

PREM 19/672

Pay and Pensions
Pay Dispute / Strike

CIVIL
SERVICE

PL 1: May 1979

PL 8: Nov 1981

PART 8

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
19-11-81							
22-11-81							
27-11-81							
8-12-81							
11-12-81							
24-12-81							
7-1-82							
11-1-82							
13-1-82							
18-1-82							
- Pt Ends -							

PREM 19/672

Material used by
official Historian
DO NOT DESTROY

PART 8 ends:-

JV to MCS 13/1

PART 9 begins:-

DHSS to MCS+att 14/1

C A Whitmore Esq



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

SECRET

5 (2)

MR SCHOLAR

cc: Mr Ingham
Mr Hoskyns

M

Prime Minister
For information
Civil Service

CIVIL SERVICE PAY

MUS 14/1

You will recall that, among the conclusions reached by Ministers at their meeting on Civil Service Pay on 7 January, was that the Chancellor would make arrangements for the unions to be informed early this week that their 13% pay claim "could not form the basis of negotiation".

The Prime Minister may wish to know that the Chancellor has approved a letter, which will issue to the unions this afternoon and will be made available to the press with a view to suitable stories appearing in tomorrow's newspapers, which uses a rather different form of words. After an introductory paragraph about leave arrangements, and the need for a meeting with the unions to discuss them, the letter (of which I do not yet have a final text) continues: "Meanwhile I should make it clear that the Government regards the claim as unrealistically high, and will be making proposals of its own".

This was discussed briefly ^{this morning} in the official group (MISC 67) which was set up following the meeting of Ministers to oversee the negotiations. I said that it did not seem to me to go as far as Ministers wanted in making it clear that the offer was rejected as being an unsuitable basis for negotiation. Officials in the Treasury and Department of Employment, however, take the view that as we have undertaken to negotiate with the unions, we cannot say that their claim is unnegotiable. And the Chancellor has personally approved this form of words.

Since the Prime Minister has put the Chancellor in charge of the day-to-day negotiations, I do not advise that she should intervene over the wording of this letter, and any intervention would have to be done early this afternoon anyway. But I am suggesting, by copy of this note, that Bernard Ingham co-ordinate with the Treasury's Information Division to ensure that the media are left in no doubt that the Government is in fact rejecting the claim.

* in fact it was a total damp squib in this morning's papers: inside pages only of FT & Guardian, and nowhere in the paps. MUS 14/1

13 January, 1982

SECRET

SECRET AND PERSONAL



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A07114

11th January 1982

Civil Service Pay Negotiations

As I expect you know, it was agreed at the Prime Minister's meeting on 7 January that the forthcoming non-industrial civil service pay negotiations should be overseen by a new Ministerial Group (MISC 66), chaired by the Chancellor of the Exchequer. This new Ministerial Group is to be supported by an Official Group (MISC 67), under Treasury Chairmanship and consisting of representatives of the Management and Personnel Office, the Ministry of Defence, the Departments of Employment and Health and Social Security, the Central Policy Review Staff, the No 10 Policy Unit, the Inland Revenue, and Customs and Excise.

I am now writing to invite you and our colleagues to whom I am copying this letter to nominate a representative to serve on this Group. I understand that you will be asking Peter Le Cheminant to chair the Group for the Treasury, but you may also wish to nominate a separate Treasury representative. I think that it might also be useful if the Secretariat were drawn from the Treasury as well as the Cabinet Office and I should therefore be grateful if you would nominate someone for this purpose. The Cabinet Office Secretary will be Bill Moyes.

I understand that Peter Le Cheminant would like, if possible, to convene the first meeting of the Group later this week. I should therefore be grateful if copy addressees of this letter could arrange for their nominations to be telephoned to my office.

Finally, I should mention that the papers of this Group will be circulated on a "need to know" basis for the personal attention only of members of the Group.

I am sending copies of this letter to John Cassels, Frank Cooper, Ken Barnes, Ken Stowe, Robin Ibbs, Clive Whitmore, Lawrence Airey and Douglas Lovelock.

ROBERT ARMSTRONG

Sir Douglas Wass, GCB

SECRET AND PERSONAL

RESTRICTED



See Mr Perds
Hallett's letter
be Ingham ✓
Webster ✓

10 DOWNING STREET

From the Private Secretary

11 January 1982

Pay: General Publicity

The Prime Minister read with interest the Chancellor's minute of 7 January about the Government's general publicity effort over pay.

The main ideas in the Chancellor's minute were discussed during last week's pay meetings. I have no doubt that you will be giving them a wider circulation as a guide to Ministers and Government supporters in their efforts to put over the Government's message.

I am sending copies of this letter to David Heyhoe (Lord President's Office), Barnaby Shaw (Employment), Keith Long (Paymaster General's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

RESTRICTED

VLS



Civil Service ds

be Veneker ✓

10 DOWNING STREET

From the Private Secretary

11 January 1982

Evidence for the Megaw Inquiry: Paper on No-Strike Arrangements in the Public Services other than the Civil Service

Thank you for your letter of 31 December to which was attached a paper on no-strike arrangements in the public services other than the Civil Service.

The Prime Minister is content for you to send this paper to the Megaw Inquiry. She has commented that she will want to consider the possibility of providing further evidence on no-strike provisions covering the Civil Service when the report of MISC 65 has been considered by Ministers.

I am copying this letter to Jim Buckley (Chancellor of the Duchy's Office), David Omand (MOD), David Clark (DHSS), Barnaby Shaw (Employment), Jim Nursaw (Law Officers' Department), Christine Duncan (Lord Advocate's Department) and David Wright (Cabinet Office).

~~M. C. SCHOLAR~~
M. C. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

VLC



Ed Econ 157 PLS
Public Sector Pay (2)
JV
Prime Minister

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

To note

Ms 8/1

PRIME MINISTER

PAY: GENERAL PUBLICITY

Your office's letter to mine of 22 December recorded your intention, following my minute of 18 December, to hold an early meeting of Ministers on our general publicity effort over pay. It may be helpful if I offer in advance one or two brief suggestions.

we had the meeting, of course, this morning.

2. I intend to seek an early opportunity, if possible within the next week or so, to make a major speech myself on the theme of pay moderation. But I believe there might be especially high value in having something substantial said (with the maximum media attention we can get) by one or more senior Ministers from among those whose Departmental responsibilities are not primarily economic and not directly connected with particular settlements in the offing. This could less easily be discounted as "the usual Treasury line", and should have enhanced impact accordingly. The sooner it were done the better. It would reflect ideas we have discussed.

3. There are many ways of setting out the basic theme, and individual styles will vary. But I attach a draft passage illustrating the sort of message that might be put across.

4. This apart, I am asking my officials to prepare, in consultation with others concerned, an up-to-date general brief for speakers. Such a brief might be given a wide circulation, for example by your office or Francis Pym's, as a guide to Ministers and Government supporters in seizing opportunities to put over the message both locally and more widely. Again, this reflects ideas we have discussed.

/I am



5. I am sending copies of this minute and the attachment to Francis Pym, Norman Tebbit, Cecil Parkinson, and Michael Jopling, and also to Sir Robert Armstrong.

(G.H.)

7 January 1982

CONQUEROR

III

SPEECH MATERIAL ON PAY

Over the last month or two pay talks and settlements have been getting a good many headlines, and they will certainly go on doing so. It is right that they should catch public attention, for they affect us all, not just those directly represented at a particular negotiating table. It is important that every one of us should understand this.

2. We all individually would like higher pay for ourselves, especially in hard times; there's nothing unnatural or discreditable in feeling that. And some of us - not the majority, but some substantial minorities - have a lot of leverage for getting our way. Modern Britain is a complex interdependent society, and there are several groups - particularly though not only the big public monopolies - whose jobs are so immediately crucial to our society's working that if they were to exploit their position ruthlessly enough they could impose an appalling price on the rest of us if their demands were resisted. In general, I am glad to say, they don't push their power to the limit; over the last year or so there has been much genuine restraint, though it has been patchy. But we have to recognise that this restraint must be a long haul affair; it is still desperately needed; and it matters to everyone. The powerful groups, if they choose to live by the law of the jungle, can look after their own interest in the short term at the expense of the rest; but in the long term we will then all be the losers, strong and weak alike. Let me explain why.

3. The money available to us all as a nation is limited; we cannot just print more if it runs short - that is the quick path

/to inflationary

to inflationary ruin, to bogus money. Given some limit to money, the more we spend on paying ourselves higher wages the less there is for output and investment, and so for new jobs - we prolong recession instead of fighting it. And the first and biggest sufferers are those who become unemployed; for what excessive wages do most directly and immediately is to look after those who manage to keep their jobs at the cost of adding to the numbers out of work. This isn't a matter of highfaluting or controversial economic theory; it's a fact within everyone's grasp. Consider what happens in our own domestic affairs. When things are tight financially, if the price of something goes up sharply we have to make do with less of it. Precisely the same happens with jobs. If an employer is squeezed on costs (and most of our industry nowadays is, because it can't just push up prices - that simply hands over business to our competitors overseas) then when the price of labour goes up sharply he will seek to make do with less of it, or else go out of business. That's inescapable. And it is of course very clear within individual firms, even big ones like British Leyland. But what we have to recognise is that the same basic truth applies to the economy as a whole, private and public sector alike. If groups in the public sector push up their wage costs, the result is felt either directly in reduced services and a reduction in public sector jobs or indirectly in higher rates, higher taxes and higher charges for energy and telecommunications; this adds to the burdens on the already hard pressed private sector, and so threatens jobs there.

4. Everyone agrees - all major parties, and both sides of industry - that it is immensely important to get both inflation

/and unemployment

and unemployment down; and the two go together. Now it would be ridiculous to claim that these two evils are caused simply by excessive wages; they have no single cause. But excessive pay settlements - i.e. higher pay without higher output - are among the causes; and they are moreover, unlike some of the other factors, a cause we in Britain can collectively do something about, directly and soon. The realities are after all not a matter of abstract theory but of concrete and vivid experience. We all recall the way high wage settlements and high inflation fuelled one another in 1974-75 and 1978-79 - and how much better we did, for the community as a whole, when we pulled ourselves back up by restraint after each of these episodes.

5. If, whether as concerned individual members of the community members - or leaders - of trade unions, employers or Government, we really mean it when we say we are against inflation and against unemployment - if we are not just mouthing routine platitudes - then the most practical and constructive thing we can do to help is to accept modest pay settlements. I recognise - I make no attempt to conceal - that this will mean some drop for a time in living standards, since it must mean settlements below the rate of inflation. As a nation, we have absolutely no alternative but to accept a drop - a trading nation in a world recession, and a trading nation moreover which in many areas does not match international standards of productivity and competitiveness, can have no immediate escape from this reality. We've allowed our unit labour costs to double since 1975: in the US they've gone up by 1/3, in Germany by 1/6 and in Japan not at all. We live in a harsh competitive world and we cannot shut ourselves off from it. It is simply not in our power to choose, as a nation, not to have some temporary decline in living

/all we can choose

standards; all we can choose is how and where to make the sacrifices - do we make them in ways which will help our recovery, and which spread the sacrifices fairly; or are the strong simply to look after themselves at the expense of everyone else?

6. I do not like the fashion which talks of pay determination in the language and concepts of war - struggle and battle, victory and defeat. But if it is to be used, let us all understand who it is that the metaphors really refer to. If some powerful group wins what militants call a victory, then the defeat is not of the Government but of the community as a whole. If a group controlling some key public service goes for the jugular, be clear whose jugular it is; not the jugular of a couple of dozen individuals round the Cabinet table, but the jugular of the British people. The Government as such has no private store of money from which it can pay one group over the odds without affecting others; all it can do is take the money from somewhere and someone else - someone else's wage packet or pension, someone else's job. That is the central reality.

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SUBJECT

10 DOWNING STREET

From the Private Secretary

7 January 1982

Dear John,

The Prime Minister held a meeting this morning on public service pay. The Chancellor of the Exchequer, the Secretaries of State for Education, Environment and Employment, the Chancellor of the Duchy of Lancaster, the Minister of State for the Armed Services (Mr. Blaker) and the Minister of State at the Department of Health and Social Security (Dr. Vaughan) were present. The conclusions of the meeting in relation to groups other than the Civil Service are recorded separately.

On Civil Service pay, it was agreed that the Government's response to the 13 per cent pay claim should be that this claim could not form the basis of negotiation; the Government would soon be making a counter-offer of its own. The Chancellor of the Exchequer would make arrangements to convey this message to the unions early next week. The intention would be to make it clear that the claim of 13 per cent was well outside anything which could sensibly form the basis for negotiation, without giving any impression that the Government was reneging on assurances it had made at the time of last year's settlement about genuine negotiations without a pre-determined cash limit. Officials should start work immediately in preparing the counter-offer, recognising that the matter would almost certainly go to arbitration, and designing the offer so that it would appear as fair and reasonable as possible to an arbitrator. The offer should not be an across-the-board percentage increase but a series of revised pay scales which reflected the supply and demand for different kinds of labour. Officials should investigate how far it would be possible to reflect in these revised scales different pay levels in different geographical regions, as well as the scope for granting small or nil increases where there were large numbers of applicants for posts.

A group of the senior Ministers most closely involved would be set up under the Chancellor of the Exchequer's chairmanship to oversee the day-to-day progress of the negotiation; and there would be a corresponding official group on which the CPRS and No. 10 Policy Unit would be represented. It was hoped to make progress with the negotiation, so that if it indeed went to arbitration, it could do so, if possible, before the settlement date of 1 April 1982.

/ I am copying

I am copying this letter to Barnaby Shaw (Department of Employment), Jim Buckley (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

I would be grateful if you would make further copies of this letter only where absolutely necessary, and if you would restrict to the maximum possible extent the number of people who see these copies. But in the case of most recipients of this letter, I hope that no copies need be made, and the letter will not be taken outside the Private Office concerned.

Yours sincerely,

Michael Scholar

John Kerr Esq.,
HM Treasury.

MR. SCHOLAR

Prime Minister

①

Yes

Content for me to reply ask at X?

cc. Mr. Hoskyns M/S 8/1

Evidence for Megaw: No Strike Agreements

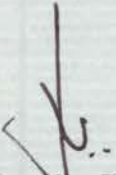
attached I think the Prime Minister may feel that the Memorandum for the Megaw Inquiry on No Strike Agreements, enclosed with the letter of 31 December from the Chancellor's Private Secretary, begs a few questions.

Megaw asked for a paper specifically on no strike agreements "in public services other than the civil service". The paper that the Treasury proposes, which was not discussed in the official group but which was, I understand, agreed with the MPO, is factual. But it does carry the implications that, first, civil servants do not have the right to strike and, second, that conditions of service in the civil service have the force of a contract. What it does not point out is that the Government's ability to use these facts is constrained by the risk of a successful claim of unfair dismissal if striking civil servants are selectively dismissed: at present, if you want to dismiss some, you have to dismiss all who have taken any form of industrial action.

The Government has asked the Megaw Inquiry to cover the possibility of no strike provisions for the civil service, and the Prime Minister may feel that the present paper needs to be supplemented by evidence on the particular position of civil servants and any changes in the law or conditions of service that would be needed to provide the Government with stronger weapons against strikes. As it happens, that range of issues is at the centre of the work that is going on in the official group (MISC 65) which has been set up to look at the lessons of the last civil service dispute: the report of that group should be available by the end of the month. Ministers will then be able to decide whether there is a case for pointing Megaw in a particular direction. For the moment, I think the Prime Minister could accept the Treasury paper; perhaps with a comment from you to the effect that she will want to consider the possibility of further evidence on

/no

X | no strike provisions covering the civil service when the report
of MISC 65 has been looked at by Ministers.


J. M. M. VEREKER

6 January, 1982

CONFIDENTIAL

200's

Prime Minister

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ms 8/1

LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL



J. Nursaw

LEGAL SECRETARY.

6 January 1982

J Buckley Esq
Private Secretary to
Chancellor of the Duchy of Lancaster
Management and Personnel Office
Whitehall
LONDON S W 1

Dear Jim,

MEGAW ENQUIRY : PAY OF GOVERNMENT LAWYERS

The Attorney General is grateful to the Chancellor of the Duchy for her views set out in your letter of 24 December. He has now written again to the Chancellor of the Exchequer and I enclose a copy of his minute. You will see that the Attorney has agreed to drop the paragraph about the relationship of the two junior pay scales, the second point to which the Chancellor of the Duchy drew attention. As to her comment about Parliamentary Counsel, the Attorney is grateful for this and will make a suitable amendment to his evidence to bring out this point.

I am copying this letter to Michael Scholar (No 10), John Kerr (Treasury), Richard Dykes (Employment), David Omand (Defence), David Clark (Social Services), Catherine Duncan (Lord Advocate's Department) and to David Wright in Sir Robert Armstrong's Office.

Yours,
Jim

CONFIDENTIAL

Prime Minister

As you requested, I have devised a few

QUESTIONS ON CIVIL SERVICE PAPER

1. Para 2 of Annex E gives numbers of voluntary resignations as a percentage of staff in post in 1979, 1980 and 1981. How do these figures differ conceptually from the wastage figures given in para 5?

2. (i) Was it really necessary to include in these papers a breakdown of voluntary resignation rates for the quantity surveying discipline of p+t group, further broken down into PTO I, II, III & IV rates?

(ii) What is the p+t group?

MCS

6 January 1982



✓ 5V

2A

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

5 January 1981

Michael Scholar Esq.
No.10 Downing Street
LONDON
SW1

Dear Michael

NON-INDUSTRIAL CIVIL SERVICE : 1982 PAY NEGOTIATIONS

....

I attach a paper which has been approved by the Chancellor surveying the various elements and options which will enter into decisions about the coming pay negotiations with the non-industrial Civil Service.

I am copying this letter and attachment to the Private Secretaries to the Chancellor of the Duchy of Lancaster and the Secretary of State for ~~Education~~ and to Sir Robert Armstrong.

Employment

Yours ever

Peter

P.S. JENKINS

54
Circulated on 5th Jan
for a meeting on 6th Jan
I will not have got
this meeting postponed
we explain why
not

NON-INDUSTRIAL CIVIL SERVICE: PAY CLAIM 1982

Note by Treasury Officials

Introduction

This paper is designed as a broad survey of the issues and options arising from the 1982 pay negotiations for the non-industrial Civil Service. It is intended to provide a basis both for internal discussion in the Treasury and at the Prime Minister's preliminary meeting with the Chancellor of the Exchequer, the Secretary of State for Employment and the Chancellor of the Duchy of Lancaster arranged for Wednesday, 6 January.

The Claim

2. The Council of Civil Service Unions (CCSU) have submitted a claim for increases in the pay of non-industrial civil servants to take effect from 1 April 1982. Details of the claim and of the supporting evidence so far provided by the unions are at Annex A.

3. The claim is for a general increase in pay of 13%, with an underpinning minimum increase of £12.50 a week for staff aged 18 or more. The "underpinning" claim (which would affect about 215,000 out of 540,000 non-industrial civil servants) would on average add about an extra 1% to the pay bill. In addition the CCSU have asked for improvements in holiday entitlements (reviving an old claim) equivalent in cost to a further 1% to the pay bill.

4. If the claim were met in full the increase in basic pay would cost about £450 m. with an extra £125 m. for consequential improvements in overtime etc. If the claimed improvements in holidays were also granted the cost in hiring additional staff or paying for more overtime working by existing staff to cover the working hours lost would be about £42 m. For comparison 4% of the non-industrial Civil Service pay bill is £170 m.

The background to the claim

5. The claim has to be handled in the light of the assurances given and the statements made by the Government last year in the context of the 1981 pay dispute. These were that:-

- a. the negotiations for the 1982 settlement will be "genuine" and not constrained by a pre-determined cash limit (though, expressly, the cost of the settlement will be a relevant factor for Government);
- b. either side will be free to introduce any factors they consider relevant into the negotiations;
- c. in the event of failure to agree a settlement the Government will allow the claim to go to arbitration;
- d. the Government reserves the right to ask the House of Commons to set aside the arbitration award "on grounds of overriding national policy".

6. The texts of the key assurances are reproduced at Annex B.

The Timetable for Processing the Claim

7. Given the nature of the assurances (and assuming that the Civil Service unions will insist on their right to go to arbitration - see paragraph 13 below) the processes leading to a settlement of the 1982 claim could drag on for several months. Rough timings might be:-

- a. negotiations: January/February;
- b. arbitration: March/April;
- c. Parliamentary override: April/May.

8. Burried within this assumed timetable are judgments that:-

a. the unions will want the negotiating phase to extend at least into February (partly to demonstrate that they have "genuinely" tried to reach a negotiated settlement and partly because they would expect events favourable to their case to occur in late January or early February - see paragraph 11 below);

b. the actual process of arbitration might take 3 - 6 weeks from reference to award;

c. the Parliamentary timetable (including a March Budget) might make it difficult - though not impossible - to arrange the debate necessary to trigger "override" until after the Easter Recess. (A lot will depend on the nature of the Budget. The more the Government supporters in the House welcome it, the more ready they may be to accept "override" as part of a total economic package - and the greater the tactical advantage in taking the issue to the House quickly as soon as the Arbitration award is known.);

d. that the necessary processes of obtaining collective Ministerial decisions at critical moments in the process can easily absorb several weeks overall.

9. These judgments would not preclude a significantly earlier settlement. But real speed would involve more than simply shaving the timetables. The Commons could only be asked to consider override in late March or early April if the arbitration process could be begun in early February (which is doubtful) and conducted at speed (which is not in our gift). A major shortening of the timetable could only be achieved - if this was felt otherwise desirable - by deliberately setting out to reach a settlement without recourse to arbitration.

The Wider Setting

10. The pay claim needs to be viewed in a wider perspective. The key elements are: the timing and course of relevant external events

and the co-ordinating ambitions of the public service unions represented in the TUC. Each is discussed in the following paragraphs.

11. External Events: A timetable of relevant external events is set out at Annex C. The most important of these are:-

- a. the 7% offer made to the Local Authority manual workers before Christmas. The unions formal response is expected on 25 January;
- b. the settlements expected in January/February with major public sector groups such as the miners, the gas workers and the water workers;
- c. the outcome of the pay dispute at Fords and the course of private sector settlements generally. The Banks expect to make an offer to their unions on 28 January;
- d. the report of the Select Committee on MP's pay now expected early in the New Year;
- e. the report of the Armed Forces Pay Review Body expected in April (the AFRB is the only review body which deals with the pay of lower paid workers and uses a form of structured comparability: uniquely among the review bodies therefore it provides evidence which the unions may wish to argue at arbitration as relevant to the pay of the non-industrial Civil Service).
- f. the Budget which will be important not only because of its effect on opinion in the House but also, possibly, as a means of relieving the pressure of inflation on the real incomes of the lower paid.

12. TUC Co-ordination: The TUC Public Services Committee has been seeking to co-ordinate the approach of the various public service union to their respective 1982 pay negotiations. Overt co-ordination has been confined to agreement that all the unions concerned will pursue

similar 'core' claims containing two elements: pay rises roughly in line with the cost of living and the pursuit of shorter working hours. The Civil Service claim follows this pattern with the substitution of a claim for longer holidays in place of one for a shorter working week.

13. It is also clear that, as a matter of policy, the public service unions are seeking to bring forward their pay claims and negotiations to an earlier point in the year than required by their settlement dates, eg the nurses, teachers and local government white collar grades all appear likely to be in negotiation by April. The main reason for this is probably the belief that the concurrent pursuit of individual claims will strengthen the hands of individual negotiators. The unions may however also hope to extract collective benefits from the availability of arbitration to the Civil Service unions. On this scenario they would all seek to move in fast to claim parity when the Civil Service Arbitration award is known. Not only might they hope to do better this way than by pursuing individual negotiations but they would also expect to make it more difficult for the House of Commons to override the Civil Service award (by in effect elevating the override to one applying de facto to the whole spectrum of public service workers). If this assessment is correct it makes it the more unlikely that the Civil Service unions will forego arbitration.

Public Expenditure

14. When cash limits for 1982-83 are published on Budget Day they will provide for 4% pay increases from due settlement dates. Detailed provisions for Civil Service pay will be spread across 80 individual cash limits. Each also includes other expenditure, but pay is usually predominant.

15. It should be possible to finance a slightly higher settlement than 4% from within the total provisions in the cash limits concerned. But the room for manoeuvre is small. Departments have already to find the 2% cut in administrative expenditure, announced with other public

expenditure decisions on 2 December. They must also cope with the "knock on" effects of past pay settlements, including financing the 1981 pay settlement of $7\frac{1}{2}\%$ from within cash limits set to allow for increases of 6% . Against this background, we do not believe that more than a further 1% could be achieved. That would allow for financing a settlement of 5% on average for individuals from within the 1982-83 cash limits as now planned. To go beyond this in seeking offsetting economies from pay votes would entail serious operational consequences (eg for revenue collection, the payment of benefits, manning the courts and running the prisons) which the Ministers in charge of the Departments concerned might well consider to be unrealistic.

16. It follows that, if the final pay settlement is bigger than 5% , the additional finance will have to be found from within the public expenditure planning total as a whole. This would mean either additional savings in the existing levels of departmental programmes, or (to the extent that such savings proved impracticable) recourse to the Contingency Reserve.

17. The cost to programmes or the Reserve of each additional 1% in pay for the non-industrial Civil Service would be about £42 m. This allows for consequential increases in overtime, allowances, and employers' national insurance. It should be borne in mind, however, that two other important groups of central government employees will expect to do at least as well as the non-industrial Civil Service. These are:-

- a. the National Health Service where 1% on the whole pay bill costs about £60 m.;
- b. the industrial Civil Service where each additional 1% in pay would cost about £8 m.

Arbitration

18. Under the terms of the Civil Service Arbitration Agreement, subjects which can be referred to arbitration are "claims affecting emoluments, hours and leave". The Agreement applies to

all grades with salaries not exceeding that of the Principal maximum (currently £15,010 a year). Claims in respect of grades carrying flat rate salaries or maxima above this level cannot be taken to arbitration without the consent of both parties.

19. If the current claim ends up at arbitration therefore the whole of it (pay and leave) would be arbitrable. On the other hand, the possible improvements in "fringe benefits" (discussed in paragraphs 35-36 below) which the Government might offer "without prejudice" in an attempt to secure a negotiated settlement would not be arbitrable.

20. The Arbitration Agreement otherwise presents no technical snags. Arbitration is open to "recognised associations", and many cases are brought to the Tribunal by individual associations. But it is well established practice that Trade Union Sides may go to arbitration collectively on matters within their responsibility, and within the terms of the Agreement. On this occasion, the Council of Civil Service Unions would be one of the parties. Detailed terms of reference for the Tribunal would be agreed at the time between the parties.

21. The Civil Service Arbitration Tribunal is an experienced body with no recent history of "splitting the difference". Awards have varied but have usually favoured one side or the other (with a tendency to favour the Government's case). But on this occasion there is a major difference. The Tribunal will not - as in the past - be forming a judgment within the framework of a Pay Agreement. Both sides will be free to deploy whatever factors or arguments they consider relevant. It may in the event be difficult for the Tribunal to do other than broadly split the difference.

22. The union's case: The unions main case at arbitration will be based on the increase in the cost of living, and evidence about pay increases for other groups from whatever reference dates best suit their purpose. They can also be expected to say that the concept of "ability to pay" is misleading when applied solely to the cost of labour. They will argue that the Government should take the cost as given - as it does for paper clips or petrol - and balance its books by adjusting the volume of the services it provides or the balance of the expenditures it finances. If pressed they are likely to say that the size of the Civil Service is a matter wholly for Government decision.

23. The Government's case: It is clear that, on the conventional indicators (which would have weighed in these matters a few years ago), the unions believe they have a strong case. It is also quite clear that the Government should not fight on the unions chosen ground. Our case must be that maintaining a given standard of living or a given place in the "league table" for pay, is irrelevant. What matters - apart from the highly important general economic considerations of what can be afforded - is how much, as employers, we need to offer to recruit, retain and motivate the staff we need. And on this basis we have the powerful case certainly so far as recruitment and retention are concerned. (For example voluntary wastage has fallen dramatically in the past 2 years and we currently have a surfeit of applicants for all except some technical posts). Further details are at Annexes D and E.

24. Motivating staff is of course another matter - and extends well beyond pay or promotion prospects. But here in the nature of things there is little objective evidence. Nevertheless in so far as there is a case for increasing the pay of the non-industrial Civil Service it lies in this area.

