of the offer in respect of the so called relativities claim with effect from 1 September 1987, the percentage increase on the existing rates (set out really very fairly) and what the claim was. It looks to me as though if the newspaper is quoting a figure of around £10,800 they have, as you suggested on the telephone, got hold of the claim not the offer. (These rates are all excluding London Weighting, of course; inner London Weighting would become £1,524 under our so far rejected offer, which would take EOs from September 1987 to a touch over £11,600).

3. Please let me know if I can give any more help. Is this a matter on which we ought to be asking IDT to correct the record?

4. Turning to the dispute more widely, we expect to hear in the next day or so the results of the ballot in respect of the next proposed round of industrial action. I also attach an extract from Conference material which sets out what (at that stage anyway) is planned. It seems to me absolutely certain that the Society will get their majority and virtually certain that the CPSA will get one too - albeit perhaps (even) less convincingly than before. Whether staff will have the stomach

for much action very much remains to be seen; I suspect that they are generally fairly disheartened, though of course the activists and the militants will be going around vigorously trying to whip up action. The CPSAs eye is not really on the ball because they are torn with the internal feuding between the right and left wings and the equally eternal mystery of the missing ballot boxes. But it is likely there could be some fairly conspicuous action in Election week and thereafter. In accordance with existing instructions we are continuing to play this fairly low, if only from a managerial point of view; but those engaged in the Election campaign will no doubt be considering, insofar as they think that the issue is a factor at all, whether and if so how it might be turned to advantage or disadvantage as the case may be.

5. Incidentally it looks as though NIPSA (the Northern Ireland Civil Service unions) have balloted to reject further action, which means that there should now be peace there. NIPSA is only a small union but this is good news; apart from anything else it will help to dishearten the GB troops.

6. Since I am reporting I also attach an advance copy of the leaflet which the Council of Civil Service unions are likely to try to get into the hands of every civil servant - probably later this week - setting out the answers to the various political parties to the questions that have been posed. My own view is that this document only just stays on the right side of being neutral, but any attempt by ourselves to stop it being circulated in Government Departments on the grounds that it is parti pris would I think be counter-productive. In fact seen from the point of view of an individual civil servant none of the political parties, on the strength of this document, offers up much more of the way of comfort than either of the others.



E P KEMP



FROM: A C S ALLAN

DATE: 1 June 1987

MR GUNTON

cc PS/Minister of State
 Mr Kemp
 Mr Culpin
 Mr Gilhooly
 Mr Truman
 Mr Pickford
 PS/C&E
 Mr Meachen - C&E

CIVIL SERVICE PAY CLAIMS

... The Chancellor sent the attached letter to Mr Stan Orme on 12 May. The last sentence on the first page says that the offer by the Treasury would produce a salary scale from 1 September for EOs of £6,038 to £10,870. This is wrong. The figures quoted are the claim by the SCPS. The Treasury's offer produces a salary scale of £5,820 to £10,100.

2. The other figures quoted in the letter are correct. The explanation for the mistake is simply that the wrong figures were included in the draft reply put to the Chancellor.

3. The Manchester Evening News has got hold of this and is planning to run a story today.

Line to take

4. Yes, this was a mistake. The correct figures should be £5,820 to £10,100.

5. The Chancellor has to send many replies to queries raised by MPs and others. ~~He inevitably has to rely on the civil servants in his Departments to supply the correct figures for detailed replies such as this.~~ It is unfortunate that in this case a mistake was made on one pair of figures (the other figures used in the letter are correct).

*Amended following
 discussion with
 Robert*

ACSA
 A C S ALLAN

FROM: E P KEMP
DATE: 2 June 1987

Handwritten: KEMP
Handwritten: prep.

MR GILHOOLY

cc PS/Chancellor
PS/Minister of State
Mr Culpin
Mr Truman
Mr Pickford
Mr Gunton
PS/Customs and Excise
Mr Mechem - C&E

CIVIL SERVICE PAY CLAIM

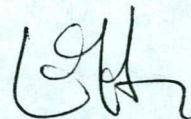
Thank you for your note of 2 June.

2. This is to record that Mr Leslie Christie of the Society called on us this morning, at his own request, to discuss this matter. We took him through the various mechanical steps that had been involved in preparing the advice for the Chancellor at junior official levels. We explained to him, therefore, that if he wanted to make an issue out of it he would effectively be criming some rather junior person (almost certainly one of the grades he represents) for what was after all an unfortunate but nevertheless understandable error, which should not have happened but which did happen and which was the sort of thing that does sometimes happen. We went through the process by which we became aware of the slip (the proposed reports in a Manchester newspaper) and told Mr Christie that the mistake had been corrected in a letter which the Chancellor's office had sent to Mr Orme just as soon as possible after the discovery. We also explained, incidentally, that the previous correspondence had all taken place before the Election had been called, and was clearly a right and proper response for a Chancellor to send to a former Cabinet Minister, using Departmental facilities to give advice.

Handwritten: Kempsey!

3. Mr Christie said he was content with this explanation, and said he was not disposed to take matters any further or make any rumpus. I hope he sticks to this. (It is not clear what sort of rumpus he could make but at one stage he looked as though he was going to have a try.) For

completeness you will write to him a simple letter simply saying that we have become aware of this error, and that while the Chancellor's office had written to Mr Orme you were writing to Mr Christie, as General Secretary of the union who have the grades in question, emphasising for the avoidance of any doubt that the offer is what it is, and not the larger figure.



E P KEMP

MR KEMP

FROM: J F GILHOOLY

DATE: 2 June 1987

cc PS/Chancellor
PS/Minister of State
Mr Culpin
Mr Truman
Mr Pickford
Mr Gunton
PS/C&E
Mr Meachen C&E

mp

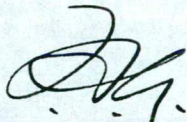
CIVIL SERVICE PAY CLAIMS

We spoke about Alex Allan's minute of 1 June to Mr Gunton. Leslie Christie has rung us about this, and may be in contact again today.

2. You suggested that a way of putting the record straight might be a letter to Leslie Christie on the lines attached. I think this is still worth doing, even though Alex Allan has written to Mr Orme (attached).

3. I agree that for the best balance between authority and a modest profile, the letter needs to be signed at Grade 5 level. (As to who in Pay may have agreed the C&E draft, that I have yet to establish. I will deal with that separately as a matter domestic to Pay 1. It weighs with Mr Christie, incidentally, that it was probably someone in the executive grades he represents.)

4. I do not think that this way of proceeding conflicts with the normal line (eg with Select Committees) about not revealing advice given to Ministers. This is a question of fact, not policy.


J F GILHOOLY



cc PS/Minister of State
Mr Kemp
Mr Culpin
Mr Gilhooly /
Mr Truman
Mr Gunton
Mr Pickford
PS/C&E
Mr Meachen - C&E

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

2 June 1987

The Rt Hon Stan Orme
House of Commons
LONDON SW1A 0AA

Dear Mr Orme .

The Chancellor wrote to you on 12 May about Civil Service pay, in response to your letter of 17 April enclosing correspondence from the Trade Union Side in the Manchester Collection of Customs and Excise. In that letter he said that the Treasury's offer would produce a salary scale for the Executive Officers of £6,038 to £10,870 from 1 September. I regret that these figures were wrong, as I believe you have already discovered. The correct scale produced by the offer is £5,820 to £10,100. I apologise for this mistake.

Yours sincerely

Alec Allan

A C S ALLAN
Principal Private Secretary



DRAFT

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-238-8000 270 3000
Direct Dialling 01-238 270 4559

L Christie Esq
General Secretary
Society of Civil and Public Servants
124/130 Southwark Street
London SE1 0TU

2 June 1987

You spoke to me about the Ministerial letter the Chancellor wrote to the Rt Hon Stan Orme MP on 12 May about constituency correspondence he had had with the Trade Union Side in the Manchester Collection of Customs and Excise.

You questioned the figures quoted for the Executive Officer scale payable from 1 September originally put to you as a final offer in our letter of 18 March. I confirm that there was a clerical slip in the draft prepared by officials: the correct figures are £5,820 to £10,100.

J F GILHOOLY

ps1/19A



cc PS/Minister of State
Mr Kemp
Mr Culpin
Mr Gilhooly
Mr Truman
Mr Gunton
Mr Pickford
PS/C&E
Mr Meachen - C&E

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

2 June 1987

The Rt Hon Stan Orme
House of Commons
LONDON SW1A 0AA

Dear Mr Orme.

The Chancellor wrote to you on 12 May about Civil Service pay, in response to your letter of 17 April enclosing correspondence from the Trade Union Side in the Manchester Collection of Customs and Excise. In that letter he said that the Treasury's offer would produce a salary scale for the Executive Officers of £6,038 to £10,870 from 1 September. I regret that these figures were wrong, as I believe you have already discovered. The correct scale produced by the offer is £5,820 to £10,100. I apologise for this mistake.

Yours sincerely
Alec Allan

A C S ALLAN
Principal Private Secretary

CONFIDENTIAL

FROM: D A TRUMAN

DATE: 4th June 1987

- So yes. we shall fill in the gaps with what is known at the moment.*
1. ~~MR KEMP~~
 2. PRINCIPAL PRIVATE SECRETARY *him*

- cc PS/Chief Secretary
 PS/Minister of State
 Sir Peter Middleton
 Mr F E R Butler
 Mr Anson
 Mr Luce
 Mr Culpin
 Mr Gilhooly
 Mr Pettifer

CIVIL SERVICE PAY DISPUTE

NIPSA apart, the CPSA and SCPS have now voted to continue industrial action. There will be an all out national strike on 8th and 9th June followed by regional two day strikes in the succeeding three weeks together with continuing selective action mainly aimed at computer development work on the DHSS social security reforms and the Customs' VAT computer at Shoeburyness. At the time of writing the figures are not available but it is understood that in all cases the majority in favour of industrial action was somewhat narrower than on the last occasion.

A new factor in all of this is the election of Mr Macreadie to the post of Deputy General Secretary of the CPSA together with a militant majority on the National Executive. Not only is it likely that the union will pursue a harder line - the militant have always advocated all out industrial action - but Mr Macreadie is keen to espouse a more active political role for the union including a return to the situation before 1927 when the predecessor union was affiliated to the Labour party.

I attach a draft letter giving, in effect, a situation report which might be sent to No. 10.

*Acoby of
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 Feb 1986 -
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 a total.
 S*



D A TRUMAN

POLITICAL FUNDS: NON-INDUSTRIAL CIVIL SERVICE UNIONS

Background

1. All non-industrial civil service unions are affiliates of the TUC but none have political funds. Unions representing industrial staff do have political funds and are affiliated to the Labour Party. CPSA, IRSF and CSU are considering setting up such funds. The unions argue that if they are to represent their members effectively the redefinition of political objects in the 1984 Trade Union Act means that they need political funds to campaign against Government policies. Having a political fund does not necessarily mean that a union will affiliate to a political party, although most do. But affiliation for a civil service union would be different and of great concern.

2. The Government does not accept that civil service unions need political funds other than for party political activities (although there is no supportive case law on this). But the Government has no direct way of preventing the setting up of such funds short of passing new legislation, while given the present atmosphere, reliance on arguments against could be counter-productive. Individual civil servants are anyway bound by rules of conduct on political activity.

3. Following Ministerial discussion, the Minister of State (Treasury) made the following statement to the House on Friday 7 February:

The Minister of State, Treasury (Mr. Peter Brooke): I have been asked to make a statement concerning the position of non-industrial Civil Service trade unions and their possible establishment of political funds.