Industrial Action

25. In modern circumstances pay negotiations have to be conducted, with civil servants as with other employees, against the background of the possibility of industrial conflict. The lessons of the 1981 pay dispute are being studied separately and a report is due to reach Ministers in the second half of January. For present purposes it is perhaps enough to note:-

a. that given the agreed availability of arbitration official industrial action by the Civil Service unions is most unlikely to occur before the award of the Arbitration Tribunal is known - and even then is only likely if the House of Commons is asked to override the arbitration award.

b. unofficial action could occur at any time throughout the process of negotiation with militants ready and willing to exploit

grievances, misinformation, or Government action which can be represented as a breach of faith. With Parliamentary override in the background the initial Government offer or the publication of cash limits at Budget time could provide the occasion for genuine or contrived clashes of this kind. Hence the vital importance of good communication with staff - see below.

c. If official industrial action does occur the unions will be weaker in one respect - lack of funds - and stronger in another - experience - than in 1981. General industrial relations law will be unchanged from 1981 because the new Industrial Relations Bill will not receive the Royal Assent until the Summer.

Communications

26. It will be important to ensure that there is effective direct communication with the staff at each stage of the negotiations both as a matter of good management practice and to avoid the Government's position being misrepresented by the militants. The need for improved communications with the staff is one of the lessons of the 1981 strike and is under separate study. But again for immediate purposes it is enough to note:-

a. the need for staff to be reassured that the Government intends to stand by its promises. It could well be useful to remind all staff at an early stage of the negotiations about the content of these promises so that the Government's initial offer can be seen in a proper perspective.

b. the desirability throughout the negotiations of explaining to staff in detail the nature of, and reasoning behind, any offers made by Government so that discussion of them may be informed by fact.

c. the particular need, if we reach the stage of asking Parliament to override the arbitration award, for a special effort to get the Government's case across to its own staff (to minimise the risk of industrial action) and to ensure a proper co-ordination

of wider publicity so as to avoid unnecessary provocation. (There will be a world of difference between saying "the country can't afford it" and "you don't deserve it").

The Government's options

27. The Government has three main courses open to it in pursuing the negotiations:-

- a. to try and negotiate a settlement without recourse to arbitration;
- b. to decide to leave the issue in the hands of the arbitrators and to accept the Tribunal's award
- c. to ask the House of Commons to override any arbitration award and impose a settlement in line with cash limits.

28. A decision about override does not need to be taken before the arbitration award is known (an earlier decision could be positively dangerous, eg if the staff thought that override was inevitable and that the processes of negotiation and arbitration were a meaningless charade).

29. The two decisions which do need to be taken soon (if at all possible before the end of January) are:-

- a. are we to seek to reach a negotiated settlement without recourse to arbitration; and
- b. what size and shape of opening offers should be made on the Government's behalf.

30. A negotiated settlement: As surmised above the CCSU negotiators may actively not want to reach a negotiated settlement at all. If this proves to be their attitude - and we will not be able to form a

judgment on this until the negotiations have begun - the only way to achieve a negotiated settlement would be to appeal directly to the membership over the heads of the union officials. At the extreme this could mean organising a management ballot of all staff to test the acceptability of the best offer the Government felt able to make. This would be a high risk course because if the staff turned the offer down it would nevertheless be on the table as the starting point for arbitration. Moreover to stand any chance of success such an offer would have to be sufficiently generous to persuade civil servants that they would be unlikely to do markedly better at arbitration, ie we would probably need to think in terms of an offer worth at least 7 or 8 per cent in total.

31. The initial offer: But whether our objective is to secure a negotiated settlement or to set the scene for arbitration we will want to start by bidding low. We need to decide how low and what shape the offer should have. The main (though not exclusive) options are:-

a. A nil offer

This would be justified on the grounds that in the present economic climate no increase was needed given the ability of the Civil Service to recruit and retain the staff it wants at existing rates of pay. We could also say that the evidence would support a case for a cut in pay, but that we are precluded by existing legislation from reducing pay without the consent of those affected. The difficulty with adopting this position would be that a nil offer would be the most likely to spark off spontaneous industrial action; that the unions would accuse the Government of reneging on its commitment to genuine negotiations; and that it would be difficult at arbitration to defend such an absolute position as reasonable given that almost all employers have an equally easy recruitment position and yet are nevertheless granting pay increases to their employees. Nevertheless we might usefully argue the case for a nil offer as an opening plo

in the negotiations - as a means of lowering expectations - provided we went on to make a positive offer, however small.

b. Flat rate percentage offer across the board

Any opening offer would need to be less than the 4% pay factor to allow some subsequent movement in the course of negotiations and to accommodate the $\frac{1}{2}\%$ average increase in pay which will derive from the operation of incremental pay scales. A flat rate opening offer might be 2 or 3 percent justified by "motivation" and "what the country can afford". A flat rate offer of this kind even if increased in subsequent negotiations to 4% or 5% , and resting on general arguments about affordability, the recruitment and retention position and job security, might give us the best (ie potentially cheapest) position at arbitration.

c. An offer skewed to the lower paid

With inflation above 10% we could not fashion an offer within the 4% pay factor which would protect the lower paid without requiring middle and senior level staff to forgo any or almost any pay increases in the coming year. Within a 4% limit it would be possible for a differential increase of up to $7\frac{1}{2}\%$ to be awarded to the low paid (earning less than (say) £4,000) but this would leave only about 1% for those above the limit. An offer of this kind could cause great difficulty at arbitration - because we would have conceded the principle that the cost of living matters - and would risk losing the support of the staffs most needed to keep the machine running if industrial action occurs.

d. An offer skewed to the higher paid

Viewed from a strictly management point of view, and in present circumstances, there is no doubt that the most cost effective way to lay out a given sum of money on extra pay would be to use it to

strengthen the incentive of promotion; to counter the expensive loss of trained staff at all levels (which though reduced is still a problem); and to pay more to those on whom we rely if industrial action occurs. There are a number of ways in which offers could be formulated with these objectives in mind and the best mix needs to be determined in consultation with the big employing Departments. The countervailing snags of this approach are:-

i. new recruits and junior staff generally would get nothing. This may not matter for recruits (in present circumstances no offer need cater for them): but junior staff are among the most militant and the lower paid are the hardest hit by inflation. An offer which deliberately favoured the "better off" at all levels would maximise the risk of industrial trouble.

ii. as with an offer skewed to the lower paid any offer which provided for some staff to get increases in the range of 7 or 8% would provide a basis of argument for a higher arbitral award than might otherwise be the case. It would also be likely to complicate any subsequent operation of Parliamentary override because the Government could hardly ask Parliament to cut back pay below the levels it had itself offered.

Other possible concessions

32. We will in any case have to deal with the unions claim for improved leave entitlements and, in negotiation, it is useful to have concessions to offer which blur the outlines of the settlement; engage the interest of particular groups of staff; and enable the employer to seize the initiative.

33. Leave: We do not believe that there is any great head of steam behind the unions claim for better leave entitlements; nor are there

pressing management reasons why we should make concessions here. Nevertheless it may prove to be the case that marginal improvements - aimed essentially at removing anomalies - may turn out to have a cosmetic advantage in reaching a settlement. We will be able to judge this better when negotiations are actively engaged.

34. London Weighting: The restoration from April 1982 of the enforced shortfall last year in the London Weighting allowance to bring payments again into line with the Department of Employment indices of the extra cost of working in London. The cost in a full year would be about £7 m. This concession would be offered without prejudice to the treatment to be accorded to London Weighting when the 1982 indices are available.

35. Fringe benefits: There are a number of possibilities for relatively cheap management initiatives which it might prove advantageous to deploy in negotiation. Instances are:-

a. Luncheon vouchers: Staff under 18 now receive luncheon vouchers worth 75p a week. The cost of administering the voucher scheme is high and their replacement by an extra £1 a week in cash would be self-financing.

b. Season ticket loans: Allowing staff to draw advances of pay (repayable within the Financial year) for the purpose of buying season tickets would add nothing to cash limited expenditure but could be highly popular. The real cost (in extra interest) would be small - perhaps in the region of £1 m. a year.

c. Private medical insurance: A more imaginative concession might be to offer to provide staff with a group subscription to one of the private medical insurance schemes such as BUPA. We have not sought to explore this possibility yet but the advantage would be that the value to the staff would be considerably higher than the cost to Government. The unions might not

like the idea (some on doctrinal grounds, others because concessionary membership of such schemes is part of the benefits they offer their own members). But many civil servants could be expected to welcome the possibility.

36. With the exception of leave and London Weighting none of the above concessions is arbitrable. They could therefore be offered by Government in negotiation "without prejudice" and withdrawn if the claim goes to arbitration. They would therefore be particularly relevant to an attempt to negotiate an agreed settlement. They might however also have value if revived as part of a package designed to sell to the staff the use of Parliamentary override to cut back the arbitration award.

Ground Clearing

37. The negotiations bid fair to be complex and any possibilities of simplification have a value. The two most obvious possibilities for this are:-

a. "Single outside analogue grades": the Civil Service includes some 15,000 employees - nurses, teachers, firemen, police, agricultural workers, merchant seamen, etc. - whose pay is normally determined with reference to the national settlements for the trades and professions from which they are drawn. An early statement that the Government intended to continue this practice in respect of their pay in 1982-83 would provide a useful piece of ground clearing for the negotiation proper (though the cost of the settlements so reached would of course count against cash limits - in 1981-82 the cost of doing this was less than 0.2 percent of the Civil Service pay bill as a whole)

b. "shortage grades" Despite the much eased recruitment position there are still some types of staff - mainly professional and technical - where adjustment to pay may be necessary on recruitment and retention grounds (petroleum engineers, nuclear inspectors, etc.). Problems of this kind are usually dealt with on their merits outside the main pay negotiations.

It would be helpful - again as a ground clearing exercise - if it could be made clear to the unions that we propose to follow the same practice in 1982-83 in the few cases where some adjustment is found to be needed.

Conclusions

38. The stakes in this year's Civil Service pay negotiations are high. The position the Government adopts in the course of the negotiations will have a direct effect on the credibility of its general stand on pay and inflation. The Government cannot preach one doctrine and practise another. Equally the direct costs are not negligible. One per cent on the non-industrial Civil Service pay bill costs £42 m. But the pay of other significant groups of Government employees (the nurses - settlement date 1 April; and the industrial civil servants - settlement date 1 July) may well in effect be determined by the non-industrial settlement. If these groups are included every one per cent for the non-industrial Civil Service costs £80m. If the knock-on effect extends to all NHS employees other than the doctors and dentists (ancillaries, administrative and clerical staff as well as nurses) the cost for each one per cent would be £110m.

39. In conducting the negotiations we will be facing very great uncertainties - notably on the size of the arbitration award and the willingness of the House of Commons to override that award. But the objective is clear - to arrive at the end of the process with the minimum additional cost to the Exchequer (including the cost of any industrial action) without inflicting unacceptable damage on our general policies in the process.

40. Two negotiating routes are open:-

- a. to assume from the outset that arbitration is inevitable; to frame our offers in the negotiation with this in mind; and to decide when the time comes whether to ask Parliament to cut an excess award down to size.

b. to decide that we would prefer not to be subjected to arbitration - and subsequent Parliamentary uncertainties - and thus to seek a negotiated settlement. If we choose this route we must be prepared, inevitably, to make more attractive offers than would be prudent if we were just setting out our stall for an arbitrator. The risks would be high because, if the unions insisted on arbitration anyway, the offers we had made might influence the arbitrators' award. And this risk would be enhanced if we sought to bypass the unions and put our propositions direct to the civil servants concerned through a management ballot (though a successful ballot - conducted against union wishes - would be a considerable victory).

41. Fortunately we do not have to take this fundamental decision yet. The negotiations can be conducted on an exploratory basis for several weeks before the Government is required to make a counter-offer to the union claim. Moreover the exploratory process is not simply one of buying time but provides a very useful opportunity to talk down the expectations of the union negotiators and their members. But we ought to be clear on our tactics - and to make an offer - before the end of January.

42. The nature of the offer we finally make will depend on the basic decision on tactics. If we are to seek a quick negotiated settlement - and even more so if we contemplate a management ballot - we must make our offer as attractive as possible to the widest number of civil servants. This must mean a flat percentage increase coupled with whatever "extras" (on lines discussed in paragraphs 33-35 above) we are prepared to throw into the pool. The precise nature of this opening offer would need to be determined in the course of the next few weeks in the light of the "feel" we get from the exploratory phase of the negotiations; the reports we will receive through departments on the mood of their employees; and the course of wage settlements outside the Civil Service.

43. If, on the other hand, we decide to go for arbitration, and if necessary override, we will need to decide both on the level and the "shape of the initial offer. Such an initial offer would have to be below 4 per cent - to give some room for movement in negotiation - though probably not as low as zero which might be judged unnecessarily provocative and risk unofficial industrial action. On the assumption that Ministers would not in any case wish to open with an offer skewed to the lower paid the choice will be between a flat rate offer and one with the main benefits concentrated on the older and more senior staff in each grade. Again a decision on the precise form of the offer can be left until we have a feed-back from the opening rounds of talks. The fact that our initial offers on this route will be small need not preclude us, at the appropriate time, from throwing in one or more of the "fringe benefits" items if this is judged helpful.

44. There are also a number of lesser, ground clearing, decisions which it would be desirable for Ministers to take at a fairly early stage. These include the handling of the "single outside analogue" and "shortage" grades; and the extent to which concessions on supplementary issues, eg London Weighting and the "cash for luncheon vouchers" possibility for the under-18s, should be considered for introduction in the main negotiations. If a "BUPA" option were to be included under any of the scenarios more would be needed to evaluate it before Ministers were asked to take a final decision. It would be helpful to know at an early stage however whether Ministers think it is worth pursuing at all.

45. In addition to decisions on matters of substance it will obviously be highly important for Ministers to have an effective assessment of the likely reaction of the House of Commons to a request to activate the "override" power reserved to them. The views of the Lord President of the Council and the Chief Whip will need to be obtained at an early stage.

SECRET

46. Finally it is quite clear that the highest importance must be placed on adequate and effective communications with the staff - if only to avoid the Government's position being misrepresented by the militants - and arrangements are being reviewed with this in mind. The prime need in this process will be to ensure that the staff fully understand the nature of the offers made and the place they have in the procedural pattern being followed. But wider operations may be necessary and arrangements for handling communication and publicity will warrant separate consideration at the appropriate time.

H M TREASURY
OLD ADMIRALTY BUILDING
SW1

4 January 1982

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

Secretary General:
W.L. KENDALL

Secretary:
P. D. JONES

Assistant Secretaries
B.G. SUTHERLAND HELEN C. HUGHES

8 December 1981

P Le Cheminant Esq
H M Treasury
Old Admiralty Building
Whitehall
London SW1A 2AZ

Dear Le Cheminant

PAY 1982

1. I am writing to convey the Council's claim for increased pay rates effective from 1 April 1982.

2. Before indicating the amounts which we claim, there are two important considerations to be explained by way of introduction:

(a) Pending the outcome of the Megaw Inquiry, but without prejudicing that outcome, we shall wish to demonstrate the present comparability position as between the Civil Service and similar occupations outside. Since April 1980, and as a consequence of the unsatisfactory 1981 increase, Civil Service rates of pay have fallen markedly behind those of outside comparators. We shall wish to have this fact, and the supporting information, clearly brought out and placed on the record for future reference.

(b) In the absence of agreed principles for determining Civil Service pay in 1982, our primary concern will be to protect the living standards of our members at a time of continuing high inflation. The level of inflation has hit all civil servants, but its effect has been particularly serious so far as the lower-paid are concerned: we shall, therefore be seeking special protection for this group.

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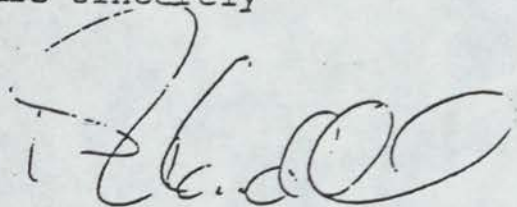
3. Having regard to the above, our claim is for a general increase of 13%, with a basic increase of £12.50 per week for all adults (ie. aged 18 and over) where 13% does not produce this amount. (Pro-rata increases would be applied for part-time staff.)

4. In addition, and as an integral part of the claim, we shall wish to prosecute the claim for improved annual leave which was submitted on 10 September 1980 and which remains unsettled. You will recall that this claim was intended to complete the process started by the interim agreement reached earlier in 1980 and which is now long overdue for settlement.

5. The supporting factual evidence for the claim, and updated supporting evidence on annual leave, will be supplied within a few days.

6. In conclusion, I must remind you of the assurances given that there will be genuine negotiations, on the 1982 pay claim, and that both sides will seek to reach a negotiated settlement. In addition, I must remind you of the Government's assurance that, in the event of disagreement, recourse to the Civil Service Arbitration Tribunal will be accepted. The Council are ready to commence negotiations on the claim forthwith, for it is plainly in the interests of good industrial relations that the 1982 pay situation should be finalised at the earliest possible date.

Yours sincerely



W L KENDALL
Secretary General

18/14
COUNCIL OF CIVIL SERVICE UNIONS

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

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18 December 1981

P Le Cheminant

PAY 1982

Further to my letter of 8 December I now enclose a paper giving separate evidence for the claim submitted on 8 December.

W L Kendall
W L Kendall

W L KENDALL
Secretary General

1. Introduction

1.1 This paper supplements the letter of 8 December 1981 which conveyed the Council's claim for a general increase of 13%, or £12.50 per week for adults aged 18 and over where 13% does not produce this amount, effective from 1 April 1982.

1.2 As indicated in the letter of claim, because the Government has unilaterally withdrawn from the National Pay Agreement there are no agreed criteria for the 1982 pay negotiations.

1.3 In these circumstances, the Council believe that account must be taken of all the circumstances which have developed since April 1980, when the pay agreement was last in operation. This was the last occasion when pay scales were agreed by the Council's constituent unions and by the Government.

1.4 We wish to stress this latter point. The 1980 pay research exercises were endorsed by the Pay Research Unit Board, and the outcome of the pay research exercises was accepted by the Government as the proper reflection of the comparability process.

2. Comparability

2.1 The purpose of this section is to indicate the size of increase that would be due to civil servants as at 1 April 1982, if comparability with jobs in outside industry were the main determining factor. The Council have decided that, in view of the work of the Megaw Inquiry, their 1982 claim should be primarily based on changes in the cost of living, rather than changes in pay rates in outside industry. Nonetheless, it is important to form an estimate of what the outcome of a comparability exercise would probably have been. This provides an essential background to the 1982 claim.

2.2 There is no exact replacement for an up-to-date pay research exercise under independent supervision. But there are many indications of the broad movement of salary and wage increases. And, although none is a perfect measure, taken together there can be no doubt that they give a reliable indication of the movements

in pay levels. Nonetheless, it is clear from the research conducted by the Council that the shortfall which would have been revealed by pay research as at April 1982 is a very substantial one, even allowing for normal margins of error.

2.3 We have taken two alternative methods:

- a. the movement of outside rates in the calendar years 1980 and 1981, and
- b. the movement of outside rates in the period April 1980 to March 1982.

2.4 Calendar Years

The last PRU reports were delivered at the end of 1979, and the outside settlement dates which determined the 1 April 1980 Civil Service settlement related in the main to the calendar year 1979. Similarly, 1980 would have been the calendar year determining the 1981 Civil Service settlement, and 1981 would have been the calendar year determining the 1982 Civil Service settlement.

2.5 The Department of Employment's average earnings index, which covers some 20 million workers, recorded an increase of 19.5% in the year to December 1980. Although this is the increase for all workers, rather than non-manual workers alone, the evidence (for example, from the New Earnings Survey for April 1981) suggests that the increases obtained by non-manual workers in that year were, if anything, higher than the overall average. Indications from numerous authoritative sources (eg Incomes Data Services, BIM, CBI, Inbucon, Labour Research Department), including an official estimate for September 1981 of 11%, show that the index will rise by around 9% by the end of 1981. A comprehensive review of recent white-collar agreements has been conducted by the Labour Research Department and is particularly relevant. On the basis of 82 agreements with settlement dates falling in the period 1 January 1981 to 1 July 1981 (the most important period in the PRU exercise), the median increase for white-collar workers was 9.6%. Taken together, the calendar year increases for 1980 and 1981 provide a cumulative increase for outside rates of approximately 30%.

2.6 April 1980 to March 1982

The alternative is to use the April 1980 to March 1982 information. The New Earnings Survey samples for April 1980 and April 1981 show an increase in average weekly earnings (excluding overtime and shift pay) of 16.2% for full-time non-manual men and 17.0% for full-time non-manual women. Projecting this forward to March 1982 produces a cumulative increase in outside comparable rates over the two-year period of at least 25%.

2.7 By either of these methods, therefore it is clear that a comparability exercise would have revealed that very substantial increases for civil servants will be due as at April 1982. After taking into account the 7.5% increase in 1981, the shortfall can be estimated at between 16% and 21%. It is quite clear that current Civil Service pay rates are significantly lower than the rates paid to those doing comparable jobs in outside industry. This fact forms an essential background to the claim submitted by the Council. It serves to demonstrate that, even if our 1982 claim were met in full, civil servants would still be denied full justice on pay.

3. Protecting Living Standards

3.1 As explained in our letter of claim, and in the absence of agreed criteria, the Council's primary concern in 1982 is to protect the living standards of our members at a time of continuing high inflation. Civil Service pay rates must retain their real value as measured by the DE Index of Retail Prices over the period between April 1980, when pay was last increased on a substantive basis, and March 1982. The following paragraphs show how Civil Service pay has declined in real terms, as measured by the RPI and as further substantiated by the Tax and Prices Index (TPI) over the relevant period.

3.2 The Council's estimate of the increase in the Retail Prices Index (RPI) over the period April 1980 to March 1982 is approximately 22%. This figure takes into account the most recent Treasury forecast, published in early December 1981, which suggests that inflation will be running at around 10% by the end of 1982. Therefore it should be noted that, albeit in the context of the 3% margin of error quoted by the Treasury, it seems likely that the

inflation expectations on which the Council are operating are, if anything, too low rather than too high.

3.3 So far as the TPI (which the Government favoured as a more accurate measure of changes in the cost of living) is concerned, the latest available figures show an increase since April 1980 of 24.4%. Projecting this forward to March 1982, we estimate a movement over the two-year period of 28.9%.

1981
3.4 Taking the RPI movement if the increase of 7½% is deducted from the anticipated 22% movement, the required increase in April 1982 to maintain the real value of Civil Service pay rates is just over 13%. (Using the TPI movement, however, an increase of about 20% is indicated.)

4. The Lower-Paid

4.1 As the claim indicates, we are particularly concerned about the position of the lower-paid, who represent a substantial proportion of the Civil Service. We sought, in our 1981 claim, to provide special protection for this group, and the outcome, it has to be recognised, did not achieve this objective. In view of this, the position of lower-paid civil servants is now one of even greater exposure to the real effects of inflation, especially in the basic necessities of life. We now have the benefit of statistical evidence which shows that the lower-paid have suffered more substantially than even the average-paid worker from the effects of inflation.

4.2 An examination of the elements of the RPI shows clearly that there is a wide variation in the rate of inflation for particular goods and services. The examination reveals that items that particularly hit lower-income earners (eg fuel, light and rents) have increased at a greater rate than the overall RPI.

4.3 There is a measure which seeks to monitor the specific rate of inflation for low income households, compared to the rate of inflation experienced by the rest of the community. This measure, the Low Paid Price Index, is produced jointly by the Low Pay Unit and CPSA from raw data published by the Department of Employment.

4.4 As a result of the trends noted above, this index is now showing a rate of inflation 4% higher for the lower-paid than for the rest of the community, since 1 April 1980 (23.5% against 19.6%, to September 1981). If this differential rate of inflation is maintained to 1 April 1982, then the lower-paid would need an increase in excess of 17% at 1 April 1982 compared to the 13% which the Council consider is necessary to maintain 1 April 1980 living standards for the average civil servant. In our view, it is reasonable to assume that the 4% differential in inflation rates will be at least maintained up to 1 April 1982.

4.5 In addition, consideration must be given to the effects of taxation and National Insurance, neither of which is taken into account in the index mentioned in paragraphs 4.3 and 4.4.

4.6 Recent evidence provided by the Treasury, in response to a Parliamentary Question from Mr Jack Straw MP, indicates that, in the two financial years 1980/82, the proportion of gross income of lower-paid households taken by tax and national insurance contributions has risen by 1 percentage point more than for average and higher income households. Thus, for example, a single person on 50% of average earnings lost 4% of pay through these deductions, whereas a single person on average earnings or 150% of average earnings lost 2.6% of pay. Similarly, a household consisting of two adults (1 working) and 2 children lost 3.4% of income at the level of 75% of average earnings and 4.3% of income at the level of 50% of average earnings, whereas equivalent households on average earnings lost 2.9% of income. (Hansard, 3 December 1981, cols 189-192)

4.7 Our analysis of the specific information provided by Reward Regional Surveys Ltd (which seeks to measure the income required to maintain "lifestyles" at various income levels) shows that, overall, an average increase of around £17 per week would have been required to maintain living standards for civil servants on average or lower-paid levels. The failure to achieve this level of increase reveals the particular plight of the lower-paid as a result of the inadequate 1981 increase. Projecting the above figure of £17 per week forward to April 1982, an overall increase for 1980-82 of £21

per week is indicated. After allowing for the 1981 increase (which differed in cash terms at each pay level) a basic increase of £12.50 per week is fully justified.

4.8 The above considerations show clearly the need for special treatment for the lower-paid. Firstly, the Low Paid Price Index (paragraph 4.3) suggests that since 1 April 1980, the rate of inflation for the lower paid has been 4% higher than for the rest of the community. Because of the limitations of the data the Index will, if anything, under-estimate the position of the lower-paid. Secondly, the evidence from Reward Regional Surveys supports this qualification and demonstrates strongly the severe hardships which have been suffered by many lower-paid civil servants in recent months, as a result of the inadequate 1981 settlement.

4.9 On the assumption that the figures shown by the LPPI represent the minimum impact on the lower-paid - and taking into account the differential effects of tax and national insurance contributions - the lower-paid would need in excess of 18% increase in gross pay at 1 April 1982 in order to maintain 1980 living standards. As the LPPI is based on expenditure patterns of the lowest decile of earners (currently approximately £85 per week), an increase of 18% at this level represents approximately £15 per week.

4.10 The Council have taken into account the fact that, for those earning less than £85 per week, an increase of £15 would be in excess of 18% of gross pay. In seeking a minimum increase of £12.50 per week we are therefore aiming broadly to provide increases of 18% for the very lowest paid civil servants, earning approximately £70 per week. For those civil servants earning between £70 per week and £96 per week, the percentage increase equivalent to £12.50 per week would range between 18% and 13% and for civil servants above this level, we are seeking a general 13% increase.

5. Annual Leave

5.1 Detailed evidence in support of the 1980 annual leave claim was submitted on a "without prejudice" basis in November 1980 (Peter Jones's letter to Philip Clifton dated 4 November 1980 refers).

We are currently engaged in updating this information in the light of subsequent movements, and further evidence will be sent under separate cover.

ASSURANCES GIVEN TO CIVIL SERVICE UNIONS

a. In a letter dated 6 May 1981 to the Secretary General of the Council of Civil Service Unions the then Lord President of the Council said "naturally the cost of the settlement will be a factor in next year's negotiations. But I repeat my assurance that the Government will be prepared to enter into negotiations without a pre-determined cash limit. There will be room for genuine negotiations".

b. And in a letter dated 17 July 1981 the Secretary General of the Council of Civil Service Unions was told, with the authority of Ministers, "Both sides will be seeking to reach a negotiated settlement for 1982. I can however now offer you an assurance that in the event of disagreement the Government will accept recourse to the Civil Service Arbitration Tribunal but on the understanding that the Government reserve the right, if necessary, to ask the House of Commons to approve setting aside the Tribunal's award on grounds of overriding national policy".

TIMETABLE OF EVENTS

<u>Date - 1982</u>	<u>Details</u>
13 January	<u>Gas Supply Manuals.</u> Meeting to discuss claim. Settlement date 17 January.
13/19 January	<u>Miners.</u> Pithead ballot, result expected. If strike called, unlikely to start before 25 January. Settlement date 1 November - claim 23.7%, offer 9.1%.
Mid-January	<u>Water Service Manuals.</u> Union response expected to offer of 9.1%.
19 January	<u>Teachers.</u> Employers <u>may</u> respond to union claim. Settlement date 1 April.
22 January	<u>NHS Ancillaries.</u> Claim expected in line with offer to local authority manuals. Settlement date 1 April.
25 January	<u>Local Authority Manuals.</u> Union response to 6.9% offer expected. Settlement date 4 November.
28 January	<u>Banks.</u> Expected to make offer to unions probably in range 7-9%.
End January	<u>NHS Nurses and Midwives.</u> Unions meeting to take stock of developments. Settlement date 1 April.
January	Publication of report of Select Committee on MPs pay. No date yet fixed.
1 February	Electricity Supply Engineers settlement date. No claim yet.
20 March	Electricity Supply Manuals settlement date. No claim yet.
1 April	Settlement date for Armed Forces. AFRB report expected in April.
1 April	Settlement date for non-industrial Civil Service.
1 April	Settlement date for NHS administrative and clerical staff. No claim yet.
1 July	Settlement date for industrial Civil Service.

RECRUITMENT

1. The pattern of recruitment in recent years is as follows. All figures show recruitment undertaken by the Civil Service Commission, and locally by departments.

	<u>Numbers Appointed</u>
1978	82800
1979	71600
1980	73000
1981 (estimate)	30000 (a)

(a) This estimate has been provided by the Commission by extrapolation of the actual number of appointments in the period January - September 1981.

2. In 1979, the level of recruitment fell, mainly because of the decision to reduce manpower by 3 per cent to help finance the cost of the pay settlement made by the previous Administration. A temporary ban on recruitment ran for three months from May 1979.

3. In 1980, some of the earlier under-recruitment had to be made good. In particular, it was necessary to recruit another 13000 staff in the Department of Employment and DHSS. Both 1980 and, to a much more noticeable extent, 1981 have been affected by the Government's programme to reduce the size of the service by over 100000 between 1979 and 1984. Recruitment has been drastically reduced from previous levels.

4. In both 1980 and 1981 there has been no difficulty in recruiting staff required in the generalist groups. In all cases, competition for appointments has been very keen. For executive officers, the available number of vacancies in 1980 had been filled by July. In 1981, there was a plentiful supply of acceptable candidates, and all vacancies have been filled. Clerical Officer and Clerical Assistant

vacancies are filled by local recruitment schemes. Departments report that the response to their advertisements has been overwhelming, and there are no problems about recruiting secretaries and typists. In the science and professional/technology and other specialist fields recruitment has been more patchy. In high technology disciplines (eg electronic and nuclear engineering) where there is a national shortage, the Civil Service has not done well. In other areas (eg surveyors, architects, civil engineers, biological sciences) there has been an ample supply of recruits.

5. The following notes draw attention to particular pockets of difficulty:

- a. ADP and computer science staff - particularly EOs and Scientific Group staff qualified in these areas. This is not a new phenomenon. These staff traditionally look outside the service for promotion opportunities, and the market generally continues to remain competitive.
- b. Professional and technology group - mechanical and electrical engineers (only one third of vacancies filled in 1980); and junior grade technicians, particularly those on construction work.
- c. Petroleum specialists. The Department of Energy report that recruitment remains sluggish despite an increase in pay of 15 per cent in April 1981. Of the 71 posts in this group, 26 remain unfilled.
- d. Nuclear inspectors - HSE. There is said to be danger that this inspectorate will be unable to carry out its task unless some recruits are found quickly.

WASTAGE: VOLUNTARY RESIGNATIONS

1. A detailed breakdown of voluntary resignations in a variety of Civil Service grades is given in the attached Manpower Bulletin. The general position is summarised below.
2. The number of voluntary resignations has declined markedly between 1979 and 1981. So has the rate at which they occur. The following table gives details:-

	<u>1979</u>	<u>1980</u>	<u>1981 (Estimate)</u>
Numbers	48200	32800	20000
As % of staff in post	6.6	4.7	3.0

3. Some reduction in numbers is to be expected. The size of the service has been reduced by 52000 over this period, and much of this has been achieved by restricting recruitment. Since most voluntary resignations occur in the basic recruitment grades, the "pool" from which they occur is smaller.

4. But a marked downward trend can also be observed in the rate of resignations. The figure for 1981 is a provisional estimate, but it is fair to infer from the table that between 1979 and 1981 the incidence of voluntary resignation has been more than halved.

5. The pattern is Service-wide, with marginal variation among main groups. The rate has dropped by one third to one half in all main groups. Following are some examples:-

Wastage rate in 1981 : 1979=100

Executive Officer	46
Clerical Officer	47
Scientists	33
Quantity Surveyors	31
Secretaries and Typists	48

MANPOWER BULLETIN
VOLUNTARY WASTAGE
SUPPLEMENT : Issue No. 11

1981 H1

This supplement, now issued half-yearly, is intended to provide, for management purposes, a general indication of voluntary wastage in the groups and classes covered. It should not be used as a source of figures to be published. When publication is required Statistics Division should be consulted on the availability of figures properly validated for the purpose. Figures cover all staff included on PRISM and part-time staff are counted as whole units throughout. The latest figures are provisional and will be updated in the next supplement.

CIVIL SERVICE MANPOWER BULLETIN

VOLUNTARY WASTAGE SUPPLEMENT

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GENERAL NOTES

1. With the exception of ADP staff (Table 6) voluntary resignation rates are calculated as the ratio of resignations in the half year to the average numbers of staff in the grade (or group of grades) during the period, expressed as a percentage. Half-yearly rates have not been seasonally adjusted or converted to annual equivalent rates. The annual rates given are the sum of the two appropriate half-yearly rates. Half-yearly rates are supplanted where resignations are few (usually less than 5), or the staff in post relatively small (less than 100), by asterisks.

The ADP voluntary resignation rates are calculated as the ratio of resignations in the half year to the numbers of staff in the grade at the beginning of the appropriate financial year, expressed as a percentage.

2. As a result of differences in method and timing of data retrieval from PRISM there may be some discrepancies between Departmental and regional analyses (tables 2 to 4).

3. Only departments with the largest numbers in a grade are included in Tables 2A, 3A, 4A, 7 and 10. The following departments have been grouped together: Industry, Trade, Prices and Consumer Protection as DTI; Environment, (including PSA) and Transport as DOE; Employment, ACAS, MSC, ESD, TAS, Office of Manpower Economics and Health and Safety Executive/Commission as DE Group.

4. The rates in these tables should only be used to compare changes in rates over time within a department and not to compare rates between different departments. The level of wastage in a particular department will depend on the sex and length of service distribution of its staff, and these distributions vary widely from department to department.

MANAGEMENT IN CONFIDENCE

TABLE 1: ADMINISTRATORS, ECONOMISTS AND STATISTICIANS

	Administrators		Economists			Statisticians	
	Fast Stream Principals	Admin Trainee	Economic Advisers	Senior Economic Assistants	Economic Assistants	Senior Asst Statisticians	Asst Statisticians
Stock at 1 4 81	744	327	232	92	33	93	38
VOLUNTARY RESIGNATIONS							
1978	9	44	3	8	5	1	6
1979	19	28	7	5	5	8	9
1980	12	27	6	8	5	7	4
1978 H1	1	23	1	3	2	1	1
H2	8	21	2	5	3	-	5
1979 H1	6	12	3	1	2	5	3
H2	13	16	4	4	3	3	6
1980 H1	7	13	-	2	2	2	3
H2	5	14	6	6	3	5	1
1981 H1	6	4	3	2	-	5	1
VOLUNTARY RESIGNATION RATES							
1978	1.4	8.2	1.4	9.0	9.2	1.1	8.9
1979	2.8	6.3	3.0	5.6	9.3	9.0	15.4
1980	1.7	7.4	2.5	8.5	11.7	7.4	9.3
1978 H1	0.2	4.1	*	*	*	*	*
H2	1.2	4.1	*	*	*	*	*
1979 H1	0.9	2.6	*	*	*	*	*
H2	1.9	3.7	*	*	*	*	*
1980 H1	1.0	3.4	*	*	*	*	*
H2	0.7	4.0	*	*	*	*	*
1981 H1	0.8	1.2	*	*	*	*	*

AT rate down 65% in 1981 H1 following 10% increased rate in 1980 H2.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

TABLE 2A: EXECUTIVE OFFICER¹ BY MAJOR DEPARTMENTS

	DHSS	C&E	DE GROUP	MOD	DOE	DTI GROUP	LCO	HOME OFFICE	IR	OTHER DEPTS	TOTAL GRADE
Stock at 1 4 81	20219	8892	9434	5876	3220	1904	1417	1468	1039	8175	61644
VOLUNTARY RESIGNATIONS											
1978	1063	375	535	325	167	100	75	89	79	469	3277
1979	1051	425	586	282	196	107	75	98	71	473	3364
1980	793	281	449	194	100	54	64	65	52	327	2379
1978 H1	505	170	217	154	68	44	40	54	40	213	1505
H2	558	205	318	171	99	56	35	35	39	256	1772
1979 H1	508	190	282	143	99	44	35	49	36	255	1641
H2	543	235	304	139	97	63	40	49	35	218	1723
1980 H1	407	165	254	107	62	26	34	40	24	182	1301
H2	386	116	195	87	38	28	30	25	28	145	1078
1981 H1	270	75	134	65	37	23	21	43	8	96	772
VOLUNTARY RESIGNATION RATES											
1978	5.5	3.9	5.7	5.1	4.7	4.8	5.1	6.3	7.0	5.7	5.2
1979	5.4	4.5	6.0	4.6	5.6	5.3	5.2	7.0	6.4	5.7	5.4
1980	4.0	3.1	4.6	3.2	3.0	2.7	4.5	4.5	4.8	3.9	3.8
1978 H1	2.6	1.8	2.4	2.4	1.9	2.1	2.7	3.8	3.5	2.6	2.4
H2	2.9	2.1	3.3	2.7	2.8	2.7	2.4	2.5	3.5	3.1	2.8
1979 H1	2.6	2.0	2.9	2.3	2.8	2.2	2.4	3.5	3.2	3.1	2.6
H2	2.8	2.5	3.1	2.3	2.8	3.1	2.8	3.5	3.2	2.6	2.8
1980 H1	2.1	1.8	2.6	1.8	1.9	1.3	2.4	2.8	2.2	2.2	2.1
H2	1.9	1.3	2.0	1.4	1.1	1.4	2.1	1.7	2.6	1.7	1.7
1981 H1	1.3	0.8	1.4	1.1	1.1	1.2	1.5	2.9	0.8	1.2	1.2

NOTE

1. Includes Local Officer I

Service wide rate down 45% in 1981 H1 following a 40% lower rate in 1980 H2. Largest decreases IR (65%) and C&E (55%).

MANAGEMENT IN CONFIDENCE

TABLE 2B: EXECUTIVE OFFICER¹ BY ECONOMIC PLANNING REGION

	South East				South West	East Anglia	East Midlands	West Midlands	Yorks and Humberside	North West	Northern	Scotland	Wales	All Areas
	London		Rest of SE	Total										
	Inner	Outer												
Stock at 1 4 81	11385	5558	8689	25662	4872	1529	2293	3299	3355	6637	4328	5644	3497	61644
VOLUNTARY RESIGNATIONS														
1978	851	372	553	1776	238	49	120	177	127	277	135	229	139	3275
1979	825	438	561	1824	210	63	93	200	164	305	130	204	159	3366
1980	547	273	390	1210	161	52	93	144	105	219	116	183	91	2379
1978 H1	363	175	264	808	126	23	63	81	56	129	53	114	54	1503
H2	488	197	289	968	112	26	57	96	71	148	82	115	85	1772
1979 H1	407	195	293	895	95	34	41	106	77	143	67	97	79	1643
H2	418	243	268	929	115	29	52	94	87	162	63	107	80	1723
1980 H1	310	157	205	672	87	24	45	78	55	125	68	93	52	1301
H2	237	116	185	538	74	28	48	66	50	94	48	90	39	1078
1981 H1	160	83	122	365	70	15	30	35	46	81	38	67	23	772
VOLUNTARY RESIGNATION RATES														
1978	6.5	6.9	6.4	6.6	4.9	4.3	5.0	5.6	3.7	4.1	3.2	4.2	4.1	5.2
1979	6.7	7.9	6.5	6.9	4.2	4.3	4.1	6.1	4.9	4.5	3.1	3.6	4.6	5.4
1980	4.6	4.8	4.5	4.7	3.3	3.4	4.1	4.4	3.1	3.3	2.7	3.3	2.6	3.8
1978 H1	2.7	3.3	3.0	3.0	2.6	2.2	2.6	2.6	1.6	1.9	1.3	2.1	1.6	2.4
H2	3.8	3.6	3.4	3.6	2.3	2.1	2.4	3.0	2.1	2.2	1.9	2.1	2.5	2.8
1979 H1	3.3	3.5	3.4	3.4	1.9	2.3	1.8	3.2	2.3	2.1	1.6	1.7	2.3	2.6
H2	3.4	4.4	3.1	3.5	2.3	2.0	2.3	2.9	2.6	2.4	1.5	1.9	2.3	2.8
1980 H1	2.6	2.8	2.4	2.6	1.8	1.6	2.0	2.4	1.6	1.9	1.6	1.7	1.5	2.1
H2	2.0	2.0	2.1	2.1	1.5	1.8	2.1	2.0	1.5	1.4	1.1	1.6	1.1	1.7
1981 H1	1.4	1.5	1.4	1.4	1.4	1.0	1.3	1.1	1.2	1.2	0.9	1.2	0.7	1.2

NOTE 1. Includes Local Officer I

Rate lower in all Regions. Largest decreases West Midlands and Wales (both 55%). Smallest decrease Yorks and Humberside (10%).

MANAGEMENT IN CONFIDENCE

TABLE 3A: CLERICAL OFFICER¹ BY MAJOR DEPARTMENTS

	DHSS	DE GROUP	MOD	DOE	C&E	DNS	DTI GROUP	LCD	HOME OFFICE	OTHER DEPTS	TOTAL GRADE
Stock at 1 4 81	42036	23412	18125	6540	5464	3607	2794	2963	2737	13129	120807
VOLUNTARY RESIGNATIONS											
1978	5422	3226	1476	684	604	399	293	454	245	1379	14182
1979	5989	3412	1553	675	663	343	296	428	283	1514	15156
1980	4252	2503	1085	487	406	246	206	343	201	1140	10869
1978 H1	2462	1374	656	301	288	195	129	206	108	585	6304
H2	2960	1852	820	383	316	204	164	248	137	794	7878
1979 H1	2905	1728	820	339	284	169	158	217	149	749	7518
H2	3084	1684	733	336	379	174	138	211	134	765	7638
1980 H1	2322	1435	625	259	210	134	121	191	122	665	6084
H2	1930	1068	460	228	196	112	85	152	79	475	4785
1981 H1	1296	872	364	147	104	81	48	95	50	337	3394
VOLUNTARY RESIGNATION RATES											
1978	12.9	15.2	7.5	9.0	10.6	9.3	9.4	14.9	9.0	9.8	11.5
1979	14.0	16.4	8.0	9.1	11.7	8.5	9.5	14.0	10.3	10.8	12.3
1980	10.2	12.4	5.8	7.0	7.5	6.6	7.1	11.5	7.2	8.3	9.1
1978 H1	5.8	6.5	3.3	3.9	5.0	4.5	4.1	6.8	4.0	4.2	5.1
H2	7.1	8.7	4.2	5.1	5.6	4.8	5.3	8.1	5.0	5.6	6.4
1979 H1	6.7	8.1	4.2	4.5	4.9	4.1	5.0	7.0	5.4	5.3	6.0
H2	7.3	8.3	3.8	4.6	6.8	4.4	4.5	7.0	4.9	5.5	6.3
1980 H1	5.6	7.2	3.3	3.7	3.9	3.5	4.1	6.4	4.4	4.8	5.1
H2	4.6	5.2	2.5	3.3	3.6	3.1	3.0	5.1	2.8	3.5	4.0
1981 H1	3.1	3.9	2.0	2.2	1.9	2.3	1.7	3.2	1.8	2.6	2.8

NOTE

1. Includes Local Officer II

Service wide rate down 45% in 1981 H1 following a 35% decreased rate in 1980 H2. The rates for all departments shown range within 35 to 60% down.

MANAGEMENT IN CONFIDENCE

TABLE 3B: CLERICAL OFFICER¹ BY ECONOMIC PLANNING REGION

	South East				South West	East Anglia	East Midlands	West Midlands	Yorks and Humberside	North West	Northern	Scotland	Wales	All Areas
	London		Rest of SE	Total										
	Inner	Outer												
Stock at 1 4 81	15346	9957	17047	42350	9515	3082	5248	7224	7984	14580	11475	11406	7209	120807
VOLUNTARY RESIGNATIONS														
1978	2368	1513	2255	6136	957	353	613	868	790	1537	1028	1200	732	14252
1979	2384	1650	2514	6548	1091	415	643	916	823	1710	1089	1199	672	15161
1980	1688	1246	1796	4730	851	311	449	582	592	1189	793	908	433	10869
1978 H1	1089	664	1023	2776	427	152	276	382	340	685	500	528	323	6373
H2	1279	849	1232	3360	530	201	337	486	450	852	528	672	409	7879
1979 H1	1245	832	1243	3320	583	193	307	460	393	793	531	568	342	7523
H2	1139	818	1271	3228	508	222	336	456	430	917	558	631	330	7638
1980 H1	952	703	1020	2675	489	167	241	314	320	685	419	521	235	6084
H2	736	543	776	2055	362	144	208	268	272	504	374	387	198	4785
1981 H1	412	334	613	1359	253	109	158	186	221	357	309	263	167	3394
VOLUNTARY RESIGNATION RATES														
1978	13.3	14.8	12.8	13.4	9.7	12.8	12.0	12.5	10.1	10.3	9.4	10.2	10.2	11.5
1979	14.2	16.4	14.3	14.7	11.0	14.1	12.5	13.2	10.6	11.4	9.8	10.3	9.3	12.3
1980	10.6	12.6	10.5	11.0	8.9	10.7	8.9	8.7	7.8	8.2	7.3	8.2	6.2	9.1
1978 H1	6.0	6.4	5.8	6.0	4.3	5.6	5.4	5.5	4.3	4.6	4.6	4.5	4.5	5.1
H2	7.3	8.4	7.0	7.4	5.4	7.2	6.6	7.0	5.8	5.7	4.8	5.7	5.7	6.4
1979 H1	7.2	8.1	7.0	7.3	5.8	6.5	5.9	6.5	5.0	5.2	4.7	4.8	4.7	6.0
H2	7.0	8.3	7.3	7.4	5.2	7.6	6.6	6.7	5.6	6.2	5.1	5.5	4.6	6.3
1980 H1	5.9	7.1	5.9	6.2	5.1	5.8	4.8	4.8	4.3	4.7	3.9	4.7	3.4	5.1
H2	4.7	5.5	4.6	4.8	3.8	4.9	4.1	3.9	3.5	3.5	3.4	3.5	2.8	4.0
1981 H1	2.7	3.4	3.6	3.2	2.7	3.6	3.0	2.6	2.8	2.5	2.7	2.3	2.3	2.8

NOTE 1. Includes Local Officer II

Rate down in all regions and by 45% overall in 1981 H1.

MANAGEMENT IN CONFIDENCE

TABLE 4A: CLERICAL ASSISTANT BY MAJOR DEPARTMENTS

	IR	DHSS	MOD	DE GROUP	DOE	DNS	C&E	MAFF	DTI	OTHER DEPTS	TOTAL GRADE
Stock at 1 4 81	18520	15416	10910	6345	4432	3557	2227	1338	1405	6740	70890
VOLUNTARY RESIGNATIONS											
1978	2676	2263	1590	1278	1005	551	319	231	225	940	11080
1979	2847	2498	1704	1159	925	588	422	237	244	1001	11625
1980	1822	1861	1158	757	601	465	252	166	138	739	7959
1978 H1	1256	1045	772	650	496	267	149	98	105	447	5287
H2	1420	1218	818	628	509	284	170	133	120	493	5793
1979 H1	1536	1270	928	654	525	320	219	114	136	505	6207
H2	1311	1228	776	505	400	268	203	123	108	496	5418
1980 H1	1106	1055	698	448	354	286	158	91	79	451	4726
H2	716	806	460	309	247	179	94	75	59	288	3233
1981 H1	537	568	386	272	161	130	75	46	33	237	2445
VOLUNTARY RESIGNATION RATES											
1978	13.4	14.4	12.3	17.8	17.3	15.0	14.4	13.9	14.1	13.8	14.3
1979	14.2	15.9	13.5	18.3	17.2	16.4	17.7	14.8	15.5	14.3	15.3
1980	9.9	12.3	9.8	13.7	12.4	13.2	11.4	11.1	9.4	10.7	11.2
1978 H1	6.2	6.6	5.9	8.8	8.4	7.3	6.9	5.7	6.5	6.7	6.8
H2	7.2	7.8	6.4	9.0	8.9	7.7	7.5	8.2	7.6	7.1	7.5
1979 H1	7.5	8.0	7.3	10.0	9.5	8.7	8.9	6.9	8.5	7.1	8.0
H2	6.7	7.9	6.2	8.3	7.7	7.7	8.8	7.9	7.0	7.2	7.3
1980 H1	6.0	7.1	5.8	8.1	7.2	8.0	7.1	6.0	5.4	6.5	6.6
H2	3.9	5.2	4.0	5.6	5.2	5.2	4.3	5.1	4.0	4.2	4.6
1981 H1	2.9	3.7	3.5	4.4	3.6	3.6	3.4	3.4	2.3	3.5	3.4

Service wide rate decreased 50% in 1981 H1 following 35% decreased rate in 1980 H2. Departmental decreased rates all within range 40 to 55%.

MANAGEMENT IN CONFIDENCE

TABLE 4B: CLERICAL ASSISTANT BY ECONOMIC PLANNING REGION

	South East				South West	East Anglia	East Midlands	West Midlands	Yorks and Humberside	North West	Northern	Scotland	Wales	All Areas
	London		Rest of SE	Total										
	Inner	Outer												
Stock at 1 4 81	6805	6250	9772	22827	5603	1771	3021	4251	4205	9555	7079	6640	5276	70890
VOLUNTARY RESIGNATIONS														
1978	1423	983	1816	4222	842	250	488	654	602	1317	950	902	789	11092
1979	1514	998	1911	4423	946	272	485	641	598	1496	980	997	691	11625
1980	921	777	1282	2980	645	216	325	376	407	997	689	769	485	7959
1978 H1	667	454	915	2036	392	122	237	293	282	626	445	446	396	5300
H2	756	529	901	2186	450	128	251	361	320	691	505	456	393	5792
1979 H1	836	535	1018	2389	515	146	259	370	309	793	526	470	382	6207
H2	678	463	893	2034	431	126	226	271	289	703	454	527	309	5418
1980 H1	551	493	768	1812	388	134	194	220	245	619	373	426	274	4726
H2	370	284	514	1168	257	82	131	156	162	378	316	343	211	3233
1981 H1	220	238	388	846	223	72	103	133	127	346	211	231	134	2445
VOLUNTARY RESIGNATION RATES														
1978	17.2	14.3	16.9	16.3	14.0	14.2	15.2	14.2	13.5	12.8	12.6	13.4	13.1	14.3
1979	19.9	14.9	17.9	17.8	15.6	14.9	15.2	14.0	13.4	14.7	13.0	14.9	11.8	15.3
1980	13.4	12.2	12.9	12.9	11.2	12.6	10.8	8.8	9.8	10.4	9.7	11.9	9.1	11.2
1978 H1	7.9	6.6	8.5	7.8	6.5	6.9	7.4	6.4	6.3	6.1	5.9	6.6	6.5	6.8
H2	9.3	7.7	8.4	8.5	7.5	7.3	7.8	7.8	7.2	6.7	6.7	6.8	6.6	7.5
1979 H1	10.6	7.8	9.4	9.4	8.4	7.9	8.0	8.0	6.9	7.6	6.8	7.0	6.4	8.0
H2	9.3	7.1	8.5	8.4	7.2	7.0	7.2	6.0	6.5	7.1	6.2	7.9	5.4	7.3
1980 H1	8.0	7.7	7.7	7.8	6.7	7.8	6.5	5.1	5.9	6.5	5.2	6.6	5.1	6.6
H2	5.4	4.5	5.2	5.1	4.5	4.8	4.3	3.7	3.9	3.9	4.5	5.3	4.0	4.6
1981 H1	3.2	3.8	4.0	3.7	4.0	4.1	3.4	3.1	3.0	3.6	3.0	3.5	2.6	3.4

Rate down in all regions and by 50% overall in 1981 H1.

MANAGEMENT IN CONFIDENCE

TABLE 5: SECRETARIAL GROUP

	Supt ¹ Grade	SPS	PS	Typing ² Grades	Trainee Typist	Total Group
Stock at 1 4 81	2068	581	4122	23846	186	30803
VOLUNTARY RESIGNATIONS						
1978	78	22	512	3446	194	4253
1979	84	27	473	3321	171	4076
1980	64	16	304	2442	114	2940
1978 H1	39	13	246	1779	86	2164
H2	39	9	266	1667	108	2089
1979 H1	43	18	280	1854	88	2283
H2	41	9	193	1467	83	1793
1980 H1	38	8	175	1512	65	1798
H2	26	8	129	930	49	1142
1981 H1	14	9	98	905	28	1054
VOLUNTARY RESIGNATION RATES						
1978	4.1	3.8	12.4	13.8	46.8	13.2
1979	4.3	4.6	11.7	13.4	45.6	12.8
1980	3.2	2.7	7.5	10.2	30.8	9.5
1978 H1	2.1	2.3	5.9	7.1	24.0	6.7
H2	2.0	1.5	6.5	6.7	22.8	6.5
1979 H1	2.2	3.1	6.8	7.4	23.0	7.1
H2	2.1	1.5	4.9	6.0	22.6	5.7
1980 H1	1.9	1.3	4.4	6.3	16.7	5.8
H2	1.3	1.4	3.1	3.9	14.1	3.7
1981 H1	0.7	1.5	2.4	3.8	14.2	3.4

1. Chief Superintendent, Senior Superintendent and Superintendent of Typists.

2. Specialist Typist and Typist.

Rate for group as a whole down 40% in 1981 H1 following a 35% reduced rate in 1980 H2.

TABLE 6: ADP STAFF AND DATA PROCESSING GROUP

	EO ¹ (Systems and Programming)		HEO ¹ (Systems and Programming)		Data Processing Group ³			
					Senior DP	DP	Trainee DP	Total Group
Stock at 1 4 81	2790 ² (as at 31.3.81)		1492 ² (as at 31.3.81)		1719	6824	308	8851
VOLUNTARY RESIGNATIONS								
1978	1978/79	447	114		138	1344	235	1717
1979	1979/80	382	117		122	1127	232	1481
1980	1980/81	222	52		78	729	118	925
1978 H1		233	42		71	724	118	913
H2		191	60		67	620	117	804
1979 H1		241	53		69	651	134	854
H2		196	67		53	476	98	627
1980 H1		156	38		47	439	78	564
H2		106	25		31	290	40	361
1981 H1		74	23		49	257	18	324
VOLUNTARY RESIGNATION RATES								
1978	1978/79	18.8	8.1		8.9	20.8	26.6	19.3
1979	1979/80	15.3	8.0		7.2	17.5	26.6	16.5
1980	1980/81	8.1	3.4		4.6	11.0	19.1	10.3
1978 H1		9.6	3.0		4.6	11.1	14.5	10.3
H2		7.9	4.3		4.3	9.7	12.1	9.0
1979 H1		9.7	3.6		4.3	10.1	13.9	9.5
H2		7.9	4.6		3.2	7.4	12.7	7.0
1980 H1		5.7	2.5		2.8	6.7	11.6	6.3
H2		3.9	1.6		1.8	4.3	7.5	4.0
1981 H1		2.7	1.5		2.8	3.8	5.7	3.7

NOTES

1. Information supplied by CT(S) Division CCTA. Half-yearly figures have been grossed up from data for installations employing over 80% of EO systems and programming staff to agree with financial year totals.

2. Annual figures are available only for the financial year (source: Annual Return of ADP staff).

3. Formerly Machine Operator Class.

Figures of resignation of SEOs (Systems and Programming) are only available since April 1979. There have been 14 since then.