Political funds are unnecessary unless the Civil Service trade unions are proposing to participate in party political activities or to campaign for or against political parties or candidates. Provided this is not the main purpose of their campaign material or activities, they remain free, like other trade unions, to spend money from their general funds to promote and to defend their members' interests. This was the position before the Trade Union Act 1984 came into force and remains the position now.

If, wholly unexpectedly, unions were to experience difficulties in the courts on challenges that money had been wrongly spent from their general funds of activities to defend or improve their members' terms and conditions of employment, the Government would be ready to contemplate changing the law.

Any union that proposed to establish a political fund would have to consult its members by secret ballot. It is important that, in casting their votes, all union members are fully aware that a fund is not necessary unless party political activities are planned. Union members should know also that the creation of such funds will not be seen as in keeping with the political neutrality of a Civil Service that has to serve Governments of any political persuasion. Moreover, in the Government's view, political affiliation — a further but separate possible step — would run wholly counter to this need for political neutrality.

CONFIDENTIAL

Please type in
my signed

DRAFT LETTER TO

PS/Prime Minister

David Hoagrove
10 Downy Street

cc PS/All Members of Cabinet
PS/Minister of State
Privy Council Office
Sir Robert Armstrong

5
4th June 1987

CIVIL SERVICE PAY DISPUTE

(The Chancellor thought it would be helpful if I set out the latest position on the Civil Service pay dispute.)

^e
This dispute is now entering its second phase, after the initial 6 week programme of selective industrial action and all-out two day strikes in 6 regions. Although some 100,000 civil servants ^{took part} participated, with the loss of about 320,000 man-days, ~~generally speaking~~ ^{the} industrial action so far has had a relatively limited effect on the Government, other than to cause inconvenience. There have been exceptions; ~~however;~~ computer development work on the social security reforms has been hit, and a further bout of action at the VAT computer at Shoeburyness is now affecting VAT collection and payments and the production of trade statistics. But the main impact has been on the public, in particular ^{on} benefit claimants and those using the Passport Offices.

The three unions which have not yet accepted the pay offer have now concluded their ballots on the second phase of industrial action. The Northern Ireland Public Service Alliance has voted by a small majority against further strike action, although they are still maintaining an overtime ban and withdrawal of good will. ~~The CPSA has voted by about [3 to 2] in favour of strikes and [a similar result, has been registered by the SCPS, [both on even smaller turn outs than last time]. These two unions (representing a bit over half of the non-industrial Civil Service) are planning a national all-out strike on 8th and 9th June followed~~

Substitute
A

Add (X)

by all-out strikes on 18th and 19th June in Scotland, the North East and North West and Northern Ireland; on 25th and 26th June in London, the South East, East Anglia and the South West and finally on 2nd and 3rd July in Yorkshire, Lancashire the Midlands and Wales. Throughout this period there will also be some selective action (probably mainly at DHSS and Customs' VAT computer centres) for which the unions are paying strike pay. We understand that in the absence of an improved offer the unions may repeat this cycle thereafter. The Official Side position is set out in the attached ~~copy of a letter which with the Chancellor's approval~~ Treasury ~~officials~~ sent to the union, ^{and} which has been circulated to staff.

It remains to be seen how effective the ^{future} action will be. Departments have their contingency plans in place; the Treasury continues to keep closely in touch ~~with them and developments~~ through its regular meetings with senior Establishment Officers.

A new factor in the situation is the election of Mr John Macreadie of Militant Tendency as Deputy General Secretary of the CPSA, and the take-over of its National Executive Committee by supporters of Militant. The impact of this on the dispute has yet to be seen although it can be expected that the new leadership will take a harder line ~~hitherto they have favoured all out action~~ and in general a more political stance. According to the Financial Times of 4 June Mr Macreadie has said the union would take a more active role in the political field, with a campaign for a positive vote in a ballot for re-affiliation with the Labour Party. The Minister of State (Treasury) made it clear in the House in February 1986 that the Government's view was that political affiliation would run wholly counter to the political neutrality of a Civil Service which has to serve Governments of any political persuasion.

I will let you know if there are any further major new developments.

I am sending copies of this letter to the Private Secretaries ^{to} of all members of the Cabinet, ^{and private secretaries to the} to the Minister of State, Privy Council Office and ~~to~~ Sir Robert

Armstrong

ALSAZLAN
Principal Private
Secretary



MINISTER OF STATE

Board Room
H M Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

From: B H Knox
Date: 4 June 1987

cc P/S Chancellor
Mr M Scholar

INDUSTRIAL ACTION AT SOUTHEND

This is an update of Lewis Hawken's note of 19 May about the effect of industrial action currently being taken by some of our computer staff at Southend.

On 1 June the computer operators went on strike and brought to a halt all computer operations - apart from the computer running the CEDRIC (special investigations) system. Their currently declared intent is not to return to duty before the end of June. This strike action will have the following effects.

1. VAT

This is an extension of the strike already in force by the software specialists who service the VAT computer system which had already stopped operating from 18 May.

The major impact of the loss of VAT computer processing has been on repayments of VAT. About £250 million is repaid each week and traders, trade associations and professional bodies have been and are continuing to protest about the failure to make these payments. Many of those complaining, however, have been mollified by the fact that (under Section 20 of the FA 1985) if, in general, Customs delay making a repayment beyond 30 days, the claimant will become entitled to an additional payment in the form of Repayment Supplement of 5 per cent of the tax due to be repaid. If the delay is only a little more than a month, this represents a much higher yield than the cost of borrowing the money - for those able to do so. However, the amount of Supplement which will have to be paid is consider-

Internal copies to: Mr Jefferson Smith, Mr Harris, Mr Weston, Mr Howard,
Mr Nash, Mr Bray

able. If the strike continues until the end of June, the cost of Repayment Supplement for the six week period during which repayments of tax will not have been made will be in the region of £75/£80 million.

As a further form of relief and with the agreement of the Inland Revenue, traders claiming that the non-receipt of VAT repayments is inhibiting their ability to pay direct taxes are being advised to contact their regional Collectors of Taxes. These officers, where they are satisfied as to the circumstances, may allow some delay in the payment of PAYE etc.

VAT returns and payments of tax continue to be received and dealt with in the normal way by the VAT Central Unit. Moneys continue to be banked and until repayments of tax are resumed there will be a cash flow benefit to the Treasury. This could off-set the cost of Repayment Supplement payments to some degree.

Payment returns continue to be required to be submitted by the end of the month and the default surcharge system continues to operate although there will be some backlog in the computer processing. The next batch of blank return forms for the due date of 31 July would normally be issued in the course of this month, but this cannot be done on the computer while the strike continues. We are examining possible alternative arrangements which could be implemented well ahead of due date.

2. **DUTY DEFERMENT**

(i) **Customs and Vat**

An estimated £1.2 billion is due to be collected by direct debit on the 15 June. This is not now expected to be debited until the 3 July, although we are exploring the possibility of using alternative facilities.

If this does not prove feasible we intend, where practicable, to ask large traders to make payments by alternative means by the 15 June which should reduce the amount delayed by £300 million. The cost of the delay in collecting the remaining £900 million for 18 days at an interest rate advised by the Treasury of 6% will be £2.66 million.

(ii) **Excise duties**

An estimated £150 million is due to be collected by direct debit on the 29 June. This is not now expected to be debited until the 3 July. There will not be sufficient information available in time to make alternative arrangements to avoid this four day delay in collection and its cost at 6% will be £0.1 million.

3 **PAYMENTS TO THE EUROPEAN COMMUNITY (OWN RESOURCES)**

Part of the payments the UK make to the EC is made up of a proportion of the VAT it collects but this will not be affected by the strike as the amount paid is based on one-twelfth of our estimate for the year. Customs duties and agricultural levies make up the balance and due to the strike at Shoebury the precise amount due to be paid is not known. However the current procedure for making payments allows estimates to be used.

Bryce Knox

B H KNOX



FROM: S P JUDGE

DATE: 4 June 1987

BP

PS/CHANCELLOR OF THE EXCHEQUER

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Economic Secretary
- PS/Sir Peter Middleton
- Sir Terence Burns
- Mr Byatt
- Mr Kemp
- Mr G P Smith
- Mr Gilhooly
- Mr C Bell
- Mr Scotter
- Mr Tyrie

Thanks. The fact that, due to the dip in the price of oil, the real take home pay has risen by 17-18% in real terms.

we are all about (what was the comparison for under last?)

REAL TAKE HOME PAY

The Minister of State would like to draw the Chancellor's attention to the attached article (Annex A) in the Guardian of 29 May.

The attached note from Mr Scotter (Annex B) gives further details on percentage changes in real earnings (over the RPI) between 1978-79 and 1987-88. The figure in the Conservative Party Manifesto refers to the net pay of a married man with two children (21.6 per cent in the table).

The Guardian article claims that civil servants' pay had fallen behind during the same period by at least 12 per cent. The table attached shows, however, that civil servants have fallen only about 4 percentage points behind over the same period. This broad-brush statement is pretty robust (any figure in the 2nd block - corresponding figure in the 3rd block).

For all categories apart from non-civil servants with two children, net pay has increased by more than gross pay.

S P JUDGE
Private Secretary

Customs strike spreads to nine ports

By Keith Harper,
Labour Editor

More than 100 Customs staff at Felixstowe and Harwich walked out yesterday as industrial action by the officers over a 15 per cent pay claim spread to nine ports.

Dover, Ramsgate, Newhaven, Portsmouth, Poole, Weymouth and Plymouth were also affected, causing delays to lorry drivers of up to 12 hours, according to a Civil and Public Services Association spokesman.

Mr Peter Jones, secretary of the Council of Civil Service Unions, said yesterday that the Tory Party manifesto showed that average net pay had increased by 21 per cent more than the inflation rate since 1979. By contrast, civil servants' pay had fallen behind during the same period by at least 12 per cent.

The statement comes as the CPSA and the Society of Civil and Public Servants are trying to force the Treasury to improve a 4.25 per cent wage offer, worth £5.75 a week.

Mr Garry Turvey, director general of the Freight Transport Association, said that long delays had occurred at the ports affected by industrial action. Some vehicles had been diverted to other ports.

Customs officers at Dover and Ramsgate decided to end their strike at 11 pm last night.

FROM: I SCOTTER
DATE: 3 JUNE 1987

MR JUDGE

cc: Mr C Bell

REAL TAKE HOME PAY OF CIVIL SERVANTS

I attach a table which may help the MST, but it needs to be viewed with some caution.

2. The top block of the table, headed 'Male adult' shows the standard Treasury real take-home pay figures widely used by Ministers which can be found in Table 7 of Budget Brief D3. It is the figure for the married man with two children which appears in the Conservative Party Manifesto.

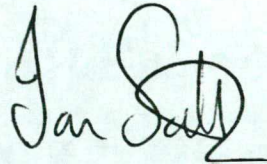
3. The average earnings used for these calculations are financial year averages for full time male employees on adult rates whose earnings are not affected by absence, based on the New Earnings Survey. The earnings for 1987-88 assume a 6½ per cent increase over 1986-87. The net figures assume that the man is not contracted out of SERPS.

4. I understand from Pay that directly equivalent gross earnings figures are not available for full time male civil servants. They have only been able to give me average earnings for all non-industrial civil servants, including women, part timers and youths. These figures have been used for the section of the table labelled 'Civil Servants'. The 1987-88 figures assume that those groups which have not yet settled, accept the current offer.

5. There is not an equivalent New earnings Survey figure for all employees. The nearest I have been able to get is the section of the table labelled 'All adults' which uses the average earnings of full time men and women on adult rates, not affected by absence. But this excludes part-timers and youths.