Data Processing Group rate down 40% in 1981 H1 following 45% decreased rate in 1980 H2. EO (S&P) rate down 55% in 1981 H1 (50% in 1980 H2). HEO (S&P) rate down 40% in 1981 H1 (65% in 1980 H2).

MANAGEMENT IN CONFIDENCE

TABLE 7: SCIENTIFIC OFFICER AND ASSISTANT SCIENTIFIC OFFICER BY MAJOR DEPARTMENTS

	SO						ASO					
	MOD	MAFF	DTI GROUP	DOE	OTHER DEPTS	TOTAL GRADE	MOD	MAFF	DTI GROUP	DOE	OTHER DEPTS	TOTAL GRADE
Stock at 1 4 81	1508	538	245	193	468	2952	1628	664	220	90	390	2922
VOLUNTARY RESIGNATIONS												
1978	111	21	47	39	41	259	224	113	46	31	58	472
1979	152	27	38	39	49	305	227	141	46	31	53	498
1980	102	19	26	18	37	202	159	112	41	21	38	371
1978 H1	58	11	21	21	21	132	101	38	19	10	27	195
H2	53	10	26	18	20	127	123	75	27	21	31	277
1979 H1	78	11	22	17	22	150	107	62	19	11	19	218
H2	74	16	16	22	27	155	120	79	27	20	34	280
1980 H1	58	8	10	13	19	108	79	58	19	10	14	180
H2	44	11	16	5	18	94	80	54	22	11	24	191
1981 H1	22	6	4	3	5	40	29	23	3	3	10	68
VOLUNTARY RESIGNATION RATES												
1978	6.6	5.5	17.4	15.9	9.5	8.5	12.7	15.0	19.6	21.1	13.6	14.2
1979	9.3	6.7	14.8	16.7	10.6	10.2	12.9	18.9	17.8	21.0	12.7	14.9
1980	6.3	3.6	10.7	8.4	8.5	6.5	8.9	15.4	17.0	17.6	9.9	11.5
1978 H1	3.4	2.9	7.1	8.4	4.9	4.3	5.7	5.2	8.3	6.9	6.3	5.9
H2	3.2	2.6	10.3	7.5	4.6	4.2	7.0	9.8	11.3	14.2	7.3	8.3
1979 H1	4.7	2.8	8.0	7.0	4.7	4.9	6.1	8.1	7.6	7.6	4.6	6.5
H2	4.6	3.9	6.8	9.7	5.9	5.3	6.8	10.8	10.2	13.4	8.1	8.4
1980 H1	3.6	1.6	3.8	5.9	4.1	3.5	4.4	7.9	7.9	7.8	3.4	5.5
H2	2.7	2.0	6.9	2.5	4.4	3.0	4.5	7.5	9.1	9.8	6.5	6.0
1981 H1	1.4	1.1	1.6	1.5	1.1	1.3	1.8	3.4	1.4	3.3	2.6	2.3

SO Service wide rate decreased 65% in 1981 H1 following 45% decrease in 1980 H2.

ASO Service wide rate decreased 60% in 1981 H1 following 30% decrease in 1980 H2.

MANAGEMENT IN CONFIDENCE

TABLE 8: INFORMATION OFFICERS AND INSTRUCTIONAL OFFICERS

	INFORMATION OFFICERS			INSTRUCTIONAL OFFICERS	
	SENIOR INFORMATION OFFICERS	INFORMATION OFFICERS	ASST INFO OFFICERS	INSTR OFFICERS 1	INSTRUCTIONAL OFFICERS III AND IV
Stock at 1 4 81	332	558	160	640	5324
VOLUNTARY RESIGNATIONS					
1978	12	44	24	3	230
1979	17	43	32	5	194
1980	14	42	15	5	118
1978 H1	2	18	16	-	94
H2	10	26	8	3	136
1979 H1	9	21	14	1	92
H2	8	22	18	4	102
1980 H1	6	19	8	2	70
H2	8	23	7	3	48
1981 H1	4	8	6	1	38
VOLUNTARY RESIGNATION RATES					
1978	3.5	7.6	10.2	0.5	4.4
1979	4.9	7.4	15.9	0.8	3.7
1980	4.1	7.3	8.3	0.8	2.2
1978 H1	0.6	3.1	6.7	*	1.8
H2	2.9	4.5	3.5	*	2.6
1979 H1	2.6	3.6	6.7	*	1.8
H2	2.3	3.8	9.2	*	1.9
1980 H1	1.8	3.3	4.3	*	1.3
H2	2.3	4.0	4.0	*	0.9
1981 H1	1.2	1.4	3.7	*	0.7

In 1981 H1 the rate for Assistant Information Officers was down 15% following a 55% lower rate in 1980 H2.

The rate for Instructional Officers III and IV fell 45% in 1981 H1 (55% in 1980 H2).

MANAGEMENT IN CONFIDENCE

TABLE 9: QUANTITY SURVEYING DISCIPLINE OF P&T GROUP¹

	PTO I	PTO II	PTO III	PTO IV	Total ² Discipline
Stock at 1 4 81	378	234	196	101	1127
VOLUNTARY RESIGNATIONS					
1978	19	21	13	10	70
1979	12	21	30	18	86
1980	9	23	6	5	46
1978 H1	8	3	3	5	22
H2	11	18	10	5	48
1979 H1	8	11	15	6	42
H2	4	10	15	12	44
1980 H1	8	18	5	4	38
H2	1	5	1	1	8
1981 H1	1	5	3	2	12
VOLUNTARY RESIGNATION RATES					
1978	4.8	9.0	6.2	8.5	5.8
1979	3.0	8.9	14.1	17.0	7.1
1980	2.3	9.9	3.0	5.1	3.9
1978 H1	2.0	1.3	1.4	4.0	1.8
H2	2.8	7.7	4.8	4.5	4.0
1979 H1	2.0	4.7	7.3	5.1	3.5
H2	1.0	4.2	6.8	11.9	3.6
1980 H1	2.0	7.7	2.5	4.0	3.2
H2	0.3	2.2	0.5	1.1	0.7
1981 H1	0.3	2.1	1.5	2.0	1.1

NOTES

1. Includes all P&T Group with a Quantity Surveying discipline code. Most of the staff at PTO II and above are professional surveyors.

2. Includes Directing, - Superintending grades and PPTO (one resignation in 1980 H1 and one in 1981 H1) and Graduate Trainee (seven resignations in 1978, five in 1979 and two in 1980 H1).

Rate for the group down 65% in 1981 H1 (80% in 1980 H2) with PTO I rate down 85%.

MANAGEMENT IN CONFIDENCE

TABLE 10: ACCOUNTANTS AND AUDITORS

	PROFESSIONAL ACCOUNTANT CLASS			INSOLVENCY SERVICE (TRADE)		DISTRICT AUDIT SERVICE (DOE)			EXCHEQUER AND AUDIT DEPT		
	Senior Acct (SEO)	Acct (HEO)	Total ¹ Class	D/E (HEO/EO)	Total ² IS	Asst DA (SEO)	Audit EXMR (HEO)	Total ³ DAS	Auditor (HEO)	Asst Auditor (EO)	Total ⁴ E&A
Stock at 1 4 81	224	19	385	376	528	122	52	282	53	206	607
VOLUNTARY RESIGNATIONS											
1978	16	2	20	37	37	-	3	3	3	20	24
1979	6	3	9	38	39	1	3	4	5	15	22
1980	10	-	12	26	27	3	4	7	4	25	31
1978 H1	9	1	12	10	10	-	2	2	1	7	9
H2	7	1	8	27	27	-	1	1	2	13	15
1979 H1	5	2	7	20	21	-	3	3	4	9	14
H2	1	1	2	18	18	1	-	1	1	6	8
1980 H1	3	-	5	17	17	1	3	4	2	16	19
H2	7	-	7	9	10	2	1	3	2	9	12
1981 H1	1	-	1	3	4	2	2	4	-	11	16
VOLUNTARY RESIGNATION RATES											
1978	7.3	12.8	5.3	8.8	6.4	-	4.6	1.1	2.0	13.1	4.5
1979	2.8	16.4	2.3	9.7	7.0	0.8	5.2	1.5	3.7	10.9	4.1
1980	4.6	-	3.2	7.1	5.2	2.4	8.0	2.5	4.8	16.3	5.4
1978 H1	*	*	3.2	2.4	1.7	*	*	*	*	4.3	1.7
H2	*	*	2.1	6.4	4.7	*	*	*	*	8.8	2.8
1979 H1	*	*	1.8	5.0	3.7	*	*	*	*	6.6	2.6
H2	*	*	0.5	4.7	3.3	*	*	*	*	4.3	1.5
1980 H1	*	*	1.3	4.6	3.2	*	*	*	*	10.7	3.3
H2	*	*	1.9	2.5	2.0	*	*	*	*	5.6	2.1
1981 H1	*	*	0.3	0.8	0.8	*	*	*	*	5.3	2.6

NOTES

- Includes Senior Director, Assistant Director and Chief Accountant. One Assistant Director resigned in H1 1978. One Chief Accountant resigned in H1 1978 and two in H1 1980.
- Includes Levels A, B and C. There was one resignation from Grade C in 1979 H1, one from Grade B in 1980 H2 and one in 1981 H1.
- Includes District Auditor, Deputy and Senior Assistant District Auditor.
- Includes Director and Deputy Director of Audit, Chief and Senior Auditor. One Director of Audit resigned in 1981 H1; One Chief Auditor resigned in 1978 and one in H1 1980; Two Senior Auditors resigned in 1979, one in H2 1980 and four in 1981 H1.

Rates for Accountants down 75% in 1981 H1 after rising in 1980 H2.

Rate for the Insolvency Service down 75% in 1981 H1 following 40% decrease in 1980 H2.

Rate for District Audit Service unchanged in 1981 H1 after rising in 1980 H2.

Rates for E&A Auditors down 20% in 1981 H1 after rising in 1980 H2.

MANAGEMENT IN CONFIDENCE

TABLE 11: LEGAL GROUPS¹

	Assistant ² Solicitor	Senior Legal Assistant		Legal Assistant		Total Groups	
		England and Wales	Scotland	England and Wales	Scotland	England and Wales	Scotland
Stock at 1 4 81	181	500	41	187	6	856	59
VOLUNTARY RESIGNATIONS							
1978	4	6	2	23	-	33	2
1979	-	8	-	21	3	29	3
1980	-	6	-	7	1	13	1
1978 H1	1	4	2	14	-	19	2
H2	3	2	-	9	-	14	-
1979 H1	-	4	-	13	2	17	2
H2	-	4	-	8	1	12	1
1980 H1	-	4	-	2	1	6	1
H2	-	2	-	5	-	7	-
1981 H1	1	1	-	2	-	4	-
VOLUNTARY RESIGNATION RATES							
1978	2.1	1.5	6.0	9.2	-	4.0	3.1
1979	-	1.8	-	9.1	18.7	3.4	4.8
1980	-	1.3	-	3.4	8.3	1.5	1.6
1978 H1	*	*	*	5.5	*	2.3	*
H2	*	*	*	3.7	*	1.7	*
1979 H1	*	*	*	5.5	*	2.0	*
H2	*	*	*	3.6	*	1.4	*
1980 H1	*	*	*	0.9	*	0.7	*
H2	*	*	*	2.5	*	0.8	*
1981 H1	*	*	*	1.1	*	0.5	*

NOTES

1. Excluding departmental legal grades.
2. No resignations from Scottish Group Assistant Solicitors.

Rate for the two groups combined was down 50% in 1981 H1 (45% down in 1980 H2).

MANAGEMENT IN CONFIDENCE

TABLE 12: MEDICAL OFFICER CLASS AND RELATED CLASSES

	MEDICAL OFFICER CLASS					EMAS ¹		CMP ² MO LEVEL
	PMO AND SMO	MO			TOTAL CLASS	MO LEVEL	TOTAL CLASS	
		DHSS	OTHER DEPTS	ALL DEPTS				
Stock at 1 4 81	229	199	130	329	558	80	101	150
VOLUNTARY RESIGNATIONS								
1978	9	4	11	15	24	7	7	8
1979	5	3	4	7	12	4	5	3
1980	4	6	4	10	14	4	5	1
1978 H1	5	1	7	8	13	3	3	3
H2	4	3	4	7	11	4	4	5
1979 H1	-	1	3	4	4	2	2	2
H2	5	2	1	3	8	2	3	1
1980 H1	2	-	2	2	4	3	4	-
H2	2	6	2	8	10	1	1	1
1981 H1	3	-	3	3	6	-	1	1
VOLUNTARY RESIGNATION RATES								
1978	3.8	1.7	7.6	4.0	3.9	8.4	6.9	5.4
1979	2.1	1.3	3.0	1.9	2.0	4.8	5.0	2.1
1980	1.7	2.7	3.1	2.8	2.4	5.0	5.1	0.6
1978 H1	*	*	*	*	2.1	*	2.9	*
H2	*	*	*	*	1.8	*	4.0	*
1979 H1	*	*	*	*	0.7	*	2.0	*
H2	*	*	*	*	1.3	*	3.0	*
1980 H1	*	*	*	*	0.7	*	4.1	*
H2	*	*	*	*	1.7	*	1.0	*
1981 H1	*	*	*	*	1.1	*	1.0	*

NOTES

1. Employment Medical Advisory Service (DE Group)
2. Civilian Medical Practitioner (MOD)

Rate for MO up 50% in 1981 H1 after nearly trebling in 1980 H2.

MANAGEMENT IN CONFIDENCE

TABLE 13: TAX INSPECTORATE (INLAND REVENUE)

	INSPECTORS OF TAXES					TAX OFFICERS		
	HIGHER ¹ GRADES	SENIOR INSP	INSP (HG)	INSP	TOTAL INSPECTORS	TO (HG)	TO	TOTAL
Stock at 1 4 81	182	714	1198	4206	6300	9863	16376	26239
VOLUNTARY RESIGNATIONS								
1978	3	7	18	95	123	735	2298	3033
1979	3	5	18	91	117	694	2298	2992
1980	2	4	9	64	79	449	1596	2045
1978 H1	2	3	10	46	61	357	1082	1439
H2	1	4	8	49	62	378	1216	1594
1979 H1	3	4	7	51	65	344	1137	1481
H2	-	1	11	40	52	350	1161	1511
1980 H1	1	3	8	33	45	258	954	1212
H2	1	1	1	31	34	191	642	833
1981 H1	-	3	2	28	33	106	378	484
VOLUNTARY RESIGNATION RATES								
1978	1.7	1.0	1.5	2.1	1.9	6.2	11.8	9.8
1979	1.7	0.7	1.5	2.1	1.8	6.0	12.4	9.9
1980	1.2	0.5	0.7	1.4	1.2	4.2	9.5	7.4
1978 H1	*	*	0.8	1.0	0.9	3.0	5.5	4.6
H2	*	*	0.7	1.1	1.0	3.2	6.3	5.2
1979 H1	*	*	0.6	1.2	1.0	3.0	5.9	4.8
H2	*	*	0.9	0.9	0.8	3.0	6.5	5.1
1980 H1	*	*	0.6	0.7	0.7	2.4	5.6	4.3
H2	*	*	0.1	0.7	0.5	1.8	3.9	3.1
1981 H1	*	*	0.2	0.7	0.5	1.1	2.3	1.8

NOTES

1. Senior Principal and Principal Inspector of Taxes.

Rate for Inspector Class as a whole down 30% in 1981 H1 following a 35% reduced rate in 1980 H2.

The Tax Officer group rate was down 60% in 1981 H1 (40% down in 1980 H2).

MANAGEMENT IN CONFIDENCE

TABLE 14: VALUATION OFFICE (INLAND REVENUE)

	Professional Valuers				Cadet Valuer	Valuation Clerks			
	Valuer (MG)	Valuer	Graduate Trainee	Total Prof ¹		Senior	Higher Grade	Valn Clerk	Total Clerks
Stock at 1 4 81	910	439	49	2081	225	458	631	1687	2776
VOLUNTARY RESIGNATIONS									
1978	47	131	7	193	37	16	8	296	320
1979	52	94	11	163	34	19	12	330	361
1980	33	62	2	100	13	18	11	183	212
1978 H1	18	77	-	101	12	6	5	133	144
H2	29	54	7	92	25	10	3	163	176
1979 H1	20	49	8	80	10	9	4	138	151
H2	32	45	3	83	24	10	8	192	210
1980 H1	18	34	2	56	5	7	9	114	130
H2	15	28	-	44	8	11	2	69	82
1981 H1	13	27	3	43	1	4	-	39	43
VOLUNTARY RESIGNATION RATES									
1978	5.2	22.6	5.9	8.3	11.2	3.3	1.4	12.4	9.2
1979	5.4	19.9	9.8	7.1	11.4	3.9	1.7	13.3	9.8
1980	3.5	13.4	2.0	4.5	6.1	3.8	1.6	8.8	6.6
1978 H1	2.0	12.3	*	4.3	3.4	1.2	0.9	5.5	4.1
H2	3.2	10.3	*	4.0	7.8	2.1	0.5	6.9	5.1
1979 H1	2.2	9.2	*	3.5	3.3	1.8	0.6	5.5	4.1
H2	3.2	10.7	*	3.6	8.1	2.1	1.1	7.8	5.7
1980 H1	1.9	7.2	*	2.4	2.2	1.5	1.3	5.2	3.9
H2	1.6	6.2	*	2.1	3.9	2.3	0.3	3.6	2.7
1981 H1	1.4	6.1	*	2.0	0.5	0.9	-	2.3	1.5

NOTES

1. Includes Assistant Chief, Superintending, First Class and Senior Valuer. Six Senior Valuers resigned in 1978, five in 1979, two in 1980 H1, and one in 1980 H2. Two First Class Valuers resigned in 1978 and one in 1979.

Rate for Professional Valuers down by 15% in 1981 H1 (40% down in 1980 H2).

Rate for Valuation Clerks down 60% in 1981 H1 (55% down in 1980 H2).

MANAGEMENT IN CONFIDENCE

TABLE 15: VETERINARY SERVICE (MAFF)

	Vet Research Officer	Vet Officer	Total ¹
Stock at 1 4 81	38	297	576
VOLUNTARY RESIGNATIONS			
1978	4	9	13
1979	2	8	10
1980	1	5	7
1978 H1	2	5	7
H2	2	4	6
1979 H1	1	5	6
H2	1	3	4
1980 H1	1	3	4
H2	-	2	3
1981 H1	-	2	2

NOTES

1. Includes Senior Research Officers (I and II), Assistant Chief, Regional, Deputy Regional and Divisional Veterinary Officers. One Senior Research Officer II resigned in H2 1980.

SECRET

cc Pub Secton

Pay

2B

MR SCHOLAR

cc Mr Hoskyns
Mr Ingham

PRIME MINISTER'S MEETINGS ON PAY

We had a word about the Prime Minister's meetings on pay tomorrow and Thursday, and I agreed to try and clarify what should be the main issues for discussion at them. I have discussed this with Peter Gregson and Peter le Cheminant. The Prime Minister might find this note helpful in preparation for the meetings.

1. Meeting on Civil Service Pay, Wednesday 6 January

Page B — This originates with the Chancellor's minute of 22 December, suggesting that this very small group concert a view on the basis of a Treasury paper (now received) on the handling of the Civil Service pay claim. This group forms the core of the MISC group that will handle the negotiations, and which will also include Mr. Nott and Mr. Jenkin.

Points for decision are:

- (i) Machinery for handling the negotiations at Ministerial and Official levels.

We think the Prime Minister should chair the MISC group herself, because she will want to be closely involved in the decisions on the opening and final offers, and on how to deal with arbitration. We agree with Robert Armstrong that the Treasury (in practice, Peter le Cheminant) should chair the official group; we hope the Policy Unit will be represented on it.

- (ii) Strategy for dealing with the claim.

The basic strategic questions are set out in paragraphs 27-29 of the Treasury paper. The Prime Minister may find it useful to break down the issues for immediate consideration like this:

- (a) Should we proceed with the intention of reaching a negotiated settlement which would have to be significantly above 4%; or should we be tough from the start, expecting to end up in the hands of the arbitrator (paragraph 40)?

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/A quick

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-2-

A quick settlement around the 7% mark the Treasury suggest might be necessary is not an attractive prospect now. It is much higher than we want to see, and it would have adverse effects elsewhere on the pay round. Unless Ministers are doubtful of Parliament's willingness to override an arbitration award (which might be around the same level) the case for going for a quick settlement seems weak.

- (b) When should we make the opening offer, and what should it be (paragraphs 31 and 41)?

The 13 per cent claim provides an opportunity to reassert the 4 per cent pay factor at a time when that could encourage other groups to accept their (much higher) offers. This effect would not be large: the miners are probably impervious to that kind of pressure (and might act perversely anyway); and the water workers will have completed their consultations by the end of this week; but the Local Authority manual workers will still be open to influence up to around 20 January. So there is a case for acting sooner rather than later.

- ① The minimum immediate Government response to the claim would be simply to reject it as not forming a possible basis for negotiations. A more dramatic impact might be
- ② achieved by making a low counter offer, say 2 per cent, but the risk to industrial relations in the Civil Service, and the inevitability of having to look weak by making a series of increases, would probably outweigh the uncertain benefits elsewhere.

- (c) Can we usefully form a preliminary opinion about two points of detail in the offer - skewing to the higher paid (paragraph 31d) and fringe benefits (paragraph 35)?

Skewing to the higher paid would help with the differential problem, though it is most needed at levels covered by

/the TSRB.

SECRET

the TSRB. At a minimum, Ministers might agree that any further skewing to the lower paid is unacceptable. Two of the fringe benefits - season ticket loans and group health insurance - certainly merit study: they could make a considerable difference to the negotiating climate at low cost.

2. Meeting on Public Service Pay, Thursday 7 January

This meeting has a number of origins and purposes. It is needed to endorse the conclusions of the smaller group (above); to consider the general line the Government should take on public service pay in view of recent developments - the options are set out in the Chancellor's minute of 18 December; and to look at the pay publicity effort (your letter of 22 December). There is no need to discuss the NHS: the nurses are being considered separately.

Points for decision are:-

- (i) Endorsement of the approach to Civil Service pay.

There will be no paper: the Chancellor will report orally. The Prime Minister may feel it worthwhile reminding her colleagues that the chances of achieving a moderate settlement would be greatly enhanced if Ministers are, and are seen to be, united in their approach.

- (ii) Whether to indicate that the Government will veto more than 4 per cent for the teachers.

Keith Joseph has said this would be inconsistent with the Concordat with the Local Authority employers, and might lead them to repudiate it. This should be explored: there may be some indication the Government can give without going that far; and it may even be worth looking at the consequences (e.g. a move away from national bargaining) of ending the Concordat.

and George Younger
(who can't make Thursday's
the meeting)

SECRET

-4-

- (iii) How to influence the employers of Local Authority white collar workers.

The Prime Minister has agreed that Mr. Heseltine should speak to them; he should be asked to report.

- (iv) What should be done to give fresh impetus to the pay publicity effort.

We think that the continuing effort that is made by Ministers is often under-rated, and that the effectiveness of a publicity campaign is often over-rated. But we understand that the Chancellor is considering two initiatives: a fresh set of speaking notes for colleagues on the need for pay restraint, and a major speech either by himself or another senior Minister. Both should be treated on their internal merits, i.e. whether they have anything worthwhile to say.

5 January 1982

SECRET



✓ SV 3A

A07065

PRIME MINISTERNon-Industrial Civil Service: Pay Claim 1982

BACKGROUND

FLAG A The meeting will have before it the paper circulated by the Chancellor of the Exchequer on 5 January. This sets out the background to the 1982 pay negotiations for the non-industrial civil service and discusses various courses of action open to the Government.

2. The paper concentrates attention in para 40 on two main negotiating routes:
- a. to assume from the outset that arbitration is inevitable and to frame offers in negotiation with this in mind; or
 - b. to seek a negotiated settlement in the hope of avoiding arbitration.

There is then a discussion in paras 42 and 43 of the kind of initial offer which would be appropriate to each of these options and an indication in para 44 of some more detailed issues on which Ministerial guidance will be needed at an early stage.

MAIN ISSUES

3. The Chancellor of the Exchequer will no doubt indicate the points on which he would particularly like guidance at this meeting. These are likely to be of two kinds: relating to procedure and machinery, and relating to broad strategy.

Procedure and machinery

- FLAG B. — 4. On procedure and machinery you (but not the others present) have the Chancellor of the Exchequer's minute of 22 December on which I commented to FLAG C — Mr Whitmore on 24 December. The Chancellor envisaged a three-stage operation, and this meeting is the first of those stages. It has also been agreed that the

*no - public service pay; the nationalised
industry ministers will not all
be present - eg Energy and Transport
MUS*

second stage - the wider Ministerial meeting - is to be the informal meeting on public sector pay generally which has been arranged for 7 January; that meeting will not have the Chancellor's paper of 5 January but he will report orally to it in the light of this meeting.

5. There remains the third stage - the continuing machinery both at Ministerial and official level. As you will recall, the proposal was that, unless you preferred to chair it yourself, the Chancellor of the Exchequer might chair a small steering group consisting of the Chancellor of the Duchy of Lancaster and the Secretaries of State for Defence, Employment and Social Services, supported by an official group under Treasury chairmanship.

Broad strategy

6. The main strategic question on which the Chancellor of the Exchequer would probably welcome guidance is whether to seek a negotiated settlement or accept that arbitration is inevitable. The arguments are summarised in paragraph 40 of the paper.

7. I wonder whether this poses the real choice. The claim is for 13 per cent. The most that we can pay within a 4 per cent pay factor in cash limits is 5 per cent. The miners have rejected just under 10 per cent. The local authority employers have already offered their manuals 7 per cent. The signs are that the public service unions are likely to seek to use the non-industrial Civil Service claim as a battering ram, behind which other groups would hope to come in. I doubt whether the Civil Service unions could accept any figure below 6 to 7 per cent. Equally, I do not see how the Government can offer anything above 5 or 5½ per cent at most. So arbitration seems to be absolutely inevitable.

that

8. It does not follow from that/the Government's offer should go no higher than 4 per cent, though that is one possible choice. It would be advantageous if the Arbitration Tribunal came out with an award which was "reasonable", and which therefore did not oblige the Government to ask the House of Commons to override it. The Arbitration Tribunal is more likely to make a "reasonable" award if the Government has shown some attempt at genuine reasonable negotiation and readiness to move a little. I believe that the aim should be to go to the Arbitration Tribunal with a figure on offer which would give those who have to deploy the management's case the best possible platform. It is for discussion what that might be: but, for illustration, we might start with an offer of 3 or $3\frac{1}{2}$ per cent, and be ready to negotiate up to 5 (or perhaps $5\frac{1}{2}$) per cent as a basis for arbitration.

9. So I would frame the basic questions:

a. is arbitration inevitable?

b. If so, on what basis does the Government want to enter arbitration: in particular, does it want to enter arbitration with the object of avoiding the need to override if at all possible; or does it want to stand at arbitration on 4 per cent, and increase the risk of an unacceptable award and the need for override?

10. If agreement is reached on this basic strategic issue, the meeting may wish to move on to a general, but not definitive, discussion about the initial tactics, covering the following points:

a. If arbitration is agreed to be inevitable, should the initial offer be below 4 per cent but not so low as zero?



- b. Should it be a flat-rate offer?
- c. Should the Government try and force the pace by publishing an early low offer (in the hope of influencing other public service pay negotiations) or would it be preferable to let events take their normal course?

11. Unless any of those present wishes to discuss the more detailed questions (such as possible concessions on supplementary issues like London Weighting and BUPA) it would be preferable to leave them to be explored more fully in the new Ministerial steering group, and official group, when they are set up.

CONCLUSIONS

12. Depending on the discussion, you will wish to reach conclusions on the following:
- i. the handling of the wider Ministerial meeting;
 - ii. the continuing machinery at Ministerial and official levels;
 - iii. whether the Government should seek a negotiated settlement, or negotiate in the expectation that arbitration is inevitable;
 - iv. whether, in the light of iii., Ministers are ready to reach any preliminary views on the level and timing of an initial offer.

RA

ROBERT ARMSTRONG

5 January 1982



Republic of India - Government of India

The Government of India has the honor to acknowledge the receipt of your letter of the 15th instant regarding the matter mentioned therein.

In view of the fact that the Government of India is not in a position to take any action on the matter mentioned in your letter at this time, the Government of India regrets to inform you that it is unable to take any action on the matter mentioned in your letter at this time.