6. A further problem arises with the Civil Servant and All Adult figure in that it is not sensible to ascribe a male and female average earnings figure to a married man (average female earnings are well below average male). Any comparisons should therefore focus on the figures for single people.

7 You will see that average gross pay will have gone up by about 21 per cent in real terms between 1978-79 and 1987-88, whether the male or all adult average is used, and that net pay will have gone up by 22-24 per cent for a single person. Civil service gross pay will have gone up by just under 17 per cent in real terms over the same period and net pay by 18 per cent.

A handwritten signature in black ink, appearing to read "Ian Scotter". The signature is written in a cursive style with a large initial "I" and "S".

IAN SCOTTER

PERCENTAGE CHANGE IN REAL EARNINGS BETWEEN 1978-79 AND 1987-88

	Gross Pay	Net Pay
<u>Male adults</u> (1)		
Single	21.8	23.7
Married, no children	21.8	22.5
Married, 2 children under 11	21.8	21.6
<u>All adult</u> (1)		
Single	20.9	22.3
Married, no children	20.9	21.1
Married, 2 children under 11	20.9	20.3
<u>Civil Servants</u> (2)		
Single	16.7	18.2
Married, no children	16.7	17.3
Married, 2 children under 11	16.7	16.8

Notes: (1) Not contracted out of SERPs

(2) Contracted out of SERPs



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

CC PS/CST
PS/MST
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Luce
Mr Culpin
Mr Gilhooly
Mr Pettife
Mr Kemp
Mr Truman

5 June 1987

David Norgrove Esq
10 Downing Street
LONDON
SW1

Dear David,

gyp
(NB attachment missing.)

CIVIL SERVICE PAY DISPUTE

The Chancellor thought it would be helpful if I set out the latest position on the Civil Service pay dispute.

The dispute is now entering its second phase, after the initial six week programme of selective industrial action and all-out two day strikes in six regions. Although 120,000 civil servants took part, with the loss of about 320,000 man-days, the industrial action so far has had a relatively limited effect on the Government, other than to cause inconvenience. There have been exceptions: computer development work on the social security reforms has been hit, and a further bout of action at the VAT computer at Shoeburyness is now affecting VAT collection and payments and the production of trade statistics. But the main impact has been on the public, in particular on benefit claimants and on those using the Passport Offices.

The three unions which have not yet accepted the pay offer have now concluded their ballots on the second phase of industrial action. The Northern Ireland Public Service Alliance has voted by a small majority against further strike action, although they are still maintaining an overtime ban and withdrawal of goodwill. The CPSA and the Society together have voted by about 57 per cent to 43 per cent in favour of the next round of strikes, on a 56 per cent turnout. The majority for action, and the turnout, are both smaller than last time, and those voting for further action total about 70,000 out of some 300,000 affected. The two unions are now planning a national all-out strike on 8th and 9th June followed by regional all-out strikes on 18th and 19th June in Scotland, the North East and North West and Northern Ireland; on 25th and 26th June in London, the South East, East Anglia and the South West and finally on 2nd and 3rd July in Yorkshire, Lancashire the Midlands and Wales. Throughout this period there will also be some selective action (probably mainly at DHSS and Customs' computer centres) for which the unions are paying strike pay. We understand that in the absence of an improved offer the unions may repeat this cycle



... thereafter. The Official Side position is set out in the attached letter which the Treasury sent to the unions, and which has been circulated to staff.

It remains to be seen how effective the further action will be. Departments have their contingency plans in place; the Treasury continues to keep closely in touch through its regular meetings with senior Establishment Officers.

A new factor is the election of Mr John Macreadie of Militant Tendency as Deputy General Secretary of the CPSA, and the take-over of its National Executive Committee by supporters of Militant. The impact of this on the dispute has yet to be seen, although it can be expected that the new leadership will take a harder line and a more political stance. According to the Financial Times of 4 June Mr Macreadie has said the union would take a more active role in the political field, with a campaign for a positive vote in a ballot for re-affiliation with the Labour Party. The Minister of State (Treasury) made it clear in the House in February 1986 that the Government's view was that political affiliation would run wholly counter to the political neutrality of a Civil Service which has to serve Governments' of any political persuasion.

I will let you know if there are any further major new developments.

I am sending copies of this letter to the Private Secretaries to all members of the Cabinet, and to the Private Secretaries to the Minister of State, Privy Council Office and Sir Robert Armstrong.

*Yours
A C S*

A C S ALLAN
Principal Private Secretary

TEXT OF LETTERS DATED 20 MAY 1987 FROM THE TREASURY TO THE GENERAL SECRETARIES OF CPSA AND SCPS

1987 PAY

At your request we have discussed the present position on 1987 pay. This letter is to record our discussion. I began by saying that in present circumstances there was no question of seeking or getting fresh negotiating instructions.

I made it clear that there were no prospects of any improvement in the pay offer set out in my letter to you of 18 March. This remains on the table. As you know, this consists of $4\frac{1}{4}$ per cent or £5.75 per week for adults whichever is better, or £3 per week for staff under 18 years. There are also a number of other improvements benefiting substantial numbers of your members, taking the year-on-year increases for many to over 5 per cent and in some cases over 6 per cent. Improved leave arrangements have been offered separately.

We also discussed the possibility of a new pay structure and pay determination system for the grades you represent. Such discussions are starting with certain other Civil Service unions, coupled with putting into payment for their grades the offer of 18 March. I once again made it clear that we would be ready to proceed with you in the same manner. We cannot, however, do this while industrial action or balloting with a view to industrial action is in progress, and it is a matter of regret to us that in the circumstances we cannot go forward.



MINISTER OF STATE

Board Room
H M Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

FROM: L J HARRIS
DATE: 8 JUNE 1987

Alamy for M.

cc: Chancellor
Sir Peter Middleton
Mr Kemp
Mr Truman

INDUSTRIAL ACTION IN CUSTOMS AND EXCISE: TEMPORARY RELIEF FROM DUTY

This submission seeks your standing authority to impose temporary relief from duty (TRD) as a response to the current industrial action in the Department if it becomes necessary at any stage during the dispute.

So far, the action has taken the form of selective all-out strikes for a period of days, and we have not yet had to deal with a situation in which staff attend for work but refuse to carry out the full range of duties appropriate to their grade. As the dispute develops, however, we may need to redeploy staff who are still at work to cover absences by colleagues on strike. If, in those circumstances, the staff concerned refuse to carry out the instructions of management we may have to react quickly by imposing TRD until we are satisfied that they are prepared to resume work in a way acceptable to management. TRD is, of course, a serious step which runs the risk of escalating the industrial action, and we should only resort to it after careful consideration, and in accordance with the prescribed procedures.

It will not always be possible to seek your authority on a case by case basis, and we should therefore be grateful for your agreement to impose TRD at our discretion if it proves necessary.


L J HARRIS

Internal copies: Chairman, Mr Knox, Mr Crawford, Mr Meham.

UNCLASSIFIED



FROM: CATHY RYDING
DATE: 8 June 1987

PS/MINISTER OF STATE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Sir P Middleton
Sir T Burns
Mr Byatt
Mr Kemp
Mr G P Smith
Mr Gilhooly
Mr C Bell
Mr Scotter
Mr Tyrie

REAL TAKE HOME PAY

The Chancellor was grateful for your minute of 4 June.

2. The Chancellor has commented that the fact that, during the lifetime of the Government, civil service take home pay has risen by 17-18 per cent in real terms is something we ought to use. He would be grateful to know the comparable figure under Labour.

CR

CATHY RYDING

RD



FROM: CATHY RYDING

DATE: 9 June 1987

PS/MINISTER OF STATE

cc Sir P Middleton
Mr Kemp
Mr Truman
Mr L J Harris C&E
PS/C&E

**INDUSTRIAL ACTION IN CUSTOMS AND EXCISE:
TEMPORARY RELIEF FROM DUTY**

The Chancellor has seen Mr Harris' minute to the Minister of State of 8 June and has commented "clearly sensible".

CR

CATHY RYDING

RD

FROM: D A TRUMAN

DATE: 9 June 1987

MINISTER OF STATE

cc PS/Chancellor
Sir Peter Middleton
Mr Kemp
Mr Luce

PENDING INDUSTRIAL ACTION IN CUSTOMS & EXCISE: TEMPORARY RELIEF FROM DUTY

Mr Harris's minute of 8 June seeking standing authority to use TRD should that be necessary in the current dispute, is not unexpected. Customs & Excise have a number of "floating" staff who can be deployed to cover for colleagues. They are afraid, however, that these people may refuse to undertake work on exports normally carried out by striking colleagues at Dover and that it will be necessary for management to respond accordingly.

2. Although a policy of adopting a fairly low profile has so far proved reasonably successful, we have always envisaged that management, if provoked, will have to respond as it would to any local dispute. Indeed a letter to that effect was sent to departments in April - see attachment. So far, no department has used TRD in the dispute although the Department of Employment have successfully used stoppage of pay when some staff refused to write out giro cheques manually because of the strike at the computer centre.

3. The attached draft minute gives Mr Harris the necessary authority but also enjoins him to consider alternative responses such as stoppage of pay, where these may be appropriate. These, while showing that management would not lie down in the face of increased industrial action, could provide quicker and more flexible responses and could be less provocative.



D A TRUMAN

DRAFT LETTER

Mr L J Harris
HM Customs and Excise
King's Beam House
Mark Lane
London EC3R 7HE

cc PS/Chancellor
Sir P Middleton
Mr Kemp
Mr Luce
Mr Truman

INDUSTRIAL ACTION IN CUSTOMS & EXCISE: TEMPORARY RELIEF FROM DUTY

The Minister of State has asked me to thank you for your minute of 8 June seeking standing authority to impose temporary relief from duty should that become necessary as a response to industrial action in HM Customs & Excise.

The Minister is content to give you authority to use TRD where this is considered necessary to maintain normal day-to-day business. However, the Minister has asked that you should also consider alternative and possibly more flexible responses, such as stoppage of pay, where these may be appropriate in the circumstances and which would ensure that management still retained the initiative.

S P JUDGE



H M Treasury
Parliament Street London SW1P 3AG

Switchboard 01-270 3000
Direct Dialling 01-270 ...4569

PRINCIPAL ESTABLISHMENT OFFICERS

14 April 1987

Dear Establishment Officer

CIVIL SERVICE PAY DISPUTE - MANAGEMENT RESPONSES

We have received enquiries from some Departments as to the management responses they might adopt in the face of the industrial action which is being instituted by the CPSA and SCPS (and NIPSA).

The purpose of this letter is to confirm that Departments should not hesitate to make an appropriate management response, including TRD, where this is considered necessary to maintain normal day-to-day business. Departments should be guided by their usual policies for dealing with local industrial action. Information on responses can be found in the compendium on industrial action, including guidance on the obtaining of the agreement of the relevant Departmental Minister and, where appropriate, legal advice.

Enquiries on this letter should be addressed to John Pettifer (270 4688), David Faulkner (270 4692) or to me (270 4569).

Copies go to those on the EOM, EOM(SD) and IRF lists.

Yours sincerely

A handwritten signature in black ink, appearing to be 'D A Truman', written in a cursive style.

D A TRUMAN
Industrial Relations Division



MINISTER OF STATE

Board Room
H M Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

FROM: L J HARRIS
DATE: 8 JUNE 1987

cc: Chancellor
Sir Peter Middleton
Mr Kemp
Mr Truman

INDUSTRIAL ACTION IN CUSTOMS AND EXCISE: TEMPORARY RELIEF FROM DUTY

This submission seeks your standing authority to impose temporary relief from duty (TRD) as a response to the current industrial action in the Department if it becomes necessary at any stage during the dispute.

So far, the action has taken the form of selective all-out strikes for a period of days, and we have not yet had to deal with a situation in which staff attend for work but refuse to carry out the full range of duties appropriate to their grade. As the dispute develops, however, we may need to redeploy staff who are still at work to cover absences by colleagues on strike. If, in those circumstances, the staff concerned refuse to carry out the instructions of management we may have to react quickly by imposing TRD until we are satisfied that they are prepared to resume work in a way acceptable to management. TRD is, of course, a serious step which runs the risk of escalating the industrial action, and we should only resort to it after careful consideration, and in accordance with the prescribed procedures.

It will not always be possible to seek your authority on a case by case basis, and we should therefore be grateful for your agreement to impose TRD at our discretion if it proves necessary.


L J HARRIS

Internal copies: Chairman, Mr Knox, Mr Crawford, Mr Meham.

CONFIDENTIAL

pyj



FROM: S P JUDGE
DATE: 10 June 1987

MR HARRIS - C&E

cc PS/Chancellor
PS/Sir Peter Middleton
Mr Kemp
Mr Luce
Mr Truman
PS/Customs & Excise

INDUSTRIAL ACTION IN CUSTOMS AND EXCISE: TEMPORARY RELIEF FROM DUTY

The Minister of State has seen your submission of 8 June, and the Chancellor's comment of 9 June.

The Minister is content to give you authority to impose TRD, where this is considered necessary to maintain a normal day-to-day business in response to industrial action by your staff.

However, the Minister asks that you should also consider alternative - and possibly more flexible - responses, such as stoppage of pay, where appropriate, providing this enables management to retain the initiative.

A handwritten signature in black ink, appearing to be "S P JUDGE".

S P JUDGE
Private Secretary

FROM: I SCOTTER
DATE: 15 JUNE 1987

PS/MINISTER OF STATE

cc: APS/Chancellor ¹⁴ 10/2 C
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Sir P Middleton
Sir T Burns
Mr Byatt
Mr Kemp
Mr G P Smith
Mr Gilhooly
Mr C Bell
Mr Tyrie

*Notes for
Chancellor
CS Unit
Hanks.*

REAL TAKE HOME PAY

Mrs Ryding's minute of 8 June asked for figures under Labour comparable to those that the MST sent the Chancellor under cover of his minute of 4 June.

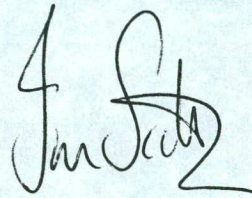
2. It is not possible to provide exactly comparable figures. Those for 1978-79 to 1987-88 were for non-industrial civil servants, but there is no separate information on the pay of non-industrials in 1973-74. To get a valid comparison under Labour and since 1978-79 I have therefore had to redo the calculations for the latter period by including industrials. The results are in the attached table.

3. Including industrials increases the real pay rises between 1978-79 and 1987-88. This is not because industrials have had larger pay rises, but because they are lower paid and have fallen in number more quickly than non-industrials. The change in composition of the workforce would lead to a rise in average pay even if there had been no pay increases, simply because job losses at the bottom of the earnings scale boost the average for those remaining. (Such a compositional effect is also present in the earlier figures for non-industrials as there has been a larger than proportionate reduction in the number of COs and CAs.)

4. The inclusion of industrial civil servants in the figures complicates matters as they have different settlement dates, different bargaining arrangements, different pension arrangements and different pay structures. Commentators might not consider their inclusion in the calculations to be valid.

The alternative is to look at specimen civil servants. The table shows figures for a CO and an EO at the top of their respective pay scales. These figures are not without problems as they take no account of overtime, special allowances or incremental drift. To some extent the difference between these specimens and the average figures illustrates the effect of the compositional change. Particular scale points have had much smaller real increases than the average change. The unions would no doubt use specimen figures.

6. Whichever basis of comparison is used, civil servants had a fall in real pay between 1973-74 and 1978-79 and have had an increase since 1978-79.

A handwritten signature in black ink, appearing to read 'Ian Scotter', with a stylized flourish at the end.

IAN SCOTTER

PERCENTAGE CHANGE IN REAL EARNINGS

	Between 1973-74 and 1978-79		Between 1978-79 and 1987-88 ⁽⁴⁾	
	Gross Pay	Net Pay	Gross Pay	Net Pay
<u>Male adults</u> ⁽¹⁾				
Single	2.2	-2.8	21.8	23.7
Married, no children	2.2	-0.9	21.8	22.5
Married, 2 children under 11	2.2	0.6	21.8	21.6
<u>All adult</u> ⁽¹⁾				
Single	4.0	-1.0	20.9	22.3
Married, no children	4.0	1.2	20.9	21.1
Married, 2 children under 11	4.0	2.6	20.9	20.3
<u>Civil Servants</u> ⁽²⁾				
Single	-5.1	-7.1	17.2	18.4
Married, no children	-5.1	-4.8	17.2	17.5
Married, 2 children under 11	-5.1	-3.1	17.2	17.0
<u>CO at maximum</u> ⁽³⁾				
Single	-2.0	-4.3	7.5	8.5
Married, no children	-2.0	-1.5	7.5	8.1
Married, 2 children under 11	-2.0	0.4	7.5	8.6
<u>EO at maximum</u> ⁽³⁾				
Single	-4.3	-6.4	7.0	9.1
Married, no children	-4.3	-4.2	7.0	8.7
Married, 2 children under 11	-4.3	-2.6	7.0	9.1

Notes: (1) Not contracted out of SERPs

(2) Average of all industrial and non-industrial civil servants including part-timers. Contracted out of SERPs

(3) Assumes at maximum of scale in April of financial year. Basic pay only - no allowances or overtime taken into account. Contracted out of SERPs.

(4) Assumes that those civil service unions yet to settle accept the current pay offer.



FROM: CATHY RYDING

DATE: 16 June 1987

PLP

PS/MINISTER OF STATE

9/ PMG wd like to raise this at Prayers

CR 16/6

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Economic Secretary
- PS/Sir P Middleton
- Sir T Burns
- Mr Byatt
- Mr Kemp
- Mr G P Smith
- Mr Gilhooly
- Mr Scotter
- Mr C Bell
- Mr Tyrie

REAL TAKE HOME PAY

The Chancellor has seen Mr Scotter's minute to you of 15 June.

2. The Chancellor has commented that this information will be useful in discussions with civil service union leaders.

CR

CATHY RYDING

*c/ This is urgent
letter to issue?* CONFIDENTIAL

CR 1716

OK as Ann-Jay

FROM: D TRUMAN
DATE: 16 JUNE 1987

1. MR KEMP
2. CHANCELLOR

*→ agreed. We are
putting up the notes
draft you asked for
later today.*

cc: PS/Chief Secretary
PS/FST
PS/Paymaster General
PS/EST
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr Lewis
Miss Peirson
Ms Boys
Mr Chivers
Mr Pettifer

INDUSTRIAL ACTION IN THE CIVIL SERVICE

Mr Fowler's letter of 16 June reports that Civil Service trade unions in Scotland have threatened to bring the Livingstone computer centre out on strike on Wednesday 17 June, a day earlier than planned. They claim that the Unemployment Benefit Service Management has been provocative in instructing staff in local unemployment benefit offices to write giro cheques manually for those who sign on at these on 17 June. Normally the offices would instruct the Livingstone computer which would issue the cheques on Thursday. However, the unions have called an all-out strike in Scotland and the North East on Thursday and Friday and management have sought to anticipate this.

2. It has been the established policy of the Department of Employment throughout this strike to ensure that as far as possible, claimants received giro payments in the week in which these are due. Indeed, giro cheques were written out manually when Livingstone was on strike in the first round of industrial action.

3. Mr Fowler takes the view that he cannot back down in the face of the trade unions ultimatum and that in any case this would mean reversing the policy of ensuring the flow of payments.

4. The DHSS - who run the Livingstone computer on behalf of the UBS - have been a little concerned that Management's action might widen the scope of the strike and, possibly, impact on the social security reforms. We understand that Mr Moore will be seeing his officials early on 17th, but the indications are that he will agree that, in the circumstances, the Department of Employment has no option but to proceed as proposed.

5. We concur with this view. It has been our policy throughout this dispute to ensure that management responses to industrial action are not provocative but are the same as they would be in the event of a local strike or, say, a computer breakdown. We consider the DE's response falls into this category. But in any case since talks with the CPSA and SCPS have now broken down and industrial action will be resumed, there is even less reason for keeping a low management profile. More importantly the Department's policy of maintaining giro payments on the week they are due clearly needs to be sustained.

6. I attach a draft letter endorsing the line taken by Mr Fowler. In the circumstances, since there is so little time, perhaps your Private Secretary would convey the gist of this by telephone to Mr Fowler's private office.



D A TRUMAN

CONFIDENTIAL

DRAFT LETTER TO:

The Right Honourable Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NF

cc: The Prime Minister
Secretary of State for Trade and Industry
Secretary of State for Scotland
Secretary of State for Health & Social Security
Minister of State - Privy Council Office

INDUSTRIAL ACTION IN THE CIVIL SERVICE

Thank you for your letter of 16 June.

In the circumstances which you have explained, I agree that you have no alternative but to maintain the policy of seeking to ensure that unemployed people receive their payments in the week in which they are due. We cannot give way to trade union threats and I fully endorse both your action and the line which you propose to take publicly.

As to the wider issues of this pay dispute, I expect to be making a fuller report to colleagues shortly.

I am sending copies of this letter to the Prime Minister, David Young, Malcolm Rifkind, John Moore and Richard ~~Lewis~~.

Luce.

NIGEL LAWSON

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6460.....

Switchboard 01-213 3000 GTN Code 213

Facsimile 01-213 5465 Telex 915564

URGENT ADVISE PLEASE

CH/EXCHEQUER	
REC.	16 JUN 1987 ✓ 14/6
ACTION	MR TRUMAN
COPIES TO	CST FST PMG EST SIR P MIDDLETON
	MR F E R BUTLER MR KEMP
	MR ANSON MISS PEIRSON
	MS BOYS MR CHIVERS

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1 3AG

16 June 1987

Nigel

INDUSTRIAL ACTION IN THE CIVIL SERVICE

You should be aware of a development today in the civil service pay dispute which threatens to disrupt further the payment of benefits to unemployed people this week.

As you know, industrial action has been called by SCPS and CPSA for this Thursday and Friday in Scotland and the North East. This includes the Livingston Unemployment Benefit computer centre in Scotland which serves Unemployment Benefit Offices in Scotland and the northern half of England. The effect of strike action at Livingston is to prevent the despatch of the normal computer produced girocheque payments to unemployed claimants who sign on at their local offices on Wednesday and Thursday and whose girocheques would normally be despatched to them from Livingston on the day after they sign.

To try to ensure that claimants nonetheless receive payment this week, staff in our offices served by the Livingston computer have been instructed to prepare and despatch girocheques manually to replace those which the computer would usually issue. This follows the practice which the Department of Employment have followed throughout this dispute of attempting to minimise hardship to unemployed people.

Today's development is that the civil service trade unions in Scotland have threatened that unless management withdraws its instruction to staff in local Unemployment Benefit Offices to write girocheques manually for those who sign on tomorrow they will bring the Livingston computer centre out on strike tomorrow - ie a day earlier than planned. The effect of that

CONFIDENTIAL



could be to delay payments until next week for some unemployed people who signed on today (Tuesday); and possibly, to lead to sympathetic strike action in some DHSS offices in Scotland.