Yours faithfully,
Secretary to the Government of India

CONFIDENTIAL

The Government of India has the honor to acknowledge the receipt of your letter of the 15th instant regarding the matter mentioned therein.

In view of the fact that the Government of India is not in a position to take any action on the matter mentioned in your letter at this time, the Government of India regrets to inform you that it is unable to take any action on the matter mentioned in your letter at this time.

Yours faithfully,
Secretary to the Government of India

5 JAN 1982
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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15 JAN 1982



ROYAL COURTS OF JUSTICE

LONDON, WC2A 2LL

01-405 7641 Extn 3201

5 January 1982

CHANCELLOR OF THE EXCHEQUER

MEGAW ENQUIRY - PAY OF GOVERNMENT LAWYERS

Thank you for your minute of 22 December 1981.

2. I accept the force of many of your remarks, but I do not agree with you that they call for substantive changes in the text of the evidence, save for the passage on the scales of pay of Legal Assistants and Senior Legal Assistants which I should be willing to drop if you think it best.

3. With this qualification, I continue to think that this particular item of evidence should go forward, while the Committee is free to consider as a general issue the principles of pay determination relevant to the civil service as a whole, in the light of such evidence on that issue as may be put forward.

4. I agree that we should not put too much emphasis on comparability. That is why I have "played it down" in the last paragraph of the evidence.

5. As regards lawyers (and no doubt other groups of specialists) there is a risk of continuing substantial unfairness if their pay is to be derived in future, as it is now, from that of a majority group made up largely of non-specialist civil servants. That is the most likely result if, as you suggest, the Committee is not even referred to specialists and it confines itself accordingly to recommendations of general principle which I do not believe will be translatable into a pay system for such staff which takes proper account of the factors I have mentioned.

6. I take the point that the Committee will not be able to (and
/indeed



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

- 2 -

indeed should not) enquire into the position of every separate group of staff. But that is a very different proposition from the one I think you are making, namely that the Committee should not be invited by the Government to look distinctly at specialists (or any group of them). To take the Open Structure, where the problems to which I have referred are most acute for lawyers, such staff make up about 40% of the total and 25% of these are lawyers. It seems to me self-evident that any recommendations made by Megaw in the absence of evidence relating to these staff, who are by definition in groups to whom unique factors apply, cannot be expected to produce a satisfactory blueprint for future pay. These staff are simply too numerous and too distinct not to be taken specifically into account by a Committee meeting its remit in full.

7. Since I am very anxious that Megaw should have evidence on this matter, I shall of course be prepared to consider seriously any further changes you wish to make in the text which will not destroy the substance of it - this without prejudice to my argument that the present text does not justify your objections to it. I should be grateful for a note of these changes as soon as possible. We can then consider (at a meeting if necessary) in what form the evidence can go forward. I should mention here that the text I sent you incorporated some changes suggested earlier by your officials.

8. This minute is copied to the recipients of yours.

MH
→

17 JAN 1932

12 1 2 3 4
5 6 7 8 9



✓cc JV

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

31 December 1981

M Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael,

EVIDENCE FOR THE MEGAW INQUIRY. PAPER ON NO-STRIKE ARRANGEMENTS
IN THE PUBLIC SERVICES OTHER THAN THE CIVIL SERVICE

....

I attach a paper on no-strike arrangements in the public services other than the Civil Service, which, if the Prime Minister is content, we intend to send to the Megaw Inquiry.

The information in the memorandum, which was asked for by the Committee, is factual and is not likely to be controversial, most of it having been drawn from such published material as the Edmund-Davies Committee of Inquiry on the Police and the Green Paper on Trade Union Immunities.

The Committee has also asked for a paper giving an appreciation of the history of no-strike arrangements as they have operated in the United Kingdom; comments on recent trends; and observations on foreign practice. This is being prepared.

I am copying this to Jim Buckley (Chancellor of the Duchy's Office, David Omand (Defence), Dan Brerton (DHSS), Richard Dykes (Employment), Jim Nursaw (Attorney-General's Office), Mrs C M Duncan (Lord Advocate's Office), and David Wright (Sir Robert Armstrong's Office).

Yours sincerely,

Jim Jenkins

PP P.S. JENKINS
Private Secretary

MEMORANDUM ON NO STRIKE AGREEMENTS
IN PUBLIC SERVICES OTHER THAN THE CIVIL SERVICE

INTRODUCTION

1. The Committee has asked what the position is in relation to "no industrial action" agreements in public services other than the Civil Service; and, if such arrangements exist, whether they are statutory, contractual, or conventional. This memorandum provides information for the Committee about other public services. Before doing so, it outlines the legal position in relation to industrial action. By way of additional background, brief details are given of the position in nationalised industries and public utilities.

THE LEGAL POSITION

2. No employees, including those in the public services, have a legal right to strike. The law governing strikes and other forms of industrial action is based on a system of legal immunities which protects trade unions and the organisers of industrial action from liability for the criminal offences and civil wrongs for which they would otherwise be liable. The Government has recently announced its intention to restrict the immunities enjoyed by trade unions to bring them into line with those enjoyed by individuals. The immunities enjoyed by an individual do not protect him from the consequences of breaking his contract of employment. Industrial action almost invariably involves a breach of his contract of employment by the employee and renders him potentially liable to loss of pay, to be temporarily relieved from duty without pay, or to disciplinary action, including dismissal. (Under the present law, an industrial tribunal has no jurisdiction to determine the fairness or otherwise of a dismissal consequent upon industrial action if all employees who took part in the industrial action were dismissed: Employment Protection (Consolidation) Act 1978, s.62). These immunities and liabilities apply in the public services as elsewhere, but have not prevented industrial action.

3. The Trade Union and Labour Relations Act, 1974, requires, in Section 18(4), that a collective agreement which prohibits or restricts the right of workers to engage in a strike or other industrial action, or has the effect of prohibiting or restricting that right, shall not form part of any contract between any worker and the person for whom he works unless the collective agreement -

- (a) is in writing; and
- (b) contains a provision expressly stating that those terms shall or may be incorporated in such a contract; and
- (c) is reasonably accessible at his place of work to the worker to whom it applies and is available for him to consult during working hours; and
- (d) is one where each trade union which is a party to the agreement is an independent trade union; and

unless the contract with that worker expressly or impliedly incorporates those terms in the contract.

4. Although the Government has power under the Emergency Powers Acts of 1920 and 1964 to deal with the consequences of an emergency, whether or not it is created by industrial action, the 1920 Act specifically prohibits the Government, notwithstanding the emergency, from issuing a regulation under the Act making it an offence to strike or to picket peacefully.

INFORMATION RELATING TO PUBLIC SERVICES
OTHER THAN THE CIVIL SERVICE

Statutory arrangements

5. There are statutory provisions against striking by the Police and the Armed Forces (and also by seamen when at sea, although this is not dealt with here since they are not within the public services).

(i) The Police

6. The Police Act, 1964, which consolidates earlier legislation, states in Section 47(1) that "a member of a police force shall not be a member of any trade union or of any association having for its objects, or one of its objects, to control or influence the pay, pensions or conditions of service of any police force". Section 53 of the Act renders criminally liable "any person who causes or attempts to cause or does any act calculated to induce any member of the police force to withhold his services or to commit breaches of discipline". In addition, the Home Office Discipline Regulations and the Police Regulations (governing pay and conditions), which both derive from the Act, contain provisions to the effect that it is an offence for a member of a police force not to carry out his lawful duties as and when required to do so. The combined effect of these provisions is to prohibit the police from taking industrial action.

7. The Committee of Inquiry on the Police, chaired by Lord Edmund-Davies, considered evidence in support of a right to strike, but concluded that "no right to strike should be conferred on members of the police force of this country" (paragraph 88 of Report II in Cmnd.7283 published in July 1978). This decision was supported by the Home Office and the Police staff associations.

8. Some police forces forming part of specific services (as distinct from the general police forces of the country) are subject to statutory/contractual or contractual 'no strike' arrangements. These are discussed in paragraph 10 below.

(ii) The Armed Forces

9. The Army and Air Force Acts, 1955, and the Naval Discipline Act, 1957, as amended by the Armed Forces Acts 1971, 1976 and 1981, provide that persons subject to

military duties are liable to imprisonment. For example, Section 29A of the Army Act 1955 (as amended by the Armed Forces Act 1971) provides that:-

"Any person subject to military law who -

(a) without reasonable excuse fails to attend for any duty of any description, or leaves any such duty before he is permitted to do so,

or

(b) neglects to perform or negligently performs, any duty of any description,

shall be liable, on conviction by court-martial, to imprisonment for a term not exceeding two years or any less punishment provided by this Act."

Contractual arrangements

(i) Specific Police Forces

10. Certain police forces forming part of specific services (as distinct from the general police forces of the country) have conditions of service which, as in the case of the general police forces, specifically make it an offence not to report for duty when required. In some cases these conditions of service are supported by statute (for example, the Port of London Act, 1968, and the Mersey Docks and Harbour (Police) Order 1975). More usually, however, the conditions of service have the force of a contract (as, indeed, do the conditions of service in the Civil Service). Some of these police forces are in the Civil Service, some in other public services, and some do not fall into either of those categories. The details were set out in the Report of the Committee of Inquiry into Pay and Conditions of Non-Home Department Police Forces (Cmd.7623 of July 1979), extracts of which are reproduced at Annex A.

(ii) Others

11. We have no knowledge of any other contractual 'no industrial action' agreements in the public services going beyond the normal contractual relationship contained in any conditions of service.

Conventional Arrangements

12. As the Green Paper on Trade Union Immunities (Cmnd.8128) points out in paragraph 323 "In general, workers who are in a position to endanger life or threaten security either do not go on strike, or if they do so, ensure that essential services are maintained". The Royal College of Nursing have a policy "that their members should not deny their services to patients". Doctors have confirmed that striking "would be contrary to their obligations". These are not formal agreements with the employer, but can be regarded as conventional arrangements. We are not aware of any other such conventions.

NATIONALISED INDUSTRIES AND PUBLIC UTILITIES

13. Until 1971, it was a criminal offence for employees of gas, water and electricity undertakings to break their employment contracts with the consequence that consumers would be without supply, unless they gave due notice (usually a week) of their intention to do so.

14. These provisions were little used, and they were repealed by Industrial Relations Act 1971. Under that Act the Secretary of State for Employment was given the power to apply to the National Industrial Relations Court for an order directing a statutory cooling-off period in any industry for up to a maximum of 60 days if the industrial action was likely to be "gravely injurious to the national economy to imperil national security or to endanger the lives of a substantial number of persons". These provisions were used only once and were repealed in 1974.

Non-Home Departments Police Forces

(Extracts from Appendices in Cmnd.7623)

Appendix V, Para 231. The Ministry of Defence Police

Ministry of Defence Police officers do not enjoy the right of free association. They may become members of the Defence Police Federation or, if Chief Officers, the Ministry of Defence Chief Police Officers' Association. The Ministry of Defence Police Discipline Regulations are modelled on the Home Office Discipline Regulations made under the Police Act 1964. They have recently been revised to bring them even more closely into line with the Home Office regulations. It is an offence under this discipline code not to attend for duty when required and, effectively, therefore, the 'right to strike' is removed from the Ministry of Defence Police.

Appendix VI, Para 212. The British Transport Police

The conditions of service of the British Transport Police contain a clause, the wording of which is similar to that of Section 47 of the Police Act 1964. British Transport Police officers may become members of the British Transport Police Federation, the British Transport Police Superintendents' Association or the British Transport Police Assistant Chief Constables' Association according to rank. No officer of the British Transport Police can be a member of any external organisation which has as one of its objects the regulation of pay, hours of duty or conditions of service nor are officers of the British Transport Police allowed to withdraw their services in connection with any industrial dispute.

Appendix VII, Para 22

3. Atomic Energy Authority Constabulary

The Disciplinary Code adopted by the Atomic Energy Authority Constabulary is the same as that which applies to the Ministry of Defence Police. This code is based on that applicable to Home Departments' Forces and it would be an offence against the code not to attend for duty when required to do so. Officers below Chief Officer rank of the Atomic Energy Authority Constabulary can only be members of the Atomic Energy Authority Constabulary Federation. The Chief Officers have honorary membership of the Ministry of Defence Chief Police Officers' Association.

Appendix VIII, Paras 38 to 42

4. Port, Dock and Harbour Police Forces

Port of London Authority Police

Section 159 of the Port of London Act 1968 makes provision for the setting up of the Port of London Authority Police Federation. Section 159(4) of the 1968 Act is almost identical to Section 47 of the Police Act 1964 and provides that a Constable may not be a member of a trade union or association which has for its objects the control of the pay, pensions or conditions of service of police officers. Whilst no provision similar to that of S.53 of the Police Act 1964, which renders it a criminal offence to induce a police officer to withhold his services, is contained in the Port of London Act 1968, it would be an offence against the Port of London Authority Police disciplinary code for an officer not to report for duty when required.

Port of Liverpool Police

Section 7 of the Mersey Docks and Harbour (Police) Order 1975 (SI 1975/1224) makes provision for the Port of Liverpool Police Federation. Section 7(8) of the Order is similar to S.47 of the Police Act 1964. It would be an offence against the Port of Liverpool Police Discipline Regulations and the Terms of Service for Port of Liverpool Police officers not to report for duty when required to do so.

Manchester Dock Police

Whilst there is no statutory prohibition on membership of a Trade Union the Conditions of Service and the Discipline Regulations for the Manchester Dock Police contain similar provisions to those which apply to the Home Departments' Forces. It would be an offence for a Manchester Dock Police officer not to attend for duty when required.

Port of Bristol Police

Constables and Sergeants in the Port of Bristol Police are members of the Association of Clerical, Technical and Supervisory Staffs (ACTSS). Officers of the rank of Inspector and above are members of the National and Local Government Officers Association (NALGO). Both Unions are affiliated to the TUC. Since 1946 Constables and Sergeants have had a written agreement with the Port of Bristol Authority that they will not take industrial action. No similar agreement in writing exists as regards officers of the rank of Inspector and above but it is understood that industrial action will not be taken by these officers.

Belfast Harbour Police

Officers of the Belfast Harbour Police are members of the Belfast Harbour Police Association. They are not allowed to be members of a Trade Union and it would be an offence against the Belfast Harbour Police discipline code if an officer did not attend for duty required to do so.

Appendix IX, Para 20

5. The Northern Ireland Airports Constabulary

Officers of the Force, below the rank of Deputy Chief Officer, are members of the Belfast Airport Police Association and may not be members of any outside organisation which has as one of its objects the control or influence of the pay or conditions of service of the Constabulary. It would be an offence against the discipline code if a Constable were not to attend for duty when required to do so.

Appendix X, Para 23

6. The Royal Parks Constabularies in England and Scotland

Officers of the Royal Parks Constabulary (England) are members of the Civil Service Union (CSU). The CSU has accepted the provisions of the Royal Parks Constabulary Discipline Regulations which, being modelled on the Home Departments' Force Discipline Regulations, effectively remove the right to take industrial action.

Appendix X, Para 42

Officers of the Royal Parks Constabulary (Scotland) are members of the Civil Service Union. Unlike the Royal Parks Constabulary (England) they do not have a disciplinary code which precludes the right to take industrial action. Whilst maintaining the right to strike the Force has never done so.

Appendix XI, Para 23

7. The Royal Botanic Garden Constabularies - Kew and Edinburgh

Officers of both Forces are members of the Civil Service Union. The Civil Service conditions of service and Discipline Code apply to both Forces and neither preclude the right to take industrial action. However, neither Force has ever taken industrial action.

4 JAN 1982



Prime Minister ⁽²⁾



To note

(this is the

10 DOWNING STREET second

ms

of the two meetings

MR. SCHOLAR

- WW was not coming
to the first anyway.

MCS 31/12

The Home Secretary has several longstanding engagements in his constituency and will not therefore be able to attend the Civil Service pay meeting on Thursday 7 January.

[Handwritten signature]

30 December 1981

CONFIDENTIAL

MR. WHITMORE

Non-Industrial Civil Service: Pay Claim 1982

The Chancellor of the Exchequer has sent me a copy of his minute of 22nd December to the Prime Minister, inviting the Prime Minister to give some preliminary thought to the Ministerial machinery which will be needed to oversee and control the negotiations on the 1982 pay claim for the non-industrial Civil Service.

2. As the Chancellor said, he had a preliminary word with me on this matter, and I agree in general with what he proposes.

3. Once the Treasury paper is ready, I think that it would be useful for the Prime Minister to hold a meeting with the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Secretary of State for Employment to concert a view and work out a strategy.

4. This view ought to be tested at least with other Ministers responsible for other public service groups. I imagine that the Prime Minister will want to take that meeting herself; and I suggest an ad hoc meeting, with the Prime Minister in the chair, and the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Secretaries of State for the Home Department (Police and Fire Services), Education and Science (Teachers), Defence (Armed Forces), the Environment (Local Government), Social Services (National Health Service, including Nurses) and Employment. This will, as it happens, include the Secretaries of State in charge of the largest Departments.

5. There should then be a steering committee to keep an eye on the course of negotiations. The Prime Minister may well want to chair this herself, but there would be something to be said for her keeping herself in reserve and leaving it to the Chancellor of the Exchequer - now the responsible Minister - to chair the Group. Other members of it should include the Chancellor of the Duchy of Lancaster and the Secretaries of State for Defence, Employment and Social Services.

This meeting could also take the general public sector pay questions which you have agreed should be the subject of a meeting in January.

MUS 24/12



CONFIDENTIAL

6. There will also be an official group, which will be under Treasury chairmanship.

7. Papers and minutes of these meetings will need to be given a very restricted circulation. The first two Ministerial meetings - those under the chairmanship of the Prime Minister - can be treated as ad hoc meetings; the continuing group under the chairmanship of the Prime Minister or the Chancellor of the Exchequer and the official group will be MISC groups.

8. I am sending a copy of this minute to Mr. Kerr.

REA

Robert Armstrong

24th December 1981

CONFIDENTIAL

SECRET

File SAW
2



10 DOWNING STREET

From the Private Secretary

24 December, 1981

~~BF 4-1-82~~

Civil Service Pay and Public Sector Pay

over the
The Prime Minister has decided to hold a meeting with the Chancellor, the Chancellor of the Duchy of Lancaster and the Secretary of State for Employment on Tuesday, 5 January at 4 p.m. about the non-industrial civil service pay claim. I should be grateful if you would let Caroline Stephens know whether this time is convenient.

The Prime Minister wishes to follow this short meeting with a wider meeting which will include the Ministers in charge of the largest employing Departments. I shall be writing to you about that separately.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Duchy of Lancaster and the Secretary of State for Employment and to David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
H.M. Treasury

SECRET

JK

From the Private Secretary



cf JV
Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

Chancellor of the Duchy of Lancaster

24 December 1981

James Nursaw
Legal Secretary to the
Attorney General
Law Offices Department
Royal Courts of Justice
LONDON
WC2A 2LL

✓
MAP

Dear Jim,

MEGAW ENQUIRY: PAY OF GOVERNMENT LAWYERS

The Chancellor^{TPM} of the Duchy has seen a copy of the Attorney General's minute of 15 December to the Chancellor of the Exchequer; she has also seen the latter's response of 22 December.

The Chancellor of the Duchy would have no objection to the Attorney submitting evidence on the pay of Government Lawyers to the Megaw Committee. There are, however, a couple of small points to which she has asked me to draw your attention;

1. Parliamentary Counsel are not members of the Open Structure; they have their own pay rates and there is no structural impediment to their receiving higher pay. The pay of the grade of Parliamentary Counsel starts above Under Secretary and reaches up to Deputy Secretary.
2. Is it necessary to refer to Megaw the relationship of the two junior pay scales? The principle of pay linkages extends beyond the legal group and if the present arrangements present serious anomalies officials could be asked to review the grading, promotion and pay arrangements for the grades in question.

I am copying this to Michael Scholar (Number 10), John Kerr (Treasury), Richard Dykes (Employment), David Omand (Defence), David Clark (Social Services), Catherine Duncan (Lord Advocates Department) and to David Wright in Sir Robert Armstrong's Office.

Yours sincerely,
Jim Buckley.

J BUCKLEY

13.01 DEC 1981



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CONFIDENTIAL

cc: Mr. Hoskyns

MR. SCHOLAR

The handling of Civil Service Pay

The Chancellor's minute of 22 December to the Prime Minister raises a number of issues of handling, before the difficult underlying policy questions can be addressed. I suppose this might be a candidate for a discussion between the Prime Minister and the Chancellor this evening, and I offer the following suggestions:

i) The Chancellor proposes that the Prime Minister take a meeting with him, Lady Young and Mr. Tebbit when the Treasury policy paper is available. I am sure this is right but it ought to be early in the New Year so as to allow for the possibility of Ministers deciding to make a low offer to the Civil Servants before the miners' ballot on 14/15 January. Such a meeting could perhaps be combined with the other meeting the Chancellor has suggested, and to which the Prime Minister has agreed, to look at the overall public sector pay presentation.

ii) The Chancellor suggests that such a meeting be followed by a wider meeting with colleagues; I think we should look at that when we know what decisions need to be taken.

iii) The Chancellor suggests the establishment of a small supervising committee of senior Ministers, and offers to Chair it. This Committee will have to decide major issues, such as the opening offer, the final offer, and whether to override the arbitrator. It is inconceivable that the Prime Minister will not want to be closely involved in these decisions, and it therefore seems to me clear that she should Chair the group. John Hoskyns agrees.

The Chancellor also suggests a small official committee backing up the ministerial group; this will be necessary, and the Policy Unit ought to be represented on it.

J.S.

23 December 1981

CONFIDENTIAL

No-
cancelled



cf JV

Prime Minister

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

Agree to X, in the week beginning 4/1?

Discussed with PM

m 24/12

MUS 24/12

shall we ^{set up} ~~wait and see on Y/Z~~, as proposed by Rob^t Armstrong?
On Z do you want to be in the

PRIME MINISTER

NON-INDUSTRIAL CIVIL SERVICE: PAY CLAIM 1982 chair (rather than the Chancellor)

- see Rob^t Armstrong's minute

As you know the Council of Civil Service Unions (CCSU) have ^{attached} submitted their claim for increases in the pay of non-industrial civil servants from 1 April 1982. A copy is attached for information

MUS 24/12

2. The claim is for a general salary increase of 13 per cent with an underpinning minimum of £12.50 a week plus improvements in annual leave. The promised supporting evidence has not yet been received but is expected shortly. Our preliminary assessment is that the claim implies adding about 14 per cent on average to basic rates plus 1 per cent for the leave improvements.

3. We have acknowledged receipt of the claim and have suggested an initial exploratory meeting when the CCSU's promised supporting material is available. This meeting would be devoted to exploring the basis of the unions claim and would not be the occasion for the presentation of counter-offers. On present plans it would be likely to take place in the second week of January.

4. In parallel with this "exploratory" procedure (which can readily be made to take several weeks if we judge this appropriate) we need to clarify both our own position and the tactics we will pursue through the negotiation and any subsequent stages of arbitration and Parliamentary override. I have asked my officials to prepare a paper on these questions to be ready for consideration by Ministers early in the New Year.



X
Y
Z

5. My purpose in writing to you now is both to keep you in touch with developments and to invite you to give some preliminary thought to the Ministerial machinery we will need to oversee and control the negotiations. My own view is that we need to arrange a three stage operation: i. a meeting between the two of us together with Janet Young and Norman Tebbit at which we can concert our view - this might most usefully take place when the Treasury paper I have referred to above is available; ii. a wider meeting with colleagues - perhaps in an ad hoc group rather than in E(PSP) or E - at which we might seek general agreement on the approach we favour (but bearing in mind the need to preserve confidentiality); and iii. the establishment of a small supervising Committee of Senior Ministers, together with a small official back-up Committee to maintain day to day control of the negotiations. I would be willing to chair such a Ministerial group myself if that should be your wish.

6. At this stage I am copying this minute only to Sir Robert Armstrong in his role as Secretary to the Cabinet. I have already had a preliminary word with him.

A handwritten signature in black ink, appearing to be 'G.H.'.

(G.H.)

22 December 1981



SC JV

(2)

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

ATTORNEY GENERAL

Prime Minister

As expected ; 1

assume you will hold back
comment until we see the

Attorney's response.

MS 23/12

MEGAW INQUIRY: PAY OF GOVERNMENT LAWYERS

Thank you for your minute of 15 December with which you enclosed a copy of the evidence on the pay of Government lawyers which you want to submit to the Megaw Inquiry.

2. As you know, the purpose of the Inquiry is to offer advice on future pay arrangements for the non-industrial Civil Service generally. Its main task must be to suggest general principles and procedures which we might follow and to offer views on across-the-board questions of pay structure (such as merit pay or greater geographical variation in pay rates for locally recruited staff). The Inquiry will obviously find it helpful to have available to them material which illustrates the various factors which we need to take into account in fixing Civil Service pay rates. But it will not have time to examine the position of every different group of staff in the Service and to make detailed recommendations on their pay treatment.

3. The main point which your note makes is that in assessing our position in the pay market in relation to lawyers we need to take into account the relative attractiveness of the Civil Service as a career to those we need to recruit and retain. As your note recognises, this consideration is not confined to lawyers. In their case I accept that we may need in future to put less weight on internal relativities than on the realities of the labour market. But on that point I do not think we should appear to be putting too much emphasis directly on comparability of earnings when it is our



purpose to rely more than in the past in fixing Civil Service pay rates on the rests of recruitment and retention. Here, your present concern, as I understand it, is over quality rather than unfilled vacancies and current wastage rates where the position is quantitatively satisfactory.

4. On the points in your note about existing vertical differentials I doubt, as I have said, whether we want to ask the Inquiry to concern themselves with details of particular pay and grading issues; and on senior salaries, as you know, differentials are now compressed generally because of the decisions we have reached collectively on the treatment of recommendations by the TSRB.

5. In general I would, for these reasons, prefer that we did not put evidence to the Inquiry on specific problems of this kind (except where they have asked for it); but if you feel very strongly that evidence should be submitted about the pay of lawyers then I hope we could between us adjust your note to take account of the points I have made.

6. I am copying this minute to the other recipients of yours.

A handwritten signature in cursive, appearing to be "G.H.".

(G.H.)

22 December 1981

22 DEC 1981

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CONFIDENTIAL

MR. SCHOLAR

c. Mr. Hoskyns ^{p.a.}

EVIDENCE FOR THE MEGAW INQUIRY

The Prime Minister will have received two more pieces of draft evidence for the Megaw Inquiry - the Attorney General's proposed piece about salaries in the legal Civil Service, and the Chancellor of the Duchy's paper on Discipline and Dismissals. The latter has been worked over among officials and the Chancellor is being advised to consent to it; when he has done so, you could signify the Prime Minister's consent - it is a factual and non-controversial paper.

The Attorney's paper, however, raises difficulties. To a greater extent than other departmental evidence, this is a piece of transparent special pleading on behalf of his Department, and it does not sit easily with the more general evidence the Government has submitted. The Chancellor is being advised to ask the Attorney to make some substantial amendments, in order to down-play the comparability content of his evidence, not least because if it goes in it will set a precedent for other groups, such as the medical Civil Service, which those groups and their unions will not be slow to exploit. I think the Prime Minister should leave this to be negotiated between the Chancellor and the Attorney, and hold herself ready to arbitrate between the two if necessary.

J.

17 December 1981

CONFIDENTIAL



01-405 7641 Extn 3201

Prime Minister

Here are two papers for

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

Megaw. The second - on Discipline and Dismissals in the Non-Industrial Civil Service - is likely to be agreed by the Chancellor. Content not to intervene if the

Chancellor agrees? The first - on Government Lawyers - is likely to be objected to by the

CHANCELLOR OF THE EXCHEQUER

MEGAW ENQUIRY - PAY OF GOVERNMENT LAWYERS Chancellor as special pleading.

On 14 October I wrote to Janet Young enclosing some evidence ^{I suggest you should hold back any comment} on the pay of Government lawyers which I wish to put to the Megaw Committee.

Speed up until you see the Chancellor's view.

2. I have since made some changes in the text to reflect comments which have been made, and I enclose a copy of the current version. MUS 19/12

3. I think this document makes its own case. While I recognise that the pay of Government lawyers, like that of all civil servants, cannot be an exception to our policy on levels of public spending, pay and prospects must always be maintained so as to attract and keep lawyers of the right calibre in the employ of Government.