Despite this I am quite clear that we cannot give way to the trade unions' demands. To do so would not only severely undermine the authority of management in the Unemployment Benefit Service - and reverse the policy which we have hitherto followed throughout the dispute - but it would also be to accept a situation in which the trade unions were effectively instructing us to abandon our attempts to keep up the flow of payments to unemployed people in the week in which they are due.

If the trade unions carry out their threat tomorrow - then I will also take the line publicly that they have again demonstrated their intention of inflicting the maximum hardship on a particularly vulnerable group in our society and must bear the full consequences of their action. I will also make clear that management's alleged provocation - to which the trade unions will undoubtedly refer - was simply to try to ensure that unemployed people received the payments due to them this week with as little delay as possible.

I am copying this letter to the Prime Minister, David Young, Malcolm Rifkind, John Moore and Richard Luce.

NORMAN FOWLER



**NOTE OF A MEETING IN THE CHANCELLOR'S ROOM
HM TREASURY AT 2.45PM ON TUESDAY, 16 JUNE**

Present:

Chancellor
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Chivers
Mr Truman

CIVIL SERVICE PAY

Mr Kemp reported that he had seen the unions the previous evening, and would be seeing them again that evening. The CPSA would be willing to do a deal on flexible pay, but wanted too much in the way of payments for extra flexibilities. The Society were not interested in flexible pay, but wanted more money for agreeing to introduce new technology etc. A settlement could be reached, but at a cost of £15-20 million this year and £30-40 million in a full year. He did not recommend doing that: apart from the cost, it seemed bad presentationally for the Government to be offering more money in present circumstances. And even if we were to reach an agreement with Mr Ellis, it was not certain that he would be able to carry his new Executive.

2. Mr Butler agreed. A settlement on these lines would add $\frac{1}{2}$ per cent to the pay bill and 0.3 per cent to running costs. The costs would not be evenly distributed, and would add to the Treasury's difficulties with Departments. He saw no need to incur additional costs when it was clear that the civil service unions would not win their action.

3. Sir P Middleton noted that the strike was having some impact, for example on the planning for the introduction of the Social



Security reforms, and on the introducing of new Customs procedures. But he agreed with Mr Butler: there was no point in handing the unions what would undoubtedly be exploited by them as a victory over the Government.

4. The Chancellor said he thought there were several good reasons for standing firm now: the IRSF and other unions had settled, and would bitterly resent an increased offer to those who had been taking industrial action; it would give a very bad signal throughout the public sector if the Treasury shelled out more money now; and it would encourage the militant element in the teachers' unions.

5. Mr Kemp said there were two immediate issues. First, should we put our offer into payment now; and second, should we take the remaining steps so that we could implement an ending of check-off at the end of July. He thought we should do both.

6. The Chancellor agreed. He would minute the Prime Minister to report on the situation, and to recommend that we should implement the offer immediately, and take the necessary steps so that we were in a position to end check-off. He would be grateful if officials could look urgently into the arrangements for using outside staff where necessary to implement the new DHSS and Customs computer projects.

7. The Chancellor noted that the Paymaster General had unearthed some interesting and useful statistics on real terms increases in civil service pay under this Government and the previous Government. Mr Kemp said he had some doubts about the basis of the figures the Paymaster General had been given. The Chancellor asked Mr Kemp to let him have a note.

Distribution

Those Present
PS/CST
Mr Anson
Mr Luce
Mr Gilhooly

ACSA

A C S ALLAN

17 June 1987



CC PMG
Mr Kemp
Mr Truman
Miss Peirson

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

17 June 1987

The Rt. Hon. Norman Fowler MP
Secretary of State for Employment

Dear Secretary of State,

INDUSTRIAL ACTION IN THE CIVIL SERVICE

Thank you for your letter of 16 June.

In the circumstances which you have explained, I agree that you have no alternative but to maintain the policy of seeking to ensure that unemployed people receive their payments in the week in which they are due. We cannot give way to trade union threats and I fully endorse both your action and the line which you propose to take publicly.

As to the wider issues of this pay dispute, I expect to be making a fuller report to colleagues shortly.

I am sending copies of this letter to the Prime Minister, David Young, Malcolm Rifkind, John Moore and Richard Luce.

Yours sincerely,
Cathy Ryding

PP NIGEL LAWSON

(Approved by the Chancellor
and signed in his absence).

c. Mr Kemp



ES

1. Alex
2. Chancellor

CIVIL SERVICE PAY

Lord Young's office
rang. Lord Y fully
supports "everything
you say"

AWK
22/6

✓ ✓



Deputy Secretary to the Treasury

Corrected Copy.
No action required.

EPIC

CONFIDENTIAL

FROM: E P KEMP
DATE: 17 June 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Luce
Mr Chivers
Mr Gilhooly - or
Mr Truman
Mr Graham
Mrs Harrop
Mr Woodall
Mr Cropper

CIVIL SERVICE PAY DISPUTE

As you will have seen from the Press, and following your meeting yesterday afternoon, we resumed our talks yesterday evening, and as expected, failed to reach agreement. We remain in touch, so talks can continue. But the industrial action will continue. However I am sure that the line we took was right and inevitable; and senior officials from Employment, DHSS, MOD, Customs and the No 10 Policy Unit, who I was anyway meeting yesterday afternoon after we had seen you, were of the same view.

2. You asked for a note to send to the Prime Minister. A draft of this is below. As you will see, it simply reports the position and seeks agreement that we move forward on the question of putting the money into payment and preparing ourselves to withdraw check-off in due course. It also puts up a marker about the question of London Weighting, geographical pay, etc; you will recall that when we made our final offer we held back on our ideas about London and the South East and other high cost areas, in order to give us some savings on the total cost of what we were proposing; colleagues in MISC 66 went along with that but there was a feeling that these ideas should not be abandoned but should be

brought forward in due course. I do not think we can bring them forward while the dispute is on - while on the one hand it might just help so far as people who would benefit go, it will certainly not help with the much larger numbers who do not benefit; and it is more likely to excite than damp down the emotions which the very mention of geographical pay raises. But the subject is not going to go away, and we are preparing a note for you to send to your colleagues. The draft minute below suggests that this is something which MISC 66 might want to meet to consider, alongside Civil Service pay issues generally. Cabinet Office for some reason seem anxious to set up a meeting of MISC 66, and if you and your colleagues have the time there would be no harm in this. On the other hand if you feel, as you felt before, that a meeting of MISC 66 while the dispute is on is almost likely to do more harm than good, then the reference in the draft below could be turned round so as to make it clear you do not want such a get together. In any case it is important that we should be allowed to go ahead with putting the pay offer into effect and proceeding on check-off without having to wait for a MISC 66 meeting to be set up.

EPK

E P KEMP



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY
 Telephone 01-407 5522

From the Secretary of State for Social Services

EXCHEQUER	
REC.	17 JUN 85
ACTION	Mr TULMAN
	CST FST PMG EST
	Mr P Middleton
	Mr F.R. Butler
	Mr Kemp
	Mr Anson
	Miss Pe arson
	Ms Boys
	Mr Chivers

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 LONDON
 SW1P 3AG

Dear Nigel.

INDUSTRIAL ACTION IN THE CIVIL SERVICE

As my private office told Norman Fowler's I had no objection to the line he proposed to you in his letter of 16 June. In the present circumstances of the dispute, firmness seems right; and although I understand that the Department of Employment have not previously insisted on the manual issue of girocheques prior to a Computer Centre stoppage, I agree that we must appear publicly to try to minimise hardship for the unemployed.

I understand that the staff at the Livingston centre have already come out on strike and are expected to meet on Monday to consider whether to continue the action. There is also considerable dislocation of both DE and my local offices. While the problems might blow over, there is considerable risk of serious dislocation of payments to beneficiaries.

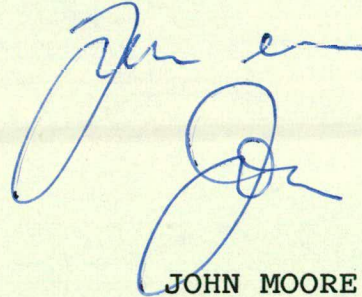
I support a firm line in relation to the dispute but I must register the extent to which it may very likely have a serious impact on this Department. Apart from what I have reported in the previous paragraph I expect on next Monday, 22 June, to bring in 20 more consultants to complete the computer system needed to replace Family Income Support by Family Credit from next April. This may provoke the Unions to extend their strike action to the operational computers dealing with pensions and child benefit. I shall also have to decide very soon on the employment of more consultants on the Local Office Microcomputer Project application to Income Support if my Department is not to be forced back to a clerical system of payment from next April. The dispute has already deprived my Department of the ability to use the microcomputers to convert supplementary benefit to income support and this in turn will require me to direct 3000 staff over the period November 1987 to

E.R.

April 1988 who would otherwise have been working on important tasks such as visiting, recovering wives' maintenance and pursuing fraud.

There will of course be a bill to pay for all this.

I am copying this letter to the Prime Minister, Norman Fowler, David Young, Malcolm Rifkind and Richard Luce.



JOHN MOORE



OK as
a

Ch

OK to

minute
below?

Ch

PM Weekly to raise AA
Carl Service Pay. She felt
on seeing the press this
morning that we had lost
an opportunity for a cheap
end to strike. I pointed
out to David the risks of
letting unions snatch "victory"
in face of defeat.

Draft minute to PM
below (+ note of yesterday's
meeting)

AA.

CONFIDENTIAL

FROM: E P KEMP
DATE: 17 June 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Luce
Mr Chivers
Mr Gilhooly - or
Mr Truman
Mr Graham
Mrs Harrop
Mr Woodall
Mr Cropper

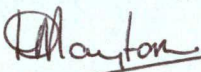
Ch
OK (as substantially
shortened)?
AA

CIVIL SERVICE PAY DISPUTE

As you will have seen from the Press, and following your meeting yesterday afternoon, we duly moved to a breakdown of the talks yesterday evening. It was a gloomy and rather bad tempered meeting, on both sides; while I think Mr Christie of the Society never expected much else Mr Ellis of the CPSA is, as I have said before, a bit of an ass and had deluded himself into far higher expectations than were justified. The industrial action will continue, but I am sure that the line we took was right and inevitable; and senior officials from Employment, DHSS, MOD, Customs and the No 10 Policy Unit, who I was anyway meeting yesterday afternoon after we had seen you, were of the same view.