4. Although in many parts of the legal service we continue to get a better return than might be expected from the salaries paid, these are now definitely falling behind with the result that I doubt whether we are attracting enough lawyers of the high quality we need. The importance of our succeeding in this can hardly be exaggerated: as the evidence points out, "lawyers of inadequate calibre can cause damage, both political and financial, out of all proportion to the cost of employing them."

5. This situation can only get worse if we do not face up to and evaluate the need for higher real rates of pay, at the more

/senior

CONFIDENTIAL

CONFIDENTIAL



ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn

- 2 -

senior levels, for these important specialists. These are strong words, but in my view the approach is perfectly consistent with, indeed required by, the basic policy as outlined in the "Issues" Memorandum already sent to the Committee.

6. I hope that you, and the other recipients of this letter, can agree to my submitting the evidence in this form. I should be grateful for comments by close of play on 22 December; if there are none, I shall assume I can proceed.

7. I have consulted the Treasury Solicitor about the evidence and he supports it fully.

8. This is copied to the Prime Minister and the other members of her Group on Megaw.

MH

Law Officers' Department
15 December 1981

CONFIDENTIAL

MEGAW COMMITTEE - SALARIES IN THE LEGAL CIVIL SERVICE

As Attorney General, I am the Government's principal legal adviser in England and Wales and as such concerned with the quality and effectiveness of the legal services provided to Government Departments. These are for the most part provided by the 1000 or so lawyers working inside the Civil Service, either in specialist legal Departments such as Parliamentary Counsel's Office and the Treasury Solicitor's Department, or in the legal Departments in Departments of State.

It is in my view of great importance that salaries and conditions of service in the Civil Service should be such as to continue to attract and retain sufficient able lawyers to provide the Government with the various legal services it requires. Lawyers of inadequate calibre can cause damage, both political and financial, out of all proportion to the cost of employing them. Similar considerations no doubt apply to other groups of specialists, eg accountants, but I shall confine my comments to the case of lawyers.

In fulfilling this object the Civil Service has to compete with a profession which can offer considerable prizes for those who remain in private practice. At the Bar large earnings are possible as a successful Junior or QC and there is the very real prospect of judicial office and an eventual pension on more favourable terms than those awarded to civil servants. As for solicitors, large earnings from a successful practice are not uncommon.

/The

The Government has made clear its view that in future Civil Service pay needs to be based on a wider range of factors than in the past, including direct evidence about the Civil Service's recruitment and retention position in the market, as well as comparisons with representative outside rates of pay for staff of comparable quality. In determining the salaries of legal Civil Servants, regard should in my view be had to these factors not only at the ages and responsibility levels at which staff are recruited, but also at later stages in their career. It is necessary to give reasonably attractive prospects to those entering the service and to avoid the feeling on the part of those who have been successful in it that they are being unfairly treated.

At present, salaries in the legal Civil Service are, up to the grade of Assistant Solicitor, governed by a direct linkage with administrative grades. In the case of senior posts in the open structure they are members of the senior grade in question. This has produced two anomalies.

- (a) Apparently the scales of the two junior grades, Legal Assistant and Senior Legal Assistant, are sensibly related to each other. I have no reason to comment on the appropriateness of the salary at the top of the SLA scale, or that at the lower end of the LA scale. However, in practice an LA, under the system of flexible complementing and near-automatic promotion which affects these grades, is almost bound to be

/promoted

promoted long before he reaches the end of the long LA scale. Thus the two grades have come to have scales which are increasingly unrelated, with the result that there is an unusually large jump on promotion from one grade to the other, without any commensurate increase in responsibility at this particular stage of a lawyer's career.

- (b) Senior lawyers at AS level and above have suffered such a compression in salary differentials that their salaries bear no relation to their increased responsibilities or with those which can be earned outside.

The result is that while there is in the present economic circumstances no great difficulty in recruiting and retaining lawyers of a reasonable quality suitable for many of the routine posts in the legal Civil Service, there is, however, more difficulty in finding those of a high quality needed, particularly for advisory posts, who will be the senior legal advisers of the future. There are, furthermore, indications of real dissatisfaction among younger and abler lawyers who have reached a degree of seniority at a comparatively early age and feel with, I think, considerable justification that the rewards both present and prospective are inadequate. These factors can but have a detrimental effect on the service in the long term, and I consider that a greater degree of flexibility is needed to deal with the situation.

/These

These considerations apply with particular force in Parliamentary Counsel's Office where all the work is exacting and requires lawyers of the highest qualities.

Therefore, while I recognise that internal relativities must be an important factor in determining lawyers' salaries and that a set linkage is appropriate where normal "across the board" increases are being granted, I suggest that the appropriate salaries for lawyers should be periodically reviewed and when this is done, regard should be had to the "market" factors applying to staff at all levels of responsibility including comparisons with the earnings of lawyers in private practice doing work of comparable quality.

Law Officers' Department

15 December 1981

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175 DEC 1981

From the Private Secretary



Chancellor of the Duchy of Lancaster

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

✓ LSV
 Management and Personnel Office
 Whitehall London SW1A 2AZ
 Telephone 01-273 4400
 GTN 273

14 December 1981

ABPM

Dear Peter,

EVIDENCE FOR MEGAW INQUIRY

The Chancellor of the Duchy of Lancaster understands that the Megaw Inquiry is pressing for the attached paper on "Discipline and Dismissals in the Non-Industrial Civil Service" which it originally requested in August this year. The paper, which she believes the Chancellor of the Exchequer has already seen, is primarily for this Department rather than the Treasury since it discusses central procedures for which we are responsible. It is a fairly straightforward statement of the existing rules and how they are applied. At this stage this is, she thinks, all that the Inquiry needs.

If the Chancellor of the Exchequer agrees, she suggests therefore that it might be useful to send this paper to the Committee in the course of the next few days.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Defence, Social Services and Employment, the Attorney General, the Lord Advocate and the Secretary to the Cabinet.

Yours sincerely,
 Jim Buckley.

J BUCKLEY

15 DEC 1967

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The Committee has asked for a note setting out the procedures for effecting dismissals in the Home Civil Service, with the available statistics, and comparing these with those used in the Diplomatic Service and elsewhere.

2. Annexes 1 and 2 set out the figures and rates for the number of non-industrial civil servants who have left the Service involuntarily in the last 5 years in each of the relevant categories. These categories taken together cover what might broadly be called 'dismissals' (as distinct from voluntary wastage). In addition a significant number of those aged between 60 and 65 have recently been required to retire against their will. Although the normal age of retirement in the civil service is 60, the policy in most areas, for reasons both of economy and of efficiency, has been to permit the maximum retention of staff between these ages provided they are fit and efficient and there is a job for them to do. As a result of reductions in civil service manpower departments have had to retire many people who would normally have been retained. While this is technically classed as a "pre-redundancy measure", there are contexts in which many, particularly the men aged under 65, could be considered as having been dismissed or made redundant. Precise figures for such retirements are not available, but the number is rising and thought to be of the order of a few thousand a year.

3. Compensation payments are given, under the terms of the Principal Civil Service Pension Scheme, to all the categories listed in the Annexes apart from disciplinary dismissals and failure of probation.

Procedures

4. The procedures for dismissal, whether on grounds of misconduct, capability or redundancy, are designed to ensure that any dismissal is fair in the individual case, and a civil servant has the right to claim compensation for unfair dismissal before an industrial tribunal, provided he has been employed in the Civil Service for over a year. Relatively few appeals in fact go to industrial tribunals, as most appeals are settled by the Civil Service Appeal Board.

5. Although central guidance and procedures are laid down for dealing with dismissals, the practice in departments may vary slightly as they may have to deal with particular needs and circumstances.

a. Discipline

6. The procedures for dealing with disciplinary offences vary from those for premature retirement as they have to provide for a variety of penalties to be imposed ranging from a written reprimand to dismissal. They seek to ensure that an officer is given every opportunity to state his case and that dismissal is recommended only when it can be justified. The central guidance covering disciplinary procedures is laid down in Estacode (new guidance, now in draft form, is currently under consideration with the civil service unions).

b. Probationary Dismissals

7. All non-industrial civil servants are required to complete successfully a probationary period before their appointment is confirmed. If they fail to do so they are dismissed.

c. Compulsory Premature Retirement

8. The procedures for compulsory premature retirement on limited efficiency, structural, inefficiency, medical and redundancy grounds are outlined in the Civil Service Pay and Conditions of Service Code and the Establishment Officers' Guide (copies of the relevant paragraphs are being made available to the Committee). In all cases staff are given as much informal notice as possible, and, except in medical cases, all established staff are given 6 months formal notice. Only staff at Senior Principal or equivalent level and above can be retired compulsorily on structural grounds.

i. Limited Efficiency and Inefficiency Retirements

9. The main stages in prematurely retiring a civil servant on limited efficiency or inefficiency grounds are:

1. Informal oral warning(s);
2. formal written warning;
3. opportunities given for the officer to improve;
4. retirement Board;
5. notice of dismissal
6. right of appeal.

If they are followed in full, and provided there are no complications, these stages should not take more than a year from oral warning to notice of dismissal. Where cases are uncontested the procedures can be shortened by mutual agreement so that, providing a department is satisfied there is evidence of inefficiency or limited efficiency, and that improvement is unlikely, the trial period can be dispensed with and shorter notice than is strictly necessary can be mutually agreed.

10. In general, any difficulties in shedding staff whose performance is not adequate lie not in the procedures used but in ensuring that the criteria for the various categories of compulsory retirement on efficiency or limited efficiency are met. The contents of annual reports are crucial, and there may be a reluctance among some reporting officers to provide the overall grading which poor performance justify. A working party is currently looking into the question of reporting standards.

11. All premature retirements may be contested or otherwise, but since 1 April 1981 the criteria for uncontested retirement on limited efficiency and structural grounds have been broadened in order to assist departments in improving their efficiency. Under these arrangements over 300 retirements have been effected in the past 7 months. This suggests that there will be a significant increase in premature retirement in 1981.

ii. Redundancy

12. A non-industrial civil servant is declared redundant in a formal sense only when, if he is in a mobile grade, (Executive Officer and equivalent level and above) there is no suitable post for him in any department anywhere in the Civil Service, or, if he is in a non-mobile grade, there is no suitable post within daily travelling distance. At a time of retrenchment and reorganisation, the procedures and categories under which weaker staff will lose their jobs will be technically ill-health, limited efficiency and structure, especially if they do not wish to contest those grounds. Also, to meet the responsibilities of the government's public position as an employer (including economy and good employment practices) a wide range of pre-redundancy procedures, including redeployment to other departments, have been agreed to help avoid formal redundancy. As a result of these measures many staff may be required to leave the Civil Service for reasons following from a reduction in the workload or the money available to do it. In particular, departments may change their retirement practices in order to retire compulsorily more staff over age 60. Only when all the pre-redundancy measures have been exhausted is a formal redundancy declared, and the procedures for selecting the staff to be made redundant brought into operation.

The Diplomatic Service

13. Annexes 3 and 4 give the figures and rates for the number of unwilling leavers from the Diplomatic Service (apart from probationary dismissals which are not readily available but would be in single figures each year). The categories for dismissals are the same as in the Home Civil Service, and the procedures used are similar. The overall rate of dismissals is also similar, except in the use made of the 'redundancy' category (where the diplomat is perhaps more likely to have to leave the government service).

Position outside the Civil Service

14. The Government does not have sufficient information about dismissal procedures in other public or private sector bodies to judge to what extent procedures described in this paper are similar to those outside. To the extent that the stages outlined in paragraph 9 above are necessary or desirable for ensuring that dismissals are judged to be fair by industrial tribunals they are however likely to be in line with those of other major employers. Nor does the Government have comprehensive and reliable information about involuntary wastage rates in other organisations.

Non-Industrial Home Civil Service Involuntary Wastage 1976 to 1980

Numbers

Leaving Cause/Date	1976	1977	1978	1979	1980
Disciplinary Dismissals	188	193	153	132	115
Inefficiency	82	112	79	79	66
Limited Efficiency	70	64	51	38	57
Probation termination	671	501	518	448	504
Redundancy	292	642	484	105	242
Structural	143	387	407	116	33
Ill-health	2081	2462	2389	2442	2380
Voluntary Early Retirement	-	19	10	-	612
All above causes	3527	4380	4091	3360	4009

Source: PRISM

Non-Industrial Home Civil Service Involuntary Wastage 1976 to 1980
Wastage rates per 1,000 staff

Leaving Cause/Date	1976	1977	1978	1979	1980 ²
Disciplinary Dismissals	0.3	0.3	0.3	0.2	0.2
Inefficiency	0.1	0.2	0.1	0.1	0.1
Limited Efficiency	0.1	0.1	0.1	0.1	0.1
Probation termination	1.2	0.9	0.9	0.8	0.9
Redundancy	0.5	1.1	0.9	0.2	0.4
Structural	0.3	0.7	0.7	0.2	0.1
Ill-health	3.7	4.3	4.2	4.4	4.3
Voluntary Early Retirement	-	-	-	-	1.1
All above causes	6.2	7.7	7.2	6.0	7.3

Source: PRISM
Part-timers are
counted as whole units

1. Rates have been calculated as the number of leavers in a particular year divided by the average staff in post for the year multiplied by 1,000.

2. 1980 figures are provisional

Involuntary wastage from the Diplomatic Service

	1976	1977	1978	1979	1980
Medical	13	4	15	14	14
Structural/ Redundancy	33	16	25	15	96
Limited Efficiency	2	2	-	3	2
Inefficiency	-	-	-	-	-
*Disciplinary	2	-	-	-	1
TOTAL	50	22	40	32	113

*There were, in addition, about half a dozen potential disciplinary cases where the individual resigned before disciplinary proceedings could be taken, or absented themselves from duty and were deemed to have resigned.

[Annex 4, showing rates per thousand, to follow].

INVOLUNTARY WASTAGE FROM THE DIPLOMATIC SERVICE

WASTAGE RATES PER 1000 STAFF

	1976	1977	1978	1979	1980
Medical	2.4	0.8	2.9	2.8	2.9
Structural/Redundancy	6.2	3.0	4.9	3.0	19.8
Limited Efficiency	0.4	0.4	-	0.6	0.4
Inefficiency	-	-	-	-	-
*Disciplinary	0.4	-	-	-	0.2
Total	9.4	4.2	7.8	6.4	23.3

Note Rates have been calculated as the number of leavers in a particular year divided by the average staff in post for the year multiplied by 1,000.

4-22



116 DEC 1981

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Civil Service Department

Whitehall

London, SW1A 2AZ

Attachment J Buckles to
P Jenkins 14/12 Evidence to
Megaw

With the Compliments

of the

Private Secretary

to the

Chancellor of the

Duchy of Lancaster

CONFIDENTIAL

Civil Service

MR PATTISON

Prime Minister

John Venner suggests that you need not spend any time on the attached papers.

Yes not

cc:- Mr Scholar
Mr Hoskyns

EVIDENCE FOR THE MEGAW INQUIRY

Content that the papers should go forward subject to comments from colleagues?

MAD 11/12

We have been sent two substantial pieces of draft evidence for the Megaw Inquiry: the draft paper from the Ministry of Defence, and the Treasury's paper on trends in Civil Service pay. As with other evidence sent for the Prime Minister's approval, I suggest that she need not spend time on it because it will have been cleared by the Ministers concerned already. You may feel the right course of action would be to wait until the dates indicated - 15 and 14^{December} respectively - to check that there are no other comments, before indicating the Prime Minister's agreement.

The most interesting features of the Defence paper are the rather helpful remarks about merit pay (paragraph 22), and the discussion about the possible development of a Defence Support Service (paragraph 28). The evidence comes down in favour of the latter, but because defence is such a large employer of civil servants, the Committee is being encouraged to look particularly carefully at the unusual departmental management requirements, which arises as a result of their wide use of specialists.

The paper on Trends in Civil Service Pay is rather detailed and technical, and I have not been involved in its preparation. But I would think that when it is published some note may be taken of the conclusion in paragraph 7 - that although relativities with the private sector were fairly stable in the 1950s and 60s, civil servants' earnings, after falling back in the early 1970s, are now leading the private sector by about 5 percentage points. This is, of course, supported by the figures I have sent you separately which are to be published shortly as part of an Economic Progress Report.

11 December, 1981

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 10 December 1981

Michael Scholar Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear Michael,

INQUIRY INTO CIVIL SERVICE PAY : INFORMATION ON PAY MOVEMENTS

We have been asked by the Inquiry for information on pay movements in the Civil Service compared with movements elsewhere in the public and private sectors and with indices of changes in the cost of living.

... The attached paper has been prepared by the Treasury in conjunction with the Department of Employment and in consultation with the inter-departmental official group (CGM).

The Chancellor of the Exchequer would propose to submit the paper to the Inquiry on Monday, 14 December subject to any comments from the Prime Minister and other recipients of this letter. It will be made publicly available in the normal way as soon as it has been sent to the Inquiry.

I am copying this letter and its attachments to the Private Secretaries to the Secretaries of State for Employment and Health and Social Securities, the Attorney General, the Chancellor of the Duchy of Lancaster, and to Sir Robert Armstrong.

*Yours ever
Peter*

P S JENKINS
Private Secretary

TRENDS IN CIVIL SERVICE PAY COMPARED WITH OTHER INDICES

As requested by the Committee the attached note examines movements in the pay of the non-industrial Civil Service compared with movements in outside pay and in prices.

General problems of interpretation

2. It draws attention to the need for caution in making broad based comparisons of relative movements in pay over lengthy periods of time:

- a. Earnings figures related to large groups of workers will be affected by changes in the pattern of work and composition of the work force, particularly over an extended period.
- b. The statistics themselves have been subject to changes in coverage and classification over the years.
- c. The generality of pay movements subsume changes in pay relativities for different levels of work.
- d. The available statistics on earnings generally take no account of relative changes in conditions of employment, hours and leave and non-pay benefits (pensions, fringe benefits etc), all of which contribute to the total remuneration package.

3. The proportion of a civil servant's salary accounted for by the quantification in pay research of fringe benefits received by analogues has risen considerably since 1975 reflecting the growth in the value of fringe benefits in the private sector. The exclusion of fringe benefits from the private sector figures in the New Earnings Survey will in effect tend to inflate the relative National Government Service figures, which include an element to cover such benefits.

4. In the private sector the normal practice is for contributions to pension funds to be deducted from pay. There are exceptions e.g. the Banks but the general practice is one of specific deduction of contributions.

5. In the Civil Service a notional deduction is made in arriving at pay as part of the pay research process. This amounted to 4.5 per cent in 1975, 5.5 per cent in 1979 and 6.5 per cent in 1980. Had the normal private sector practice been followed nominal pay rates in the Civil Service would have been higher by approximately these percentages. In attempting to compare earnings figures given by the NES for the Civil Service ("National Government Service") with the NES figures for earnings generally one is comparing what in effect are net rates of pay with gross rates of pay. The effect of this factor is that Civil Service pay is lower and appears in a less favourable light than is actually the case.

6. This point is of major importance where one is looking at or comparing actual earnings and movements in actual earnings: it is of more limited importance where one is looking at relative earnings or movements in relative earnings.

Review of available data

7. Earnings generally provide a more relevant basis for comparison than basic pay rates, but there is a general lack of reliable data for past years. No comprehensive statistics are available on non-manual earnings in general and on non-manual earnings in National Government Service in particular prior to 1955. The limitations of the earnings data are set out in more detail in the attached note.

8. For the post-war years up to 1955 comparisons can only be made between Civil Service scale maxima on the one hand and the indices of prices or basic wage rates on the other. A comparison of earnings data for the 1970's with scale maxima over the same period suggests the latter may provide a reliable proxy for earnings only for those more

Senior grades where the majority are at or near the maximum of their scale and there are no overtime earnings.

The evidence

9. The relevant earnings data is summarised in tables 1 and 2, and is shown graphically in graph A. The material on scale maxima is given in tables 4-7 and is shown graphically in graph B. The overall conclusion to be drawn from the available data is that over the period as a whole there is little evidence of marked underlying shifts in relativities generally, but that in the period since 1970 the earnings of non-manual males in the National Government Service have overtaken those in the private sector. There is also evidence to suggest that some Civil Service grades have done better than others in terms of pay increases. Thus, the main features to be drawn from the data are that:

- a. The postwar period up to 1970 was a period of relatively low inflation when wage rates (up to 1955) and earnings (from 1955 to 1970) moved reasonably closely together apart from a few short term divergencies. The data shows in particular that:
 - i. Between 1946 and 1955 some Civil Service scale maxima did not always keep pace with inflation and for some of the period lagged behind the index of basic wage rates, but that there was some variation between grades.
 - ii. Between October 1955 and October 1969 average non-manual earnings in the National Government Service Category increased at the same annual rate (5.9% per annum) as average non-manual earnings in the production industries and selected services (including public administration), thereby displaying no divergence in trend.
- b. The period from 1970 was one of relatively high inflation when at times wages and earnings in the economy as a whole fell in real terms. The evidence on Civil Service scale maxima indicates that there were marked shifts in differentials between grades over the period.

The earnings data shows that the annual percentage increase in average earnings for all non-manuals in National Government Service was 14.5% between 1970 and 1981 compared with 15.2% for all non-manuals in the private sector. But taking the corresponding figures for men, and thereby eliminating the effect on relative earnings of differences in the rate of implementation of equal pay for women, the annual percentage increase is 14.9% and 13.4% respectively. There were quite large divergencies in individual years between average earnings in the National Government Service and average earnings in the private sector, the divergencies being most marked between 1975 and 1979, but recent gains have given non-manual males in the Civil Service a 5 percentage point lead over those in the private sector compared with the relative position in 1970.

TRENDS IN CIVIL SERVICE PAY COMPARED WITH OTHER INDICES

Introduction

1. This note examines movements in the pay of the non-industrial Civil Service compared with movements in outside pay and in prices. As requested by the Committee it includes an updated version of the material published by Geoffrey Fry in his article 'Civil Service Salaries in the Post-Priestley Era 1956-72' (Public Administration Volume 32, 1974 pp 319-333).
2. Broad based comparisons of relative movements in pay, particularly over lengthy periods of time, have to be approached with great caution. Their validity will be affected by changes in the pattern of work and the composition of the workforce among the groups being compared. Data on pay movements generally take no account of relative changes in conditions of employment, hours and leave and non-pay benefits, all of which have an important bearing on comparisons between the value of different packages of terms and conditions of service. The statistics on which it has been necessary to draw have themselves been subject to changes in coverage and classification over the years.
3. The purpose of the pay research system under which Civil Service pay was determined in the period after 1956 was to compare Civil Service pay with pay rates for comparable work outside (taking account of differences in other conditions of service) and not with the generality of pay movements which subsume changes in pay relativities for different levels of work.

Movements in Earnings

4. Earnings generally provide a more relevant basis for comparison than basic pay rates, but no comprehensive statistical series is available on non-manual earnings in National Government Service prior to 1955 or more generally prior to 1959. Figures for the period 1955 to 1969 are available from the Department of Employment's October survey of the earnings of administrative, technical and clerical employees and between April 1970 and April 1981 from their annual New Earnings Survey. The National Government Service category corresponds

to Minimum List Heading (MLH) 901 of the Standard Industrial Classification. It includes those civil servants who are employed in public administration but excludes those engaged in other industries such as the manufacturing activities of the Royal Mint and HMSO and the construction and estate management's activities of PSA Supplies. Consequently it does not correspond exactly to the non-industrial Civil Service and caution should be exercised in its use.

5. The data is summarised in table 1 which compares for men and women, both separately and combined, the annual percentage increase in the average gross weekly earnings of non-manuals in National Government Service (from October 1955) with the annual percentage increase for non-manuals in selected production industries and services (from October 1959) and in all industries and services (from April 1970). It should be noted that the NES incorporates the 1981 pay award for only a small proportion of the non-industrial Civil Service because most revised rates were not settled until well after the survey period. It should also be noted that the 1981 data on the average earnings of non-industrial civil servants has been seriously distorted by the effects of industrial action. It is not possible to quantify in precise terms the combined effect of these two factors on the data but it is calculated that very broadly the 1981 NES underestimates the average earnings of the National Government Service category by about 5%. Finally it should be noted that the annual percentage increase figures for the National Government Service category have been adjusted to take account of the move in 1975 from a 1 January to a 1 April settlement date for the non-industrial Civil Service.

6. Comparisons of relative movements in the earnings of women are complicated by differences in the rate of implementation of equal pay for women. The staged introduction of equal pay in the non-industrial Civil Service was completed in 1961. It was also well established in other parts of the public sector prior to its general introduction in the private sector following the 1970 equal pay legislation. The figures for male earnings therefore provide a more reliable indicator of underlying trends in relative pay over the period.

7. Subject to these qualifications the conclusion to be drawn from the relevant data is that relativities with the private sector were

fairly stable in the 1950's and 1960's. There were a number of fluctuations in the early 1970's with the National Government Service reaching a peak in the middle of the decade. Thereafter the relative level fell back until 1979 when following the re-introduction of pay research Civil Service earnings gained relative to the private sector and allowing for the 1981 settlement are now leading by about 5 percentage points. This is illustrated in Graph A which plots the average earnings of non-manual males in National Government Service from 1955, in real terms (ie after deflating by the Retail Price Index with base 1970=100) against the average earnings of non-manual males in all production industries and services covered by the appropriate earnings surveys from 1959.

Comparisons between the public sector and the private sector

8. Table 2 makes use of estimates of average gross weekly earnings in the private sector and in branches of the public services, compiled by the Department of Employment for April of each year from 1970 onwards from their annual New Earnings Survey. This table gives for adult non-manual workers the ratio of average earnings in three branches of the public sector (National Government Service, Local Government, Public Corporations)⁴ to average earnings in the private sector with 1970=100. No such data is available for earlier years.

9. Attention has already been drawn in paragraph 5 to some of the limitations of the NES earnings data for the National Government Category. The following further points should be noted in connection with the NES data in table 2.

a. The New Earnings Survey figures for Local Government and Public Corporations up to 1977 are based on a method of allocation by Minimum List Headings of the Standard Industrial Classification which assumes that industries belong wholly to one sector.

⁴ The public sector consists of Central Government, Local Government and Public Corporations. The National Government Service category is broadly Central Government less the NHS and replaces Central Government in this analysis because it is the closest proxy to the non-industrial Civil Service. The current breakdown does not cover the NHS and therefore does not cover all the public sector.

In some cases this assumption results in the misallocation of employees. Therefore these figures should be treated as only approximate.

b. The information collected in the New Earnings Survey relates to a particular pay period (in April of each year) and is therefore affected by the timing and implementation of settlements. In the case of the non-industrial Civil Service it should be noted that in addition to the exclusion, for the most part, of the April 1981 settlement from the 1981 survey (mentioned in paragraph 5), the April 1975 settlement was implemented too late for inclusion in the 1975 survey, only the first stage of the April 1979 settlement was included in the 1979 survey, and for the bulk of employees the 1980 settlement was included in the 1980 survey despite deferment of most revised rates to 7 May (after the survey period).

c. Evidence from past pay research surveys (1975, 1979 and 1980) shows that the proportion of a civil servant's salary accounted for by the quantification in pay research of fringe benefits received by analogues has risen considerably since 1975, the last pay research settlement before the introduction of the previous administration's pay policy 1975/78. The following table which gives the incidence of fringe benefits among executives in 1975 and 1981 suggests that this increase ^{partially} reflects the growth in the value of fringe benefits received by employees in the private sector. The exclusion of fringe benefits from the New Earnings Survey figures for the private sector will in effect tend to inflate the relative National Government Service earnings figures which include an element to cover such benefits.

Table 3 Fringe Benefits other than Retirement Pensions 1975 and 1981

<u>Benefit</u>	Proportion of executives receiving benefits in:	
	<u>1975</u>	<u>1981</u>
Full use of company car	60.6%	74.2%
Allowance for regular use of own car	12.8%	8.4%
Subsidised lunches	63.6%	72.0%
Subsidised housing	1.1%	0.8%
Assistance with house purchase	6.4%	7.4%
Free Medical Insurance	37.9%	60.4%
Share option scheme	4.3%	10.6%
Share purchase scheme	3.5%	6.5%
Low interest loans	-	7.7%
Bonus	31.1%	35.5%

Source: Inbucon Survey of Executive Salaries and Fringe Benefits

d. The NES earnings figures in general take no account of pensions but it should be noted that the earnings figures for the National Government Category in particular are based on net pay after the notional deduction made for pensions in the pay research process.