2. You asked for a note to send to the Prime Minister. A draft of this is below. As you will see, it simply reports the position and seeks agreement that we move forward on the question of putting the money into payment and preparing ourselves to withdraw check-off in due course. It also puts up a marker about the question of London Weighting, geographical pay, etc; you will recall that when we made our final offer we held back on our ideas about London and the South East and other high

most areas, in order to give us some savings on the total cost of what we were proposing; colleagues in MISC 66 went along with that but there was a feeling that these ideas should not be abandoned but should be brought forward in due course. I do not think we can bring them forward while the dispute is on - while on the one hand it might just help so far as people who would benefit go, it will certainly not help with the much larger numbers who do not benefit; and it is more likely to excite than damp down the emotions which the very mention of geographical pay raises. But the subject is not going to go away, and we are preparing a note for you to send to your colleagues. The draft minute below suggests that this is something which MISC 66 might want to meet to consider, alongside Civil Service pay issues generally. Cabinet Office for some reason seem anxious to set up a meeting of MISC 66, and if you and your colleagues have the time there would be no harm in this. On the other hand if you feel, as you felt before, that a meeting of MISC 66 while the dispute is on is almost likely to do more harm than good, then the reference in the draft below could be turned round so as to make it clear you do not want such a get together. In any case it is important that we should be allowed to go ahead with putting the pay offer into effect and proceeding on check-off without having to wait for a MISC 66 meeting to be set up.


pp ~~E. P. KEMP~~

Signed in Mr Kemp's absence

DRAFT LETTER FOR THE CHANCELLOR OF THE EXCHEQUER TO SEND TO :

PRIME MINISTER

CIVIL SERVICE PAY DISPUTE

Earlier this week the two Civil Service unions still in dispute [with us] (the CPSA and the Society) approached my officials with suggestions [which they thought might have brought ^{for bringing} an end to the current industrial action. We had already made clear that there was no question [whatsoever] of increasing the basic offer, and the way through, if there was a way through,] was to build on our ^{earlier} suggestions for new pay structures and pay determination arrangements, [which in the right context and on the right terms could justify appropriate pay adjustments.] Some progress was made, at least with the CPSA, but it then became clear that the price the unions were looking for was [disproportionate ^{too high,} in relation to what at this stage they were prepared to offer], so that any such deal would have looked like a [simple] climb down in the face of industrial action; ^{also} [moreover, it was not at all obvious that such a deal would have made much difference to the progress of the dispute.] ~~We therefore discontinued the talks.~~

(Kemp draft)

My officials remain in touch with the unions but there is no agreement currently in sight.

All-out strikes are planned for

unions say that the

2. The industrial action will continue. [This takes place] on [Thursday and Friday of this week in Scotland and the North East, on] 25 and 26 June in London and the South East, and ^{for} 1 and 2 July in Wales and the North West. There is also likely to be [local action] ^{for example} [eg at ports and possibly ^{at} airports, and the action ^{aimed} at VAT computers, the Passport Office, and the DHSS social security developmental work will also continue.] After the present round of

a continuation of the selective and local actions, for example at ports and computer centres.

industrial action, the unions will have to take stock; their options ^{will be} [are] to call it all off, [or] to ballot for a further round of selective action, or to ballot for all-out action; (-) the suggestions are that they will go for [this last], ^{but} [which] will almost certainly fail. [Much depends, of course, on how well or badly] the action now planned is in fact supported.]

all-out action

3. My view is that we should maintain the relatively low profile stance which we have taken since the dispute began. [That is to say, we should adopt normal firm managerial measures in the face of industrial action, but not move to anything overtly provocative.] It may be necessary, however, for some particular measures to be taken - ^{for example over} [eg in respect of DHSS's social security reforms] - ^{so} [in order] that service to the public ^{can} [should] be maintained ^{can be} [or] important (and worthwhile) developments kept [approximately] on track. [but I would suggest that] where this ^{does} appears necessary individual decisions are taken at the time. My officials are [of course] in ^{close} [constant] touch with [the] officials ⁱⁿ [of] other Departments.

Pay Dm now say take this out (not checked with DHSS).

and

4. There are however two measures which I propose we ^{should} now take. First, I think we should ^{implement our pay offer} [move to] put the [pay] offer into payment. This will underline the fact that, ^{so} [as] far as we are concerned, the pay side of the dispute is over and there is no more money to be had. It also seems right for us to do this now; if we move fast, most ^{staff} [if not everyone] should get their ^{additional} pay (including their back pay) by the end of July. [when they will no doubt need it for holidays and the like.] It is absurd that the pay of 300,000 people, many of whom are not union members and many of whom voted against the industrial action, should be held up just because some 70,000 people have voted for industrial action. This will necessarily

But that is something on which we shall have to take individual decisions, depending on the circumstances.

involve ^{giving the increase to} [paying [^]out] the strikers as well as the non-strikers, but I think this has to be [tolerated] ^{accepted}.

5. The second move I propose is [that we proceed] ^{the automatic} on check-off. One further step - amendment of the Civil Service Code - is necessary to put us in a position where, if the industrial action ^{does} [is] continuing, we can stop ^e [the] check-off ^{of union dues} [of union dues] with effect from the end of July. [and onwards.] I propose that we now [move to] take that step, so that if [come] ⁱⁿ the middle of July we are still in industrial action we have this weapon ready to ^{use} [go] if we so decide. [We have consulted the unions on this, and it will be a controversial move, but I think there are ways in which we can protect the position of unions not in dispute, and I am sure that having talked publicly about the check-off weapon we must not now draw back from taking the necessary steps to make it effective.]

6. Subject to your views and the views of colleagues I propose to instruct my officials to proceed accordingly ^{on} [immediately.] ^{these two points.}

^{There are also}
7. [As well as the dispute there are elements] ^{issues on} outstanding [in the 1987 pay negotiations, including] London Weighting and the associated question of "geographical pay", and [our proposals for] ^{on} helping to deal with recruitment and retention difficulties in London and the South East and other high cost areas. We have said publicly that we will bring forward proposals, but we have not so far done so because of the continuation of the dispute. [and because the feeling in MISC 66 when we discussed it before was that we should discuss it again before proceeding.] I [hope to] ^{shall} circulate a paper ^{on these topics} shortly, [and you may think it would be appropriate for MISC 66 to meet to talk about this and indeed Civil Service pay generally. I think] ^{What we can discuss at a future meeting of MISC 66.}

[we need to begin to look beyond the present strike and consider how we can establish a satisfactory basis for our relationship with the Civil Service over the next 5 years.]

8. I am copying this minute to the other members of the Cabinet, the Paymaster General, the Minister ~~for the Arts~~, and Sir Robert Armstrong.

I'll check it
that is how we
refer to him!

of State (Privy Council Office),

conqueror

CONFIDENTIAL

FROM: E P KEMP
DATE: 18 June 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr F E R Butler
Mr Chivers
Mr Truman
Mr Woodall

CIVIL SERVICE PAY DISPUTE - CABINET THIS MORNING

I dare say this subject will come up.

2. You have my submission and draft minute of yesterday, which I hope will serve as an adequate brief. The action on the ground has developed since talks were broken off on Tuesday night is pretty predictable, and is not I hope fundamentally serious - we shall have to see how things go during the course of today - but there may be cause for a little concern in relation to the DHSS computer at Livingston and issuance of Social Security Giro's in Scotland and the North East. Mr Moore may raise this. As seen at the moment we do not think the position is serious enough for us to modify our stance via a via the unions - and indeed it would take a very great deal for this to happen - but if the point comes up you can assure your colleagues that we remain closely in touch with DHSS and Department of Employment officials and we shall have to keep a close eye on the situation.

3. It may be that there are those round the table who feel that in spite of everything there is a case for early action, and you may like to have this check list of theoretical possibilities; thus :-

a. Pay more money with effect from 1 April - this is patently not on.

b. Get in an arbitrator or mediator (Civil Service Arbitration Tribunal, ACAS, or some other third party) - we would have

to suggest this, because the unions would not, and we would not want to suggest it anyway, as it would indicate a feeling of weakness and almost certainly ending up far more expensive than any other course. If against every likelihood the unions did ask for it we would turn it down on "public policy" grounds as putting too much public expenditure - the unions would have to put their claim in at 15 per cent or £20 per week. And as with (a) it would put us in a quite impossible position with the unions that have already settled.

c. Returning once again to the question of some kind of long-term pay deal, on the argument that the talks on Tuesday did not break down but merely failed to reach any solution - this the unions, or at least the CPSA, would probably go for and depending how desperate (they and we) were it might be possible to move further together than we were on Tuesday night and put together something which we might just both be able to sign up on. But this would be expensive, and the result would almost certainly be a fudge with unwelcoming ingredients from our point of view as well as the unions point of view, and it would most certainly look like negotiating and then in effect giving way under duress.

d. Sitting things out at least for the next couple of weeks, and taking stock after 2 July when the unions have to decide on their next major move.

4. Of these only (c) and (d) can be contemplated; and I think we have to go for (d), though keeping (c) in reserve perhaps for use when the present round of action is over and the unions are contemplating their next step, at a time when it might be that the action has pretty well collapsed and some kind of gesture would be worthwhile. But no decision has to be taken on that at the moment.

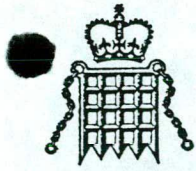
5. What is important is that we bend our efforts to getting our story over. I think if I may say so that IDT has done wonders in the last couple of days but of course the unions are always better at this than we are, if only because of their flagrant disregard of the truth. It seems to me that when we have your colleagues' approval to the putting into effect the pay offer, and to the further moves on check-off, on the lines proposed in my submission of yesterday, we need to put together a very careful message to staff which spells out quite a lot of the facts of life, including the value of the offer and precisely where we stand on, for instance, performance pay and regional pay (on this we need to continue to try to correct the impression given by the unions that a condition of a settlement now is that they should positively endorse and implement regional pay right off, when the real truth of the matter is that their condition for settlement is that we should completely abandon any notion of regional pay at all, a very different proposition).

EPK

E P KEMP

Papers
Pse

FROM: L J HARRIS
DATE: 18 JUNE 1987
Board Room
H M Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE



PAYMASTER GENERAL

*OK in the line
Wanted to
Consider a line
2. Ask those who
think there is
no
with computers?
ES. for
those from who
new?*

cc Chancellor
Sir Peter Middleton
Mr Kemp
Mr Truman

INDUSTRIAL ACTION BY COMPUTER STAFF IN CUSTOMS AND EXCISE

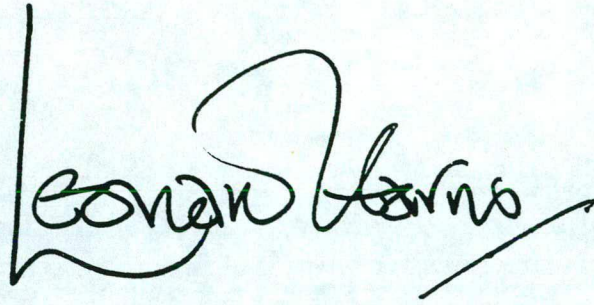
We understand that the Chancellor has asked about the feasibility of bringing in outside consultants to do the work of the fifty two computer operators on strike at Shoeburyness computer complex, who are expected back to work at the end of June. The Chancellor, we understand, is particularly concerned about the delay in collecting the £1.2 billion of duty and import VAT due on 15 June which has arisen because of the operators' action.

Yesterday we put into action our contingency arrangement to collect £350m of this money manually from the larger payers. As I explained to you in my note of 15 June the full fallback plan of using British Telecom's computers to collect the £1.2bn cannot be put into operation before 6 July.

The collection of domestic VAT continues uninterrupted, amounting to £21.6 billion per year. Since we cannot at the moment make VAT repayments, which total £11.5 billion per year, the cash flow into the Exchequer is temporarily enhanced.

We strongly advise against any attempt to bring in outside computer operators or consultants. First, this would result in more down time of the computers than we are likely to experience by industrial action. The systems involved are extremely complex, and no team of outsiders could be expected to become familiar with it in the time scale envisaged. Second, outsiders, however expert, would inevitably cause damage to the VAT software and database while attempting to familiarise themselves with the system without any internal expert assistance. Outside intervention would undoubtedly bring other staff out on strike at Southend, thus halting other operations which are necessary before computer processing is possible. It would also put into serious jeopardy other computer projects, notably the introduction of the new Community import arrangements "Customs 88" - on 1 January 1988. Finally, and perhaps most important, it would run the risk of precipitating action by our banking staff which would prevent the collection of the £1140 million of the £1.8 million

a month domestic VAT which is paid by cheque rather than by bank giro.

A handwritten signature in black ink that reads "Leonard Harris". The signature is written in a cursive style with a long vertical line on the left side of the name.

L J HARRIS

Internal distribution

CPS	Mr Howard	Mr Paynter
Mr Knox	Mr Nash	Mr Mechem
Mr Russell	Mr Bray	

cc Chief Secretary
 Paymaster General
 Sir P Middleton
 Mr F E R Butler
 Mr Anson
 Mr Kemp
 Mr Luce
 Mr Chivers
 Mr Gilhooly
 Mr Truman
 Mr Graham
 Mrs Harrop
 Mr Woodall
 Mr Cropper



18/6/87

Treasury Chambers, Parliament Street, SW1P 3AG
 01-270 3000

PRIME MINISTER

CIVIL SERVICE PAY DISPUTE

Earlier this week the two Civil Service unions still in dispute (the CPSA and the Society) approached my officials with suggestions for bringing an end to the current industrial action. We had already made clear that there was no question of increasing the basic offer, and the way through was to build on our earlier suggestions for new pay structures and pay determination arrangements. Some progress was made, at least with the CPSA, but it then became clear that the price the unions were looking for was too high, so that any such deal would have looked like a climb-down in the face of industrial action. My officials remain in touch with the unions but there is no agreement currently in sight.

The unions say that the industrial action will continue. All-out strikes are planned for Thursday and Friday of this week in Scotland and the North East, for 25 and 26 June in London and the South East, and for 1 and 2 July in Wales and the North West. There is also likely to be a continuation of the selective and local actions, for example at ports and computer centres. After the present round of industrial action the unions will have to take stock; their options will be to call it all off, to ballot for a further round of selective action, or to ballot for all-out action; the suggestions are that they will go for all-out action, but will almost certainly fail.

My view is that we should maintain the relatively low profile stance which we have taken since the dispute began. It may be

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necessary for some particular measures to be taken so that service to the public can be maintained and important developments can be kept on track. But that is something on which we shall have to take individual decisions, depending on the circumstances. My officials are in close touch with officials in other Departments.

There are however two measures which I propose we should take now. First, I think we should implement our pay offer. This will underline the fact that, so far as we are concerned, the pay side of the dispute is over and there is no more money to be had. It also seems right for us to do this now: if we move fast, most staff should get their additional pay by the end of July. It is absurd that the pay of 300,000 people, many of whom are not union members and many of whom voted against the industrial action, should be held up just because some 70,000 people have voted for industrial action. This will necessarily involve paying the increases to the strikers as well as the non-strikers, but I think this has to be accepted.

The second move I propose is on the automatic check-off of union dues. One further step - amendment of the Civil Service Code - is necessary to put us in a position where, if the industrial action does continue, we can stop check-off with effect from the end of July. I propose that we now take that step, so that if in the middle of July we are still in industrial action we have this weapon ready to use if we so decide.

Subject to your views and the views of colleagues I propose to instruct my officials to proceed accordingly on these two points.

There are also outstanding issues on London Weighting and the associated question of "geographical pay", and on helping to deal with recruitment and retention difficulties in London and the South East and other high cost areas. We have said publicly that we will bring forward proposals, but we have not so far done so because of

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the continuation of the dispute. I shall circulate a paper on these topics shortly, which we can discuss at a future meeting of MISC 66.

I am copying this minute to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

N.L.

N.L.

18 June 1987

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URGENT ADVICE PLEASE

CH/EXCHEQUER	
REC.	22 JUN 1987
ACTION	MR KEMP
COPIES TO	CST PMG SIR P MIDDLETON
	MR FER BUTLER MR ANSON
	MR LUCE MR CHIVERS
	MR GILHOOLY MR TRUMAN
	MR GRAHAM

22/6.



10 DOWNING STREET
LONDON SW1A 2AA

Ch
Not v good news (x)
We shall stall as long into
July as we can, but Cabinet
Office already pressing
AA

From the Private Secretary

19 June 1987

MRS HARROP
MR WOODALL
MR CHOPPER

V. Johnson.
Anyon Sam,

pup

Dear Mr. Kuczys,

CIVIL SERVICE PAY DISPUTE

The Prime Minister has seen the Chancellor's minute of 18 June about the Civil Service pay dispute and, subject to the views of colleagues, is content that the pay offer should now be implemented, and that the Civil Service code should now be amended so that, if necessary, check-off could be stopped from the end of July.

X The Prime Minister will wish to hold a meeting of MISC 66 at around the end of the month to discuss the prospects for the dispute and its handling, and the paper on geographical pay and related issues to which the Chancellor referred in his minute. I should accordingly be grateful if, for this meeting, a paper could also be circulated with an assessment of the prospects for the dispute and recommendations on its future handling.

I am copying this letter to the Private Secretaries to members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and Trevor Woolley (Cabinet Office).

Yours sincerely,
Lillian Oatred-Rhodes

P.P. DAVID NORGROVE

Tony Kuczys, Esq.,
H. M. Treasury

CONFIDENTIAL

Alex
I have agreed with
D Norgrove that next
week is not on.
Cabinet Office now
looking at w/b 6 July
DWK



Handwritten mark

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....5565
Switchboard 01-213 3000 GTN Code 213
Facsimile 01-213 5465 Telex 915564

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Great George Street
LONDON SW1

19 June 1987

Handwritten signature: Nigel

CIVIL SERVICE PAY DISPUTE

I have seen your minute of 18 June to the Prime Minister about the Civil Service pay dispute.

I fully support the line that you have taken and agree with you that we should now implement the pay offer, to demonstrate that no more money will be made available, and that we should take the necessary further steps to enable us to stop check-off, with effect from the end of July, if the action continues.

If there is general agreement that the pay offer should be implemented, I hope we will take the opportunity, with possible further ballots in mind, of ensuring that the staff concerned fully understand the details of the offer.

I am copying this minute to the Prime Minister, other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office), and to Sir Robert Armstrong.

Handwritten signature: Norman Fowler

NORMAN FOWLER

CH/EXCHEQUER	
REC.	19 JUN 1987 <i>19/6</i>
ACTION	MR KEMP
COPIES TO	CST PMG
	SIR P. M. WIDLETON
	MR FEROUTLER
	MR ANDSON MR LUXE
	MR CHIVERS MR GILKERT MR TRUMAN MR GRAHAM MRS HARROP MR WOODALL MR CROPPER

FROM: S H WOODALL
DATE: 19 JUNE 1987

1. MR CULPIN

2. PAYMASTER GENERAL

I agree with

this advice,

which reflects

a discussion I

had with the

Chancellor last night.

cc Chancellor — 12/2.
Chief Secretary
Financial Secretary
Economic Secretary
Sir P Middleton
Mr F E R Butler
Mr Kemp
Miss O'Mara
Mr Pickford

Rc 19/6

CIVIL SERVICE PAY DISPUTE: NEWSNIGHT

"Newsnight" (BBC2) are planning to do a piece on the Civil Service pay dispute on Monday 22 June and have put in a bid for you to appear on the programme. We have not yet discussed the format of the programme but if you wish to do it, I suggest you do a live interview with the presenter and not a discussion with a union official.

2. Until very recently we have been keeping a fairly low profile. But over the last few days there has been a lot of interest shown by the press and I have been briefing them - off the record - fairly extensively. When I heard Mr Ellis say yesterday (among other unhelpful things) that the Government "is not going to shift" its position (see transcript attached), I drew this to the attention of the press (and most of the journalists I spoke to hadn't heard it!) However, they have followed it up today and their reports give the impression that the strike is crumbling. It now seems a good time to follow this through.

3. The main points we wish to get over are:

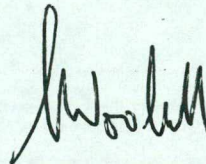
- the offer is reasonable and final etc and it now appears that the union have accepted the latter;
- the Treasury are very willing to discuss with the Unions the question of a long-term pay structure and new pay determination arrangements; and

- the Treasury is not asking the Unions to agree to a regional/geographical pay system but simply not to completely rule it out for the future.

Depending on what happens over the weekend you may also wish to:

- a. Welcome Mr Ellis's statement of yesterday; and
- b. ask in view of his statement - "why on earth are they still on strike!?"

4. Mr Kemp will, of course, provide further detailed briefing as necessary. If you agree to appear, it would be helpful to have your agreement in principle before the weekend so that I can discuss the details/format with "Newsnight" over the weekend and let you have a further note.



S H WOODALL

.....ask him what he meant?

I tend to be a very optimistic trade unionist. It think its that that keeps me going when things are as difficult as they are now, and I detect from that they may be prepared to reopen negotiations. We led them with the words "we are not going to be ringing you because we've little more to say, so you had better ring us next time you are ready to talk to us" and I've got some indications that they may be wanting to talk to us fairly soon to see whether there isn't some way through this dispute.

Are those indications then from the Government side?

Yes. These are from the Government side.

What sort of form do they take?

Well, they are wondering whether there isn't some means of resolving this difference between us on the questions of principle on regional pay and performance pay. They want to look a bit more at that, I think. I think they are beginning to think that well maybe there's not so much need to insist upon introducing geographical and performance pay at our grade levels.

Do you think that that is really the main stumbling block now?

All I'm saying is that if they would commit themselves to keeping a unified pay structure throughout the civil service for our members so that wherever people work, doing the same job, they get the same rate of pay, and they don't want to start making fish and foul of people in terms of picking out for higher rates of pay performance pay, then yes, there is some scope for us to make some progress.

Aren't you sticking less on the pay rise and more on the unified structure?

I'm sticking equally and we are not going to give way. We are not going to end this for no extra money. But the means of getting that extra money are quite variable, they can pick different formats but we are not prepared to explore those methods unless they'll give us these commitments.

Could it be a sign that the unions themselves are waivering that you're prepared to discuss a unified pay structure and perhaps put the other at a lesser level of importance?

Well, not really. We know from experience that if the Government makes a principle stand like it has made in relation to not a penny more being paid than has been offered from 1st April, then they are not going to shift on that. They are so tied in with other unions in the civil service on that point, the're just not going to give way, and we know that when governments, as I say, make principle stands like that they just don't shift their ground. They look for other means of resolving the dispute. Now if that's what they are prepared to do, and I know they are not going to shift their ground on the first available offer, it would be irresponsible of me and do my certain? members no service not to try to find common ground with them on the way forward.

Knowing that the Government is on unlikely to shift its ground, are you able to deliver the all-out strike that some of your members are wanting?

At the end of the day that will be the acid test of the commitment of our membership to this campaign and it will be they that will decide. No trade union leader, no national executive committee can call an all-out strike, nor any strike now in this country without the support of its members. If the membership wants an all-out strike, then that's what the Government will get.

CONFIDENTIAL

FROM: E P KEMP
DATE: 19 June 1987

PAYMASTER GENERAL

cc Chancellor of the Exchequer
Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Culpin
Mr Chivers
Mr Gilhooly
Mr Bell
Mr Scotter
Mr Woodall

*78 Civil Service as
Sutton offers
Plan 1979*

*Ch
Still work PM & making
point that civil servants have
been getting real increases in pay
(or rebate 40,000 on income
support)*

agreed

CIVIL SERVICE PAY DISPUTE - MONDAY'S PROGRAMME - REAL TAKE HOME PAY

We are seeing you at 5 pm on Monday to discuss your appearance in the proposed programme scheduled for Monday evening about the Civil Service pay dispute. Quite a lot could happen between now and then, and we will brief you more fully come the time. Meanwhile your office asked about this question of real take home pay, as discussed in Mr Scotter's note of 15 June, which came up at the Chancellor's meeting two or three days ago.