In the Civil Service a notional deduction is made in arriving at pay as part of the pay research process. This amounted to 4.5% in 1975, 5.5% in 1979 and 6.5% in 1980. Had the normal private sector practice been followed nominal pay rates in the Civil Service would have been higher by approximately these percentages. In attempting to compare earnings figures given by the NES for the Civil Service ("National Government Service") with the NES figures for earnings generally one is comparing what in effect are net rates of pay with gross rates of pay. The effect of this factor is that Civil Service pay is lower and appears in a less favourable light than is actually the case. This point is of major importance where one is looking at or comparing actual earnings and movements in actual earnings: it is of more limited importance where one is looking at relative earnings or movements in relative earnings.

10. Bearing these points in mind the pattern to emerge is one of fluctuating relativities. Allowing for the artificial depression of the 1975 and 1981 figures for National Government Service there was, in the National Government Service and Local Government parts of the public sector and in the public sector as a whole, a relative drop in pay compared with the private sector over the latter half of the period of comparison both among men and among women. But over the whole period, only the average earnings of women declined relative to the private sector, presumably as a result at least in part of the effects of equal pay legislation. In National Government Service, it is estimated that once allowance is made for the exclusion of the 1981 pay settlement from the 1981 NES for most non-industrial civil servants and for the effects of industrial action, average earnings of non-manual women, expressed as a percentage of those in the private sector decreased by about 12 percentage points between 1970 and 1981 whereas those for men increased by about 5 percentage points, resulting in a net drop of 3 percentage points for men and women combined. Put another way and allowing for the change of settlement date for the non-industrial Civil Service the annual percentage increase in average earnings for all non-manuals in National Government Service was 14.5% between 1970 and 1981 compared with 15.2% for all non-manuals in the private sector, but for men the corresponding figures are 14.9% and 13.4% respectively and for women 15.0% and 15.3%. Because of the move to equal pay (see paragraph 6) it is the figures for men which are the better indication of the underlying trend.

11. It should be noted that all these figures are highly sensitive to the period of comparison chosen. 1970, the earliest year for which data are available, was at the end of a cycle of incomes policies when non-industrial Civil Service pay was relatively depressed? While 1981 was a year in which comparability played no part in the determination of Civil Service pay.

Movements in pay rates

12. At the specific request of the Committee, tables 4-6 give for those major non-industrial Civil Service grades whose pay was formerly directly determined by pay research, detailed figures from 1946

onwards^φ on relative trends in Civil Service scale maxima compared with general movements in pay and prices, as measured by the basic wage rates index (from 1946), non-manual male earnings (from 1955) and the Retail Prices Index. For brevity figures are given for only a selection of the earlier years. The relationship between scale maxima, pay and prices was generally stable between 1946 and 1956, and the picture would therefore be broadly similar if 1956 (when pay research was introduced) was taken as the starting point.

13. The task of assessing relative movements in pay for the years before 1955 is made difficult by the lack of suitable statistical material; in particular, there is no satisfactory data on earnings. It should be borne in mind that the civil service data in tables 4-6 relates specifically to those on scale maxima. A comparison of the earnings data for the 1970's with movements in scale maxima over the same period suggests that the latter may provide a reliable proxy for earnings only for those more senior grades where the majority are at or near the maximum of the pay scale and where there are no overtime earnings. It would therefore be hazardous to assume that movements in scale maxima are a reliable indication of movements in earnings for all civil service grades.

14. The comparisons are subject to a number of other important qualifications and these are detailed in the footnotes to the tables. The two major points are:-

a. The wage rates index relates solely to manual workers and to nationally negotiated minimum entitlements which do not necessarily reflect either actual rates of pay or earnings. No consistent series is available going back to 1946 for non-manual workers' pay rates or earnings or for the earnings of non-industrial civil servants. But data for later years suggests that, if anything, non-manual earnings have increased slightly faster than minimum wage rates for manual workers and that in the 1960s and 1970s earnings in the non-industrial Civil Service as a whole may have increased faster than scale maxima.

^φ Tables 3-5 are extended and updated versions of tables published in Geoffrey Fry's article "Civil Service Salaries in the Post-Priestley Era 1956-1972", Public Administration, 1972. Records of pay scales before 1946 are incomplete.

b. Some Civil Service grades have been restructured over the period of the comparison while others have been merged or assimilated into others. This introduces an element of discontinuity.

15. The pattern of pay settlements in the Civil Service has been affected by the impact and timing of successive incomes policies of previous Governments. This has to be taken into account in comparing movements over particular periods. It is illustrated by the relatively large increases awarded to non-industrial civil servants in 1975 and 1979 following periods of incomes policy. Nonetheless, apart from a marked reduction in scale maxima in real terms in the Phases I to III incomes policy years of 1975 to 1978, the broad picture to emerge is of increases in Civil Service scale maxima at least matching and often exceeding price increases over most of the period of the comparison. This is seen from graph B which plots from 1946 onwards selected pay scale maxima in real terms (that is after deflating by the Retail Price Index), with 1970=100. Over the post-war period as a whole the Clerical Officer, Executive Officer, Principal and Assistant Secretary scale maxima have risen by 1121%, 1088% and 1164% and 1166% respectively (showing a diversity of increases) compared with a rise of 1484% in the basic wages index and 911% in the index of retail prices.

16. On the basis of this data and the earlier data on earnings the post-war era can be divided into three periods:-

a. Up to 1955 - a period where because of lack of data on earnings comparisons can be made only between civil service scale maxima on the one hand and prices and the wages index on the other. A period of relatively low inflation when basic wage rates of manuals moved ahead of prices over the period as a whole and whilst the scale maxima of some Civil Service grades kept pace with inflation others did less well.

b. 1955 to 1970 - again a period of relatively low inflation where wages and salaries generally moved ahead of prices as did civil service earnings as a whole, as represented by the data on National Government Service, and non-manual earnings outside appear to have kept broadly in step, but where scale maxima lagged behind.

c. 1970 onwards - a period of relatively high inflation (prices rose on average by 13.5% per annum) when at times wages and earnings in the economy as a whole fell in real terms. The evidence on Civil Service scale maxima indicates that there were marked shifts in differentials between grades over the period. According to the NES data there were quite large divergencies in individual years between average earnings in the non-industrial Civil Service and average earnings of non-manual workers, in the private sector the divergence being most marked between 1975 and 1979 but recent gains have given non-manual males in the National Government Service a 5 percentage point lead over those in the private sector compared with the relative position in 1970.

The Higher Civil Service

17. In addition to the data on pay research grades, data is given in Table 7 on Higher Civil Service grades whose pay is currently set on the basis of recommendations by the Top Salaries Review Body (TSRB).

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Table 1 Increases in average weekly earnings (per cent per annum)

	National ¹ Government Service	Selected production industries and services ² (including public administration)	All ³ industries & services
<u>Full-time non-manual men</u>			
(October 1955-October 1969)	(5.8)	-	-
October 1959-October 1969	5.9	5.9	-
April 1970 to April 1981	14.4 ^x	-	14.8
<u>Full-time non-manual women</u>			
(October 1955-October 1969)	(5.8)	-	-
October 1959-October 1969	5.2	5.9	-
April 1970 to April 1981	14.5 ^x	-	16.3
<u>Total</u>			
(October 1955-October 1969)	(5.9)	(5.9)	-
October 1959-October 1969	5.8	5.8	-
April 1970 to April 1981	14.0 ^x	-	15.1

Notes: 1. 1955-1969: All administrative, technical and clerical staff in Minimum List Heading 901 (includes Post Office Head Office) [October surveys of the earnings of administrative, technical and clerical employees in certain industries.]

1970-1981: All non-manuals in Minimum List Heading 901 (Post Office Head Office excluded when created a Public Corporation) whose pay was not affected by absence [April New Earnings Surveys]

Table 1 Increases in average weekly earnings (per cent per annum) contd.

- Notes:
2. All industries and services covered by the October surveys of the earnings of administrative technical and clerical employees (1955-1969). National and local government; coal; gas; electricity; British Railways; British Transport docks; air transport; National Health Service; education (teachers); banking and insurance; manufacturing industries; and from 1959 onwards, mining and quarrying (except coal); construction and water supply. From 1963 includes also British Waterways and London Transport and from 1966, British Road services.
 3. New Earnings Survey (non-manual employees in all industries and services excluding those whose pay was affected by absence)
- ∕ It is estimated that after adjusting for the missing components of the 1981 non-industrial Civil Service pay settlement and for the distortions resulting from industrial action, the underlying figures for the National Government Service Category are:-

Men	14.9
Women	15.0
Total	14.5

Table 2 The ratio of average earnings of non-manuals in three public sector groups to average earnings of non-manuals in the private sector: 1970 to 1981 (1970 = 100)¹

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<u>Total public sector</u> ²												
Men	100	99.4	102.3	99.1	102.0	106.6	110.9	106.5	99.9	97.9	100.8	105.1
Women	100	96.2	100.4	95.2	93.7	99.9	103.1	97.5	92.8	90.2	91.4	94.3
Total	100	98.5	101.8	98.0	99.9	105.1	108.7	104.4	99.0	96.9	99.1	103.3
<u>National Government Service</u> ³												
Men	100	95.6	99.2	90.7	101.9	97.3 ⁶	107.2	101.6	96.2	92.8 ⁷	103.9 ⁸	99.9 ⁹
Women	100	93.0	101.6	88.6	100.9	89.1 ⁶	97.3	90.0	87.9	87.7 ⁷	94.1 ⁸	83.8 ⁹
Total	100	95.5	100.2	89.2	101.2	94.1 ⁶	102.1	96.6	92.1	88.6 ⁷	98.8 ⁸	92.2 ⁹
<u>Local Government</u> ⁴												
Men	100	98.8	102.4	101.2	101.2	107.0	111.0	105.4	98.1	95.3	96.5	104.3
Women	100	94.6	98.4	85.5	91.9	96.3	99.2	94.3	89.8	84.8	83.3	92.2
Total	100	97.5	101.3	99.6	98.6	103.8	107.2	102.6	96.2	92.9	92.8	101.3
<u>Public Corporations</u> ⁵												
Men	100	100.3	102.7	100.4	102.4	110.3	110.7	109.0	102.5	103.1	104.1	109.2
Women	100	98.1	103.0	100.2	100.2	104.5	105.9	103.8	99.0	98.3	98.4	101.5
Total	100	99.2	102.5	100.7	101.5	106.9	107.8	106.3	102.4	103.3	103.4	108.5

Source: New Earnings Survey, 1970 to 1981

This table should be read in conjunction with the caveats given in paragraphs 6 and 8 and the footnotes overleaf

- Notes:
1. Comparisons are based on the average gross weekly earnings of full-time men aged 21 and over and full-time women aged 18 and over, whose pay during the survey period was not affected by absence. The figures for women and for men and women combined are distorted by the differential effects between the public and private sectors of the Equal Pay Act (1970) which came fully into force in December 1975.
 2. The public sector consists of Central Government, Local Government and Public Corporations. The National Government Service category is broadly Central Government less the NHS and replaces Central Government in this analysis because it is the closest proxy to the non-industrial Civil Service. The current breakdown does not cover the NHS and therefore does not cover all the public sector.
 3. National Government Service covers government departments and industrial establishments of Defence Departments but excludes government activities (such as hospitals, airports and air traffic control and government training centres) which can be classified into other industries, and staff in trading funds (PSA Supplies, Royal Mint, HMSO etc.)
 4. Local Government covers local government authorities (including education and trading authorities, police force, magistrates courts etc.)
 5. Public Corporations are the nationalised industries and other publicly - constituted trading organisations which have a substantial degree of financial independence. With nationalisation and denationalisation the composition of the group has changed over time.
 6. Figure depressed because the April 1975 settlement for non-industrial civil servants was implemented too late for inclusion in that year's Survey.
 7. Includes only the first stage of the 1979 non-industrial Civil Service settlement. For some specialist groups, notably scientists, and P&Ts, new pay rates were agreed too late for inclusion of even the first stage in that year's Survey.
 8. Includes the whole of the 1980 non-industrial Civil Service settlement despite deferment of most revised rates to 7 May (outside the survey period).
 9. Excludes the 1981 settlement for the bulk of non-industrial civil servants and figures distorted by industrial action. Allowing for this the 1981 figures would be about 105 for men, 88 for women and 97 for men and women combined.
 10. Annual Percentage changes in average earnings 1970 to 1976 and 1976 to 1981 after adjusting for the artificial depression of the 1981 National Government Service figures and for the change in the non-industrial Civil Service settlement date are as follows:-

	1970 to 1976			1976 to 1981			1970 to 1981		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
National Government Service	15.0	16.5	15.1	14.6	13.2	13.7	14.9	15.0	14.5
Local Government	16.4	17.6	16.7	13.7	13.9	13.7	15.2	15.9	15.3
Public Corporations	16.3	18.9	16.8	14.8	14.6	15.1	15.6	16.9	16.0
				15.1	15.5	15.0	13.4	15.3	15.2

TABLE 4 ADMINISTRATIVE (EXECUTIVE AND CLERICAL) PAY 1946-1981

GRADE	A 1946	B ^x 1950	% INC B OVER A	C 1952	% INC C OVER B	D 1953	% INC D OVER C	E 1955	% INC E OVER D	F 1956 Royal Comman	% INC F OVER E	% INC F OVER A	G 1958 PRU	% INC G OVER F	H 1964 PRU	% INC H OVER G
Assistant Secretary	1,650	1,950	18.2	2,050	5.1	2,150	4.9	2,250	4.7	2,650	17.8	60.6	3,350	26.4	4,300	28.4
Principal Executive Officer	1,550	1,850	19.4	1,950	5.4	2,050	5.1	2,150	4.9	2,350	9.3	51.6	3,000	27.7	3,800	26.7
Senior Principal (formerly SCEO)	1,280	1,435	12.1	1,514	5.5	1,610	6.3	1,710	6.2	2,050	19.9	60.2	2,650	29.3	3,300	24.5
Principal	1,188	1,335	12.4	1,419	6.3	1,521	7.2	1,620	6.5	1,900	17.3	60.0	2,325	22.4	2,900	24.7
Chief Executive Officer	1,127	1,285	14.0	1,368	6.5	1,469	7.4	1,560	6.2	1,795	15.1	59.3	2,200	22.6	2,800	27.3
Senior Executive Officer	945	1,046	10.6	1,122	7.2	1,196	6.7	1,285	7.4	1,486	15.6	57.2	1,800	21.1	2,250	25.0
Higher Executive Officer	725	845	16.6	913	8.0	975	6.8	1,060	8.7	1,192	12.5	64.4	1,375	15.3	1,750	27.3
Executive Officer Age 25	600 -	680 415	13.3 -	744 456	9.4 9.9	780 480	4.8 5.3	850 523	9.0 9.0	980 610	15.3 16.6	63.3 -	1,110 735	11.3 20.5	1,360 905	22.5 23.1
Clerical Officer	418	485	16.0	534	10.1	555	3.9	610	9.9	675	10.7	61.5	765	13.3	935	22.2
Wages Index	JAN 46 60.2	OCT 50 70.9	17.8	JAN 52 81.2	14.5	JAN 53 85.8	5.7	JULY 55 97.8	14.0	APR 56 105.0	7.4	74.4	OCT 58 115.9	10.4	JAN 64 138.2	19.2
Average Earnings								OCT 55 93.2		OCT 56 100	-	-	OCT 58 110.5	10.5	OCT 64 153.5	38.9
Retail Price Index	28.9	33.3	15.2	38.2	14.7	39.9	4.5	43.4	8.8	45.3	4.4	56.7	48.5	7.1	54.6	12.6

Footnotes 1. For all three tables figures for some earlier years have not been given in order to save space. Also there are no entries for 1976 and 1977 as there were no increases in basic pay in these years.

In 1976 a supplement was payable of £4.00 per week for those aged 16 and under, £5.00 per week for those aged 17, and £6.00 per week for all others earning less than £8,500.

In 1977 an additional supplement was payable to all non-industrial Civil Servants. The supplement was 5% of total earnings subject to a maximum of £4.00 per week and minima of £1.95 per week for those aged 16, £2.15 per week for those aged 17 or £2.50 per week for those aged 18 or over.

2. A 'Central Pay Increase (CPI) was awarded to grades not covered by the Pay Research Unit Reports in that year. (Generally speaking, Pay Research used to be held every 4 years and did not cover all grades eg in 1964 only Administrative, Executive, Tax Officer and some GPO grades were in Pay Research.)

A 'General Pay Increase' (GPI) covers all other types of increases in years when there is no Pay Research at all.

3. Salaries shown for 1946 onwards are for Intermediate Centres (ie London salaries with a deduction) from 1957 onwards 'National' rates are shown.

4. The Wages Index used is the Index of Basic Weekly rates of wages for all manual workers in all industries and services. It relates to nationally negotiated minimum rates of pay.

5. Average Earnings are for male non-manual workers.

6. At 7.5.80, the 25 year age point for EO disappeared.

7. The grade of Senior Chief Executive Officer was renamed Senior Principal 1.1.71

8. Column B. Rates for SEO, HEO and EO are payable from 1.1.51 corresponding values of the Wages and Prices Indices are as follows:

Wages Index 73.9 22.8% inc
Retail Prices 33.8 17.0% inc

9. Column Q. Rates for AS and SP show the first stage only. The second stage in November 1974 increased AS to £8850 pa and SP to £7050 pa.

10. Column X. Rates for AS and SP are payable from 1.4.80. Corresponding values of the Wages and Prices indices are as follows:

Wages Index 851.8 6.1% inc

TABLE 4 (continued)

GRADE	J 1969 PIRU	% INC J OVER H	K 1970 GPI	% INC K OVER J	L 1971 PIRU	% INC L OVER K	M 1972 GPI	% INC M OVER L	N 1973 GPI	% INC N OVER M	P 1973 PIRU	% INC P OVER N	Q ⁹ 1974 GPI	% INC Q OVER P	R 1975 PIRU	% INC R OVER Q	
Assistant Secretary	4,950	15.1	5,640	13.9	6,300	11.7	7,276	15.5	7,476	2.7	7,988	6.8	8,338	4.4	10,570	26.8	
Principal Executive Officer	4,950	30.3	5,640	13.9	Merged with Assistant Secretary w.e.f. 1.1.71												
Senior Principal	4,000	21.2	4,555	13.9	5,200	14.2	5,564	7.0	5,764	3.6	6,232	8.1	6,582	5.6	8,890	35.1	
Principal	3,425	18.1	3,902	13.9	4,400	12.8	4,708	7.0	4,908	4.2	5,425	10.5	5,775	6.5	7,115	23.2	
Chief Executive Officer	3,400	21.4	3,873	13.9	Merged with Principal w.e.f. 1.1.71												
Senior Executive Officer	2,720	20.9	3,099	13.9	3,400	9.7	3,638	7.0	3,796	4.3	4,245	11.8	4,542	7.0	5,628	23.9	
Higher Executive Officer	2,100	20.0	2,392	13.9	2,625	9.7	2,809	7.0	2,951	5.4	3,350	13.1	3,585	7.0	4,477	24.9	
Executive Officer Age 25	1,610 1,100	18.4 21.5	1,835 1,253	14.0 13.9	2,000 1,350	9.0 7.7	2,150 1,451	7.5 7.5	2,289 1,563	6.4 7.7	2,600 1,780	13.6 13.9	2,782 1,905	7.0 7.0	3,492 2,425	25.5 27.3	
Clerical Officer	1,100	17.6	1,253	13.9	1,385	10.5	1,489	7.5	1,601	7.5	1,760	9.9	1,883	7.0	2,409	27.9	
Wages Index	JAN 69 176.0	27.5	APR 70 191.4	8.8	JAN 71 213.8	11.7	JAN 72 238.9	11.7	APR 73 272.2	16.9	NOV 73 300.6	7.7	JAN 74 306.9	2.1	JAN 75 396.5	29.2	
Average Earnings	OCT 79 209.4	36.4	APR 70 223.5	6.7	APR 71 250.9	12.3	APR 72 280.1	11.7	APR 73 309.2	10.4	APR 73 309.2	nil	APR 74 348.2	12.6	APR 75 435.3	25.0	
Retail Prices	67.3	23.3	72.5	7.7	76.6	5.7	82.9	8.2	88.1	11.1	92.1	nil	100.0	8.6	129.1	29.1	

TABLE 4 (continued)

GRADE	S 1975 PRU	% INC S OVER R	T 1978 GPI	% INC T OVER S	U 1.4.79	V 1.8.79 PRU	W 1.1.80	% INC W OVER T	X ¹⁰ 7.5.80 PRU	% INC X OVER W	Y 1.4.81 GPI	% INC Y OVER X	% INC Y OVER A (post- war)	% INC Y OVER F (post- Priestley)
Assistant Secretary	11,000	4.0	12,273	11.6	13,378	13,991	17,000	38.5	19,500	14.7	20,895	7.2	1166.4	688.5
Principal Executive Officer														
Senior Principal	9,350	5.2	10,809	15.6	11,782	12,322	15,000	38.8	17,500	16.7	18,755	7.2	1365.2	814.9
Principal	7,450	4.7	8,729	17.2	9,515	9,951	11,750	34.6	14,000	19.1	15,010	7.2	1163.5	790.0
Chief Executive Officer														
Senior Executive Officer	5,900	4.8	7,032	19.2	7,665	8,016	8,900	26.6	10,500	18.0	11,265	7.3	1092.1	658.1
Higher Executive Officer	4,700	5.0	5,718	21.7	6,233	6,519	7,250	26.8	8,555	18.0	9,184	7.4	1166.8	670.5
Executive Officer Age 25	3,670 2,555	5.1 5.4	4,579 3,297	24.8 29.0	5,043 3,646	5,272 3,811	5,700 4,250	24.5 28.9	6,745 -	18.3 -	7,247 -	7.4 -	1087.8 -	639.5 -
Clerical Officer	2,540	5.4	3,280	29.1	3,627	3,791	4,000	22.0	4,740	18.5	5,102	7.6	1120.6	655.9
Wages Index	APR 75 421.9	6.4	APR 78 645.0	52.9	APR 79 721.6	AUG 79 749.0	JAN 80 830.6	28.8	MAY 80 866.5	4.3	APR 81 953.8	10.1	1484.4	808.4
Average Earnings	APR 75 435.3	nil	APR 78 641.2	47.3	APR 79 719.8	12.3	-	-	APR 80 899.9	25.0	APR 81 1016.4	12.9	-	916.4
Retail Prices	129.1	nil	194.6	50.7	214.2	230.9	245.3	26.1	263.2	7.3	292.2	11.0	911.1	545.0

TABLE 5 SCIENTIFIC PAY 1946-1981

	A	B	% inc B over A	C	% inc C over B	D	% inc D over C	E	% inc E over D	% inc E over A	F	% inc F over E	G	% inc G over F	H	% inc H over G	J	% inc J over H	K	% inc K over J	L	% inc L over K	M	% inc M over L
	1946	1952		1953		1955		1956 Royal Commission			1957		1958 PRU		1961 PRU		1964 Admin Conseq		1969 Admin Conseq		1970		1971 PRU merged	
Principal Scientific Offr (OLD STYLE)	1188	1420	19.5	1521	7.1	1620	6.5	1900	17.3	60.0	2000	5.3	2325	3.5	2418	4.0	2900	19.9	3425	18.1	3902	13.9	4100	5.1
Senior Scientific Offr (OLD STYLE)	820	999	21.8	1120	12.1	1209	7.9	1305	7.9	59.1	1370	5.0	1590	3.6	1654	4.0	2012	21.6	2372	17.9	2703	14.0	3255	20.0
Scientific Officer	575	692	20.3	835	20.7	905	8.4	1028	13.6	78.8	1080	5.1	1175	3.7	1222	4.0	1470	20.3	1740	18.4	1982	13.9	2090	5.4
Chief Experimental Officer		1291		1415	9.6	1560	10.2	1795	15.1	39.0	1885	5.0	2200	3.4	2288	4.0	2800	22.4	3400	21.4	3873	13.9	4100	5.9
Senior Experimental Officer	872	1046	20.0	1196	14.3	1285	7.4	1486	15.6	70.4	1555	4.6	1800	3.5	1872	4.0	2250	20.2	2720	20.9	3099	13.9	3255	5.0
Experimental Officer	625	768	22.9	870	13.3	940	8.0	1105	17.6	76.8	1160	5.0	1285	10.8	1336	4.0	1618	21.1	1910	18.0	2177	13.9	2350	7.9
Assistant Experimental Officer	418	571	36.6	630	10.3	685	8.7	785	14.6	87.8	830	5.7	945	13.9	983	4.0	1160	18.0	1385	19.4	1578	13.9	1900	20.4
Senior Scientific Assistant	—	692	—	730	5.5	795	8.9	930	17.0	—	980	5.4	1040	6.1	1082	4.0	1269	17.3	1560	22.9	1777	13.9	1866	5.0
Scientific Assistant	—	485	—	505	4.1	560	10.9	620	10.7	—	650	4.8	695	6.9	780	12.2	920	17.9	1100	19.6	1253	13.9	1395	11.3
Wages Index	JAN 46	JAN 52	34.9	AUG 53	7.6	JUL 55	11.9	APR 56	7.4	74.4	OCT 57	6.5	OCT 58	10.4	JAN 61	6.6	JAN 64	11.9	JAN 69	21.0	APR 70	14.5	JAN 71	11.7
Average Earnings	—	—	—	—	—	OCT 55 93.2	—	OCT 56 100.0	—	—	OCT 57 106.9	6.9	OCT 58 110.5	3.4	OCT 61 130.8	18.4	OCT 64 153.5	17.4	OCT 68 194.5	26.7	APR 70 223.5	14.9	APR 71 250.9	12.3
Retail Prices Index	28.9	38.2	32.2	40.5	6.0	43.4	7.2	45.6	5.1	57.8	47.5	4.2	48.5	2.1	49.8	2.7	54.6	9.6	63.4	16.1	72.5	14.4	76.6	5.7

Footnote: With effect from 1.1.71 the following restructuring occurred.

Chief Experimental Officer was merged with PSO (old style) which was renamed PSO (new style).
 Senior Experimental Officer was merged with SSO (old style) which was renamed SSO (New style).
 Experimental Officer was renamed HSO.
 Assistant Experiment Officer and Senior Scientific Assistant + SO (old style) were merged to become SO (New style).
 Scientific Assistant renamed ASO.