2. My advice to you would be not to use any of these figures at all. I do not doubt that they are arithmetically accurate. But there are an enormous number of ways of giving these sort of numbers, and there is no single "right" method. One can debate base lines, the effect of staging, whether one is using earnings or settlements, whether one includes the industrial Civil Service or not, and so on. The only good point which you could try to drag out of the numbers is that they seem to show that civil servants had a fall in real pay between 1973-74 and 1978-79 and had an increase in real pay since 1978-79. Even that may be arguable - I have not had time to go over the figures - because the actual dates at which the cut-off is made are crucial and some funny things happened to Civil Service pay around 1979/80/81 in which quite

small relatively technical points, such as exactly when an increase took place and the effect of staging, can be vital. But that is not quite the point. Even if we assume Mr Scotter's figures are right, I am not sure what value they have. The average "life" of a civil servant is about 7 years, so anything that happened before 1979 is pretty irrelevant. There may have been a political point to make before the Election, had the question of Civil Service pay been an issue, but the Election is now over and it was not.

3. On the downside, if you start using these sort of figures there are a number of pretty difficult arguments which can be thrown at you. To start with, if one Government stands proxy for another, we see that over the 1973-74/1978-79 period Civil Service real pay in both gross and net terms dropped while pay in the economy as a whole went up at the gross level and dropped rather less at the net level. If we turn to the 1978-79/1987-88 period, we see that, on Mr Scotter's figures, as against others civil servants are around 3 and 4 percentage points behind compared with the rest of the economy - and this is civil servants taken across the board, including those who benefit from overtime and other "drift". If one takes the actual settlement figures, which for many civil servants are all they get ("drift" is much less in the Civil Service than in the economy generally) we see the gap is much bigger.

4. Another way of looking at this is shown in the tables below. Annex A shows cumulative settlements by sector and earnings by sector. "Public services - other" are shown as only 4 percentage points behind the whole economy at the settlements level, but they are nearly 12 points behind the economy at the earnings level. And Annex B shows of the public service settlements, the Civil Service and the NHS non-Review Body groups are right at the bottom of the league. Of course there are good arguments for this, not least, for instance, the fact that in 1979 civil servants and other public services were overpaid, so that all we have seen is a natural and proper rebalancing. The point I am making is that if you start using these numbers in public, you can be assaulted with a great variety of other numbers.

5. My own by now fairly extensive and bitter experience is that the numbers game in relation to past periods is best avoided. History is irrelevant. What you have to start on is our recruitment and retention position, and if necessary market rates of pay, as these are today: and on this score we do pretty well, with some skill and geographical exceptions. We will brief you on this for Monday.

6. Concerning the programme on Monday, you should know that the programme makers are apparently being pretty diligent in their efforts. They have been telephoning the Civil Service unions who are not in dispute as well as those who are in dispute, and they have been bustling around taking interviews from individual people. I do not know what sort of basic brief they are working to, but IDT may want to consider whether apart from your own appearance there is any further work to be done to make sure that they know all the facts of life.



E P KEMP

ANNEX A

PAY SETTLEMENTS BY SECTOR (% age increases)

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Cumulative</u>
Pay Rounds							46
Whole Economy	8%	7(7½)	5½(5%)	5%	5½(6)	6(6%)	47
Private Sector	9(9%)	7(7%)	5½(6)	5%	6	5%	45
Public Trading Sector	9%	7	5%	5	5%	5%	45%
Public Services	8	6½(7)	5%	5%	5½(6)	6½(7%)	45%
- Police, Firemen, Review Bodies	12½(12%)	8	8(8%)	6½(7%)	6(7%)	6(7%)	64%
- Others	7%	6½(7)	4%	4%	5%	7%	42

Note Percentages are first year costs. Full year costs are shown in brackets and included in the final column.

UNDERLYING INCREASES IN AVERAGE EARNINGS BY SECTOR (% age increases)

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Cumulative</u>
Pay Rounds							61
✓ Whole Economy	10%	9	7%	7%	7%	7%	67%
Private Sector	11%	10	8%	7%	8%	8	62
Public Trading Sector	12	9%	7%	7	7	7%	49%
Public Services	9	6%	6%	7	5%	7%	
<u>Memo</u>							
✓ RPI (July to July)	10.9	8.7	4.2	4.5	6.9	2%*	43%
✓ TPI (July to July)	14.3	9.6	3.1	3.3	6.3	%*	42%
*estimate							

August to July figures.

Anula

ANNEX B

PUBLIC SERVICE SETTLEMENTS (% age increases)

1986/87

Pay Rounds:	Numbers (000) (a)	Pay bill (£m) (a)	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986/87	Cumulative
Police	140	2350	21.3	13.2	10.3	8.4	5.1	7.5	7.5	65%
Doctors & Dentists	101	2500	9.0	6.0	7.7	4.6(6.9)	5.3(6.3)	5.7(7.6)		52
Nurses	518	4800	6.0	7.5	4.5	7.5	5.6(8.6)	5.9(7.8)		50
Armed Forces	330	3450	10.3	6.1	7.2	4.9(7.6)	7.1	5.6(7.5)		55%
TSRB	2	77½								69%
- Civil Service	0.7	24½	7.0	14.3	5.8(11.7)	4.5(6.5)	5.1(12.2)	2.9(3.9)		77%
- Military	0.2	9	7.0	14.3	5.8(11.7)	4.5(6.5)	7.3(17.6)	2.9(3.8)		83
- Judiciary	1.1	44	7.0	18.6	5.9(11.7)	4.5(6.5)	7.1(16.3)	3.1(4.1)		39
Civil Service	587	5600	7.5	5.9	4.9	4.5(4.7)	4.9	6.0(b)		44
Teachers	550	6600	7.5	6.0	5.0	5.1	6.9(8.5)	5.7 (c)		38
NHS non-RB groups	414	2850	7.5	6.0	4.5	4.5	4.7	6.0(b)(c)		48
LA Manuals	1001	3025	7.5	9.4	4.9	4.5	6.1	8.1	6.7	39%
LA White Collars	634	4750	7.5	5.7	4.9	4.8	5.6	5.9(c)		

Notes

- (a) Numbers and Pay bill correspond to 1986-87 financial year and include effects of settlements reached in this pay round.
- (b) Basic Rate settlement only.
- (c) Groups not yet settled. Estimated settlements.
- (d) Percentages in brackets are full year costs and included in the final column.
- (e) Interest only. Due to come (a great deal more).

1/11/87

CONFIDENTIAL

FROM: E P KEMP
19 June 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr F E R Butler
Mr Chivers
Mr Truman
Mr Woodall

*Ch
P Kemp will not lie down. I
thought to dec strategy was no more
money for years at all; implementing to
deal & threatening check-off were to weapons*

AA

*I see no attraction
in going for a deal if
this leads @ the
possible how
m.*

CIVIL SERVICE PAY DISPUTE

I am sorry to have to bother you with this again.

2. It is very likely that the unions will approach us over the weekend about the possibility of a deal. You will recall that the talks earlier this week, whatever the Press reported, were not "broken off", but merely failed to lead to any agreement then; both sides remain in touch. It is clear that the unions themselves are in disarray, as we can see from today's Press. So they are very likely to be anxious to see what they can get out of the wreckage.

3. One approach we could take is to continue to be unhelpful. We shall have to agree to see them if they ask, but we could just go on being intransigent. There is no difficulty about this, although there is a risk that it might in the end look as though it was the Government which was being unreasonable. But it is a strategy.

4. However it could have its costs. The strike is being fairly well supported though less than previously and it may get less so over the next couple of weeks. But there are very real pockets of on-going action, including in particular DHSS development computers and VAT, which are incurring costs; and of course there are costs to the public eg in the Passport Office and at certain ports. More seriously, there is a risk that the big DHSS operational computers may go down, so that a

number of emergency offices and staff to match have to be created. These costs (net of savings) are difficult to estimate, and anyway they are not all the same kind; some affect running costs directly, some affect public expenditure more widely, some affect public expenditure more widely, some affect tax take, and some affect debt interest. But overall we think they might be mounting at the rate of £10-15 million per week.

5. Against that we could explore ways in which we could bring an end to this strike quite quickly. We could take the view that we have now effectively won this strike and that it only remains to offer the unions some face-saving avenue for bringing the residual action to an end at minimal cost. For the CPSA we could work through a flexible pay deal, while for the Society we would have to work through "performance points" and the like. There would be five tests which we would apply in looking at a possible settlement, as follows :-

a. It must bring a stop to the present industrial action and a return to normal working.

b. It must respect the position of the Civil Service unions who have already settled, and not make them feel unhappy or prejudice the possibility of separate deals for the future.

c. It must be presentationally effective so far as the Government is concerned, so that it does not look like giving way to industrial action, or prejudice a robust approach to public service pay negotiations for the future.

d. It must develop in the direction in which we want the Civil Service pay system to go, and on that score give value for money in return.

e. Its costs must be limited and contained.

6. The deals we might do with the two unions are rather different. For the CPSA it would be an "IPCS-type" arrangement, with a move to a spinal

system, pay flexibilities for different skills and (at this stage perhaps sotto voce) performance and geography, coupled with a proper long-term pay determination system. It might cost £10-15 million in a full year or around half that this year; that is, on a full year basis about 0.1 per cent of running costs or 0.3 per cent of the Civil Service pay bill overall. For the Society the deal would be very different, because they have set their face adamantly against any of these flexibilities etc; it would have to involve the creation of "performance points" on the same lines as Grade 4 to 7 and some kind of assurance as to co-operation with the FMI, new technology, etc. The cost might be about £15 million in a full year or about half that this year.

7. If one is going to do a deal one does not have to do a deal with both unions; neither of them is going to carry on the action very long if the other collapses. But the trouble is that neither deals are very attractive. The Society deal is proportionately expensive and anyway fails, or at any rate is not very helpful, on tests (b) to (d) above. But as we understand it it would be recommended to members and would ensure an instant stoppage of the industrial action. The CPSA deal, on the other hand, although proportionately very much cheaper (the CPSA numbers involved are about twice those of the Society numbers) and although it scores well on tests (b) to (d), has the drawback that it will almost certainly still be rejected by the union's Executive, and the only benefit we would get - though this is not negligible - is that it would make more certain than before that the ballot for all-out action in two weeks time would fail, and meanwhile it would hurry on the fizzling out of the action.

8. My conclusion is that if it were possible to try to do a deal with one or other of the unions which brings a quick and certain stop to the action and respects the criteria above, then this would be worth having, on balance. But not otherwise. I think therefore we must remain available to talk to the unions, if they want to talk to us - and they are very certain so to do - to see what can be done. I would propose,

therefore, to proceed this way, and to see if there is anything to be had; if it looked as though there was anything there I would of course report to you before anything was settled. Cost considerations, managerial considerations, and political considerations, are all very much tied up here. I have to say that I am not hopeful that a deal can be done, and I am not at all sure that a deal ought to be done. But we cannot afford not to talk if we are asked to talk, and it is against that background that I am letting you have this discussion note.

9. Whatever happens we need to press on with getting your colleagues' agreement to imposing the offer and moving forward on check-off. We are also working on a clear note of information to staff which we would use if/when a decision to impose the offer is taken; we would show it to you in draft before we proceeded.

10. Against this fairly fast moving background, we shall of course have to leave final briefing with the Paymaster General for his television programme on Monday night open until the very last moment.

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