TABLE 5 continued

	N 1972 CPS	% inc N over N	P 1.4.73 GPI	% inc P over N	Q 1.11.73 GPI	% inc Q over P	R 1974 OPI	% inc R over Q	S 1.1.75 PRU	% inc S over R	T 1.4.75 PRU	% inc T over S	U 1978 GPI	% inc U over T
Principal Scientific Offr (old/new style)	4387	7.0	4575	4.3	5200	13.7	5550	6.7	6874	23.9	7205	4.8	8461	17.4
Senior Scientific Offr (new/old style)	3483	7.0	3640	4.5	4150	14.0	4441	7.0	5511	24.1	5778	4.8	6898	19.4
Scientific Officer (old/new style)	2043	7.0	2177	6.6	2500	14.8	2675	7.0	3357	25.5	3527	5.1	4415	25.2
Chief Experimental Officer	Merged with Principal Scientific Officer													
Senior Experimental Officer	Merged with Senior Scientific Officer													
Experimental Officer Now Higher Scientific Officer	2515	7.0	2667	6.0	3150	18.1	3371	7.0	4237	25.7	4454	5.1	5448	22.3
Assistant Experimental Officer	See Scientific Officer													
Senior Scientific Assistant	"	"	"											
Scientific Assistant Now Assistant Scientific Officer	1500	7.5	1612	7.5	1775	10.1	1899	7.0	2428	27.9	2560	5.4	3303	29.0
Wages Index	JAN 72 238.9	11.7	April 73 279.2	16.9	NOV 73 300.6	7.7	JAN 74 306.9	2.1	JAN 75 396.5	29.2	APR 75 421.9	6.4	APR 78 645.0	52.9
Average Earnings	APR 72 280.1	11.6	APR 73 309.2	10.4	-	-	APR 74 349.2	13.6	-	-	APR 75 435.3	25.0	APR 78 641.2	47.3
RPI	82.9	8.2	92.1	11.1	97.4	5.6	100.0	3.7	119.9	19.9	129.1	7.7	194.6	50.7

TABLE 5 continued

	V 1.4.79	W 1.8.79 PRU	X 1.1.80	% inc X over U	Y 7.5.80 PRU	% inc Y over X	Z 1.1.81 GPI	% inc Z over Y	% inc Z over A	% inc Z over E
Principal Scientific Offr (old/new style)	9222	9646	11343	34.1	12540	10.6	13418	7.2	1032.0	Post Priestley 607.8
Senior Scientific Offr (new/old style)	7519	7864	8705	26.2	9619	10.5	10322	7.3	1358.8	691.0
Scientific Officer (old/new style)	4865	5085	5486	24.3	6480	18.1	6951	7.5	1112.0	577.9
Chief Experimental Officer	Merged with Principal Scientific Officer									
Senior Experimental Officer	Merged with Senior Scientific Officer									
Experimental Officer Now Higher Scientific Officer	5938	6211	6737	23.7	7999	18.7	7593	7.4	1274.2	677.3
Assistant Experimental Officer	See Scientific Officer									
Senior Scientific Assistant	"	"	"							
Scientific Assistant Now Assistant Scientific Officer	3652	3818	4030	22.0	4999	24.0	5379	7.6	-	767.6
Wages Index	APR 79 721.6	AUG 79 749.0	JAN 80 830.6	28.7	MAY 80 866.5	1.3	APR 81 953.8	10.1	1484.4	808.3
Average Earnings	APR 79 719.8	12.3			APR 80 899.9	25.0	APR 81 1015.4	12.9		
RPI	214.2	230.9	245.3	26.1	263.2	7.3	332.2	11.1	911.1	540.8

TABLE 6 PROFESSIONAL AND TECHNOLOGY PAY 1946-1981

	A 1946	B 1952	% Inc B over A	C 1953	% Inc C over B	D 1955	% Inc D over C	E 1956 Royal Comman	% Inc E over D	% Inc E over A	F 1958 CSAT	% Inc F over E	G 1965	% Inc G over F	H 1969	% Inc H over G	J 1970	% Inc J over H	K 1971 GPI	% Inc K over J	L 1972 CPS	% Inc L over K	
Senior Grade - Works Group (Now PPTO)	1110	1493	33.3	1526	2.2	1625	6.5	1900	16.9	69.6	2300	21.1	3000	30.4	3431	14.4	3843	12.0	4208	9.5	4760	13.1	
Main Grade - Works Group (Now PTO I)	880	1240	40.9	1280	3.2	1375	7.4	1590	15.6	80.7	1875	17.9	2425	29.3	2774	14.3	3101	11.2	3396	9.5	3760	10.7	
Basic Grade - Works Group (Now PTO II)	635	950	49.6	980	3.2	1065	8.7	1160	8.9	82.7	1375	18.5	1830	33.1	2093	14.4	2359	12.7	2583	9.5	2910	12.7	
Technical Grade I	735	871	18.5	930	6.8	1019	9.6	1160	13.8	57.8	1335	15.1	1780	33.3	2035	14.3	2359	15.9	2583	9.5	2910	12.7	
Technical Grade II	610	718	17.7	761	6.0	830	9.1	960	15.6	57.4	1085	13.0	1440	32.7	1646	14.3	1897	15.2	2077	9.5	2390	15.1	
Technical Grade III	510	613	20.2	655	6.9	710	8.4	810	14.1	58.8	950	17.3	1240	30.5	1418	14.3	1643	15.9	1799	9.5	2090	16.2	
Sen Draughtsman	735	871	18.5	930	6.8	1019	9.6	1130	10.9	53.7	1395	23.5	1815	30.1	2076	14.3	2359	13.6	2583	9.5	2910	12.7	
Leading Draughtsman	610	713	17.7	761	6.0	830	9.1	905	9.0	48.4	1115	23.2	1430	28.3	1790	25.2	1897	6.0	2227	17.4	2390	7.3	
Basic Draughtsman	510	613	20.2	655	6.9	710	8.4	770	8.5	51.0	955	24.0	1220	27.8	1550	27.1	1643	6.0	1999	21.7	2090	4.6	
Wages Index	Jan 46 60.2	Jan 52 81.2		Aug 53 87.4		July 55 97.8		Apr 56 105.0			Oct 58 115.9		July 147.6		Jan 69 176.0		Jan 70 186.8		Jan 71 213.8		Jan 72 238.9		
Average Earnings						Oct 55 93.2		Oct 56 100.0			Oct58 110.5		Oct 65 166.7		Oct 69 209.4		Apr 70 223.5		Apr 71 250.9		Apr 72 280.1		
RPI	28.9	38.2	32.2	40.5	6.0	43.4	7.2	45.6	5.1	57.8	48.5	6.4	58.8	21.2	67.3	14.5	70.6	1.9	76.6	8.5	82.9	8.2	

Footnote: With effect from 1 1 72 the following restructuring took place:

Senior Grade - Works Group was renamed PPTO;

Main Grade - Works Group was renamed PTO I

Technical Grade I, Senior Draughtsman had identical scales and were merged with Basic Grade (Works Group) and remained PTO II

Technical Grade II and Leading Draughtsman had identical scales and were merged to become the new grade of PTO III

Technical Grade III and Basic Draughtsman had identical scales and were merged to become the new grade of PTO IV

TABLE 6 continued

	M 1973 PRU	% Inc M over L	N 1974 PRU	% Inc N over M	O 1975 PRU	% Inc O over N	P 1975 PRU	% Inc P over O	Q 1978 GPI	% Inc Q over P	R 1.4.79	S 1.8.79 PRU	T 1.1.80	% Inc T over Q	U 7.5.80 PRU	% Inc U over T	V 1.4.81 GPI	% Inc V over U	% Inc V over A	% Inc V over E Post Priestley
Senior Grade Works Group (Now PPTO)	4960	4.2	5850	17.9	7130	21.9	7450	4.5	8729	17.2	9515	9951	11021	26.3	13200	19.8	14154	7.2	1153.8	644.9
Main Grade Works Group (Now PTO I)	3923	4.3	4198	7.0	5669	35.0	5930	4.6	7061	19.1	7700	8053	8601	21.8	10200	18.6	10944	7.3	1143.6	588.3
Basic Grade Works Group (Now part of PTO II)	3062	5.2	3611	17.9	4498	24.6	4720	4.9	5739	21.6	6256	6542	6901	20.2	8100	17.3	8697	7.4	1269.6	649.7
Technical Grade I + Senior Draughtsman (both now part of PTO II)	3062	5.2	3611	17.9	4498	24.7	4720	4.9	5739	21.6	6256	6542	6901	20.2	8100	17.3	8697	7.4	1083.3	649.7
Technical Grade II Leading Draughtsman (Both now PTO III)	2538	6.2	2993	17.9	3739	24.9	3925	4.9	4869	21.1	5307	5551	5820	19.5	6900	18.6	7413	7.4	1115.2	672.2
Technical Grade III Basic Draughtsman (Both now PTO IV)	2226	6.5	2625	17.9	3285	25.1	3450	5.0	4326	25.1	4768	4984	5253*	21.4	6300	19.9	6771	7.5	1227.6	735.9
Age 25	1805	-	2122	17.6	2652	25.0	2785	5.0	3562	27.2	3935	4113	-	-	-	-	-	-	-	-
Ages Index	Apr 73 279.2	16.9	Jan 74 306.9	9.9	Jan 75 396.5	29.2	Apr 75 421.9	6.4	Apr 78 645.0	57.1	Apr 79 721.6	Aug 79 749.0	Jan 80 830.6	28.7	May 80 866.5	4.3	Apr 81 953.8	10.1	1484.4	808.3
Average Earnings	Apr 73 309.2	10.4	Apr 74 348.2	12.6	348.2	-	Apr 75 435.3	25.0	Apr 78 641.2	47.3	Apr 79 719.8	12.3	Apr 79 719.8	-	Apr 80 899.9	25.0	Apr 81 1016.4	12.9	-	916.4
PI	92.1	11.1	100.0	8.6	119.9	19.9	129.1	7.7	194.4	50.7	214.2	230.9	245.3	26.1	263.2	7.3	292.2	11.1	911.1	540.8

*At 1.1.80 the 25 year age point for PTO IV disappeared

TABLE 7 HIGHER CIVIL SERVICE PAY 1946-1981

GRADE	A 1946	B 1950 Chorley Commn	% inc B over A	C 1953	% inc C over B	D 1956 Priestley Commn	% inc D over C	% inc D over A	E 1959 SAC	% inc E over D	F 1961	% inc F over E	G 1963 SAC	% inc G over F	H 1965	% inc H over G	J 1969	% inc J over H
Permanent Sec to Treasury, Secretary to Cabinet, Head of Home Civil Service	-	-	-	-	-	-	-	-	7450	-	7450	nil	8800	18.1	9200 ³	4.5	10400	13.0
Permanent Secretary	3450	4450	30.0	4450	nil	5950	33.7	72.5	6950	16.8	6950	nil	8200	18.0	8600 ³	4.9	9800	14.0
Second Perm Sec	-	-	-	-	-	-	-	-	-	-	-	-	7700	-	8100 ³	5.2	9300	14.8
Deputy Secretary	2450	3200	30.6	3200	nil	4200	31.3	71.4	4950	17.9	4950	nil	5800	17.2	6300 ³	8.6	7100	12.7
Under Secretary	1950	2450	25.6	2550	4.1	3350	31.4	71.8	3750	11.9	4050	8.0	4700	16.1	5250	11.7	6000	14.3
Wages Index (End of month)	Jan '46	Oct '50		Jan '53		April '56			Feb '59		Jan '61		Aug '63		Sept '65		July '69	
	60.2	70.9	17.7	85.8	21.0	105.0	22.4	74.4	116.6	11.0	123.5	5.9	134.5	8.9	148.0	10.0	178.3	20.5
Retail Prices (Mid-month)	29.0	33.3	14.8	39.9	19.8	45.6	14.3	53.1	48.9	7.2	49.8	1.8	53.7	7.8	58.9	9.7	68.9	17.0
Average Earnings (October)						100	-	-	117.6	17.6	130.8	11.2	145.2	11.0	166.7	14.8	209.4	25.6

Footnotes:

- Figures for some earlier years have not been given in order to save space. There are no entries for 1976 and 1977 as there was no increase to basic pay for those grades in these years. In 1976 a supplement was paid to those earning less than £8500 and in 1977 an additional supplement was paid to all non-industrial Civil Servants. For the grades in this table the 1977 supplement was 5% of total earnings subject to a maximum of £4 per week (£208.80 pa).
- Salaries shown for 1946 onwards are for Intermediate Centres (ie London salaries with a £50 deduction), from 1957 onwards 'National' rates are shown.
- From September 1965 these grades were no longer eligible for London Weighting.
- Following a recommendation by the Priestley Commission, the 'Standing Advisory Commission' (SAC) was set up in 1957 to advise on rates of pay for the Higher Civil Service. This was replaced by the Top Salaries Review Body (TSRB) which was set up in 1971 and made its first report on the Higher Civil Service in 1972.
- The Wages Index used is the Index of Basic Weekly Rates of Wages for all manual workers in all industries and services. It relates to nationally negotiated minimum rates of pay.
- Average Earnings are for male non-manual workers.
- Figures in brackets are TSRB recommendations which have not fully implemented.

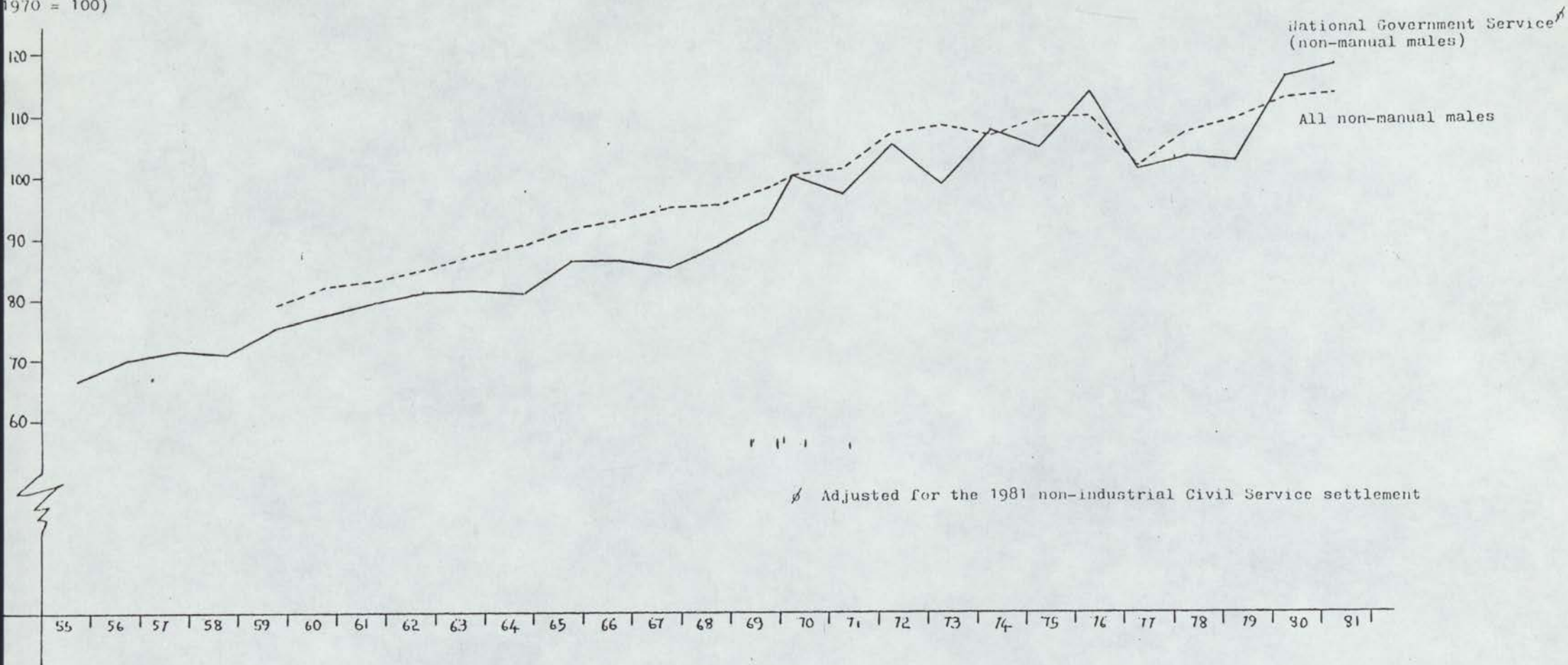
TABLE 7 (Continued)

GRADE	K 1970	% inc K over J	L 1971 SAC	% inc L over K	M 1972 TSRB2	% inc M over L	N 1973 TSRB3	% inc N over M	P 1974 TSRB4	% inc P over N	Q 1975 TSRB6	% inc Q over P	R 1978 TSRB 10	% inc R over Q	S 1979 TSRB 11	% inc S over R	T 1980 TSRB 14	% inc T over S	U 1981 TSRB 16	% inc U over T	% inc U over A (post-War)	% inc U over D (post- Priestley)	
Permanent Sec to Treasury, Secretary to Cabinet, Head of Home Civil Service	12700	22.1	15000	18.1	16750	11.7	17000	1.5	17350	2.1	20175 (23000)	16.3	22422 (28000)	11.1	28211 (31000)	25.8	33500 (37000)	18.7	35845 (37000)	7.0	-	-	
Permanent Secretary	11900	21.4	14000	17.6	15750	12.5	16000	1.5	16350	2.2	18675 (21000)	14.2	20772 (26000)	11.2	25886 (28500)	24.6	31000 (34000)	19.8	33170 (34000)	7.0	861.4	457.5	
Second Perm Sec	11150	19.9	13000	16.6	14750	13.5	15000	1.7	15350	2.3	17175 (19000)	11.9	19122 (23500)	11.3	23811 (26000)	24.5	28500 (31000)	19.7	30495 (31000)	7.0	-	-	
Deputy Secretary	8050	13.4	9000	11.8	10500	16.7	10750	2.3	11100	3.3	14000 (15000)	26.1	15629 (20000)	11.6	20314 (22500)	30.0	24500 (27000)	20.6	26215 (27000)	7.0	970.0	524.2	
Under Secretary	6510	8.5	6750	3.7	8250	22.2	8500	3.0	9000	5.9	12000 (12000)	33.3	13429 (16000)	11.9	16714 (18000)	24.5	20500 (23500)	22.7	21935 (23500)	7.0	1024.9	585.5	
Wages Index (End of month)	July '70		Jan '71		Jan '72		April '73		Jan '74		Jan '75		Jan '78		April '79		April '80		April '81				
	196.5	10.2	213.8	8.8	238.9	11.7	279.2	16.9	306.9	9.9	396.5	29.2	590.3	48.9	721.6	22.2	853.8	18.3	953.8	11.7	1484.3	808.4	
Retail Prices (Mid-month)	73.5	6.8	76.6	4.2	82.9	8.2	92.1	11.1	100.0	8.6	111.2	19.9	189.5	58.0	214.2	13.0	260.8	21.8	292.2	12.0	856.2	524.5	
Average Earnings (April)	223.5	6.7	250.9	12.3	280.1	11.6	309.2	10.4	348.2	12.6	415.3	25.0	641.2	47.3	719.8	12.3	899.9	25.0	1016.4	12.9	-	916.4	

GRAPH A

COMPARISON OF AVERAGE EARNINGS OF NON-MANUAL MALES IN NATIONAL GOVERNMENT SERVICE SINCE 1955 WITH AVERAGE EARNINGS OF ALL NON-MANUAL MALES SINCE 1959 IN "REAL" TERMS (DEFLATED BY THE RETAIL PRICE INDEX) (1970 = 100)

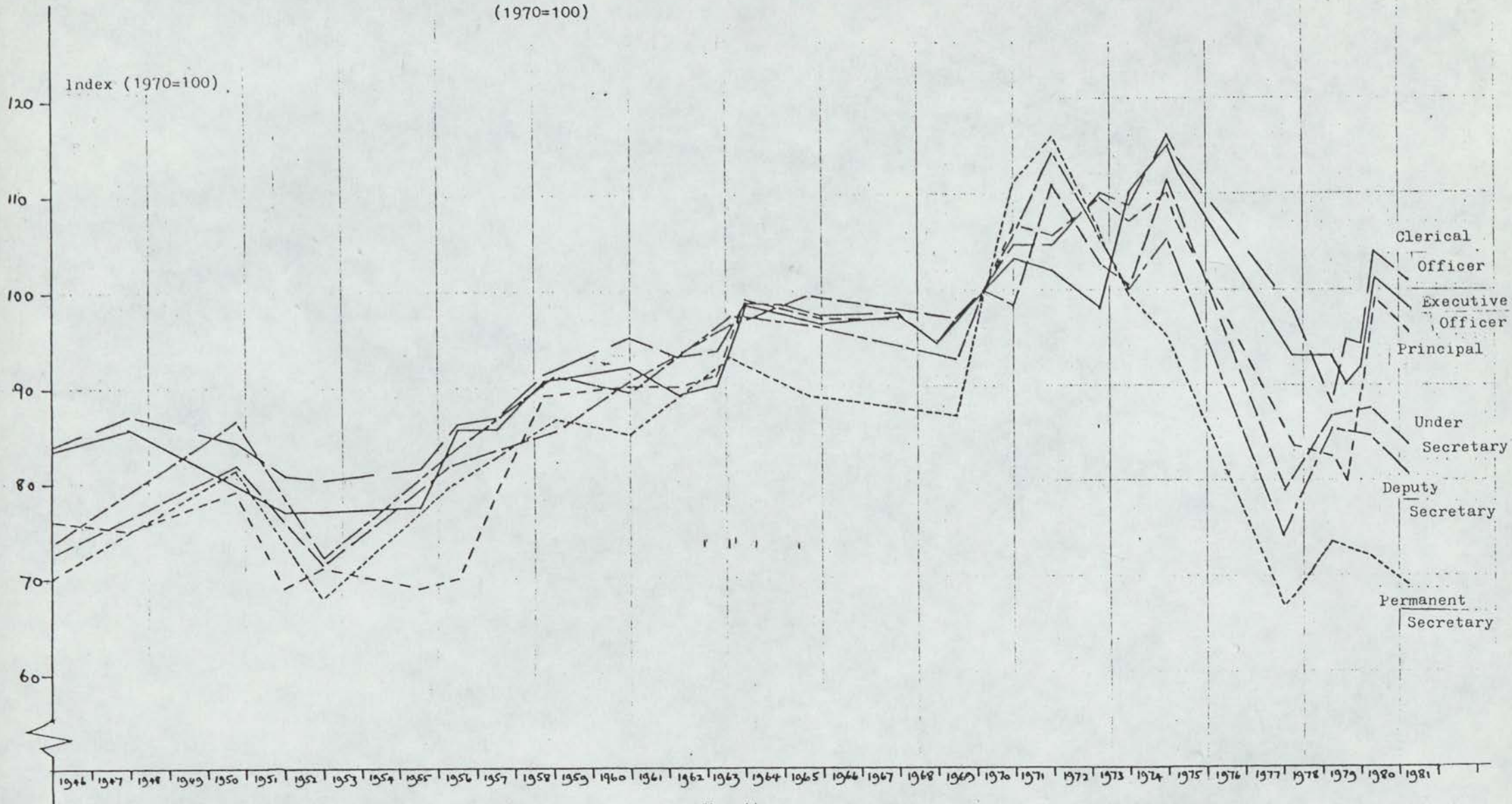
(Index
1970 = 100)



Adjusted for the 1981 non-industrial Civil Service settlement

GRAPH B

PERMANENT SECRETARY, DEPUTY SECRETARY, UNDER SECRETARY FLAT RATE
SALARIES AND PRINCIPAL, EXECUTIVE OFFICER AND CLERICAL OFFICER SCALE
MAXIMA IN "REAL" TERMS (DEFLATED BY RETAIL PRICE INDEX): 1946-1981
(1970=100)



CONFIDENTIAL



MINISTRY OF DEFENCE
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Telephone 01-~~9307072~~ 218 2111/3

MO 25/17/6

8th December 1981

Dear Michael

INQUIRY INTO CIVIL SERVICE PAY -
MOD EVIDENCE

/ I am enclosing the draft MOD paper for the Megaw Committee. This is in response to their request for the views of the major Departments, both on the previous pay system and on changes for the future. It has been prepared taking full account of the "Issues" memorandum, which sets out the Government's broad approach to the Inquiry.

The draft has been cleared through the Interdepartmental Group. I should be grateful to know if there are any points which the Prime Minister would wish to make on the draft evidence and whether other Ministers are content. In the absence of comments by the 15th December we will proceed with our submission to the Committee.

I am copying this letter and its enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Employment and for Health and Social Services, the Attorney General, the Chancellor of the Duchy of Lancaster and to Sir Robert Armstrong.

Yours sincerely
Mich Evans

(N H R EVANS)

M Scholar Esq

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THE COMMITTEE OF INQUIRY INTO PAY ARRANGEMENTS

OF THE NON-INDUSTRIAL CIVIL SERVICE

EVIDENCE by the MINISTRY of DEFENCE

I. INTRODUCTION

1. The Ministry of Defence has the largest number of civil servants - about half of whom are industrial workers - and a very wide range of tasks. Its non-industrial numbers have come down from just over 130,000 in April 1975 to the present strength of some 111,000 (1 October 1981). They are due to reduce further by April 1984 and beyond, as tasks change and from increased efficiency. But the Department is expected to continue as the largest employer of civil servants. Its tasks are described in Section II. Particular problems it faces are reviewed in Section III, and Section IV discusses the issues which the Department sees as important for the future.

II. MOD TASKS

2. Details of the civil servants employed are given in Appendix A, covering strengths, a functional analysis, location in the UK and overseas, and occupational recruitment and losses in recent years.

3. Key points about MOD non-industrial civil servants are:-

- a. They work alongside the all-volunteer Armed Forces in vital functions; in operational areas; in the Procurement Executive and in discrete organisations (Table 5.2 in Appendix A illustrates the spread of activities).

- b. They are stationed throughout the UK and overseas (see Tables 5.4 and 5.5 of Appendix A), on the basis of line management sectors which are not regional or local, but mostly either Service-orientated or part of the Procurement Executive. For some mobile grades management requirements mean geographical moves. But there is growing resistance to being moved, arising from such constraints as dual career families, school continuity for children and housing differentials in different parts of the UK.
- c. There is a large technological content, arising from the high-technology defence equipment programme of over £5,000m a year. This requires close co-operation between occupational groups and is reflected in the make-up of staff (Table 5.6 of Appendix A). Nearly two-thirds of the posts in the Open Structure are filled by scientists and technologists. Below this at the Assistant Secretary/Senior Principal/Principal and equivalent level current strengths are 46% Science Group, 35% P&T Group and 19% Administration Group.
- d. Many tasks have an industrial dimension. This takes two main forms. The first arises from the major defence equipment programme, and requires a close involvement in industrial policy and a direct interface with defence industries, particularly in high technology areas. The second is concerned with the running directly by the Ministry of major industrial undertakings in the Royal Dockyards, and in the Royal Ordnance Factories (ROFs). Similar activities on a smaller scale take place in Royal Electrical and Mechanical Engineer workshops, in

aircraft repair and maintenance units and in the Research and Development establishments. The prospect of changing the status of the ROFs and related Research and Development work, and in other areas is being explored. The dockyards at Chatham and Portsmouth are to be closed. But whatever changes in direct MOD responsibility may be made it will continue to carry out a large element of industrial type activity in-house. The Ministry has a predominant position as the largest Civil Service employer of industrial labour and many of its non-industrial staff are directly concerned with the management of industrials, often involving work in special areas (eg those involving radioactivity or the cramped locations that arise in ship refitting).

- e. Security. Nearly all civilians employed are required to accept checks on their security status and to comply with strict requirements relating to the physical protection of classified material and information.

III. PARTICULAR PROBLEMS

Pay Complexities

4. The large and complex nature of the Civil Service, reflected in the pay system, is at its most apparent in MOD. There are over 900 separate grades in the Ministry, each with their own pay scale. Over 570 allowances are payable according to qualifications or circumstance, and there are complex rules on payments for shift work or in excess of normal hours and for individuals remaining on call or stand-by. A quarter of MOD's non-industrials are currently paid weekly.

5. Moreover the Ministry operates for its UK staff four *different* pay systems - for the Armed Forces; for industrial civil servants; for the main group of non-industrials; and for other groups of non-industrials with direct links to outside pay regimes (eg police, fire officers, marine officers, teachers, doctors and nurses).
6. In this complex field problems arise in relation to
- a. the movement of salaries in external markets;
 - b. changes in internal differentials; and
 - c. in the application of rules, laid down centrally, to special circumstances which line managers have to deal with at particular sites or for individuals.

Some illustrations are given in the following paragraphs of problems that have arisen.

External Recruitment

7. The Ministry has had perennial problems in recruiting professional engineers which are reviewed in Appendix B. Problems have also arisen when outside rates for particular specialisms (eg ADP) or in particular areas (eg office staff in London) have moved ahead rapidly and the Civil Service has had to wait either till the next annual settlement or until a phase of incomes policy has passed.
8. Skilled non-industrial staff play a vital part in the maintenance and development of ADP systems both for the Ministry and for the Armed Forces, outside Service operational areas. In the past the Ministry has suffered from serious losses of programmers and systems analysts whom it has trained. While this has now improved, the area remains one that is vulnerable when firms set out to attract staff away.

Like other Departments with staffs in London, MOD has experienced particular difficulties in recruiting and retaining staff to work there. There are still problems today, for example in persuading existing staff to move to London, even on promotion, given the high cost of housing and travelling, the long time often spent going to and from work, and the narrow differentials between grades.

10. Pay is at the heart of the matter, and a lack of flexibility and slowness to adjust to market forces is bound to be a handicap. It is necessary to find the right balance between essential variations of this sort and the need to keep the pay system simple.

Internal Relativities

11. For both management and existing employees internal pay relativities are a continuing problem. Appendix C reviews the difficulties of vertical relativities with the Industrial Civil Service. The existence of independent grading structures for non-industrial and industrial employees, and of separate systems for settling their pay and conditions, with different sets of trade unions involved, are complicating factors. Although some progress has been made towards harmonisation of pay and conditions, significant differences remain. The narrowing of differentials has caused many problems. For example, in the naval area it is increasingly difficult to persuade apprentices to move from the craft area to prepare for drawing office and technical posts traditionally filled from dockyard apprenticeship schemes. There can be difficulties where the two structures meet deriving from the make up of the PTO IV grade with its amalgamation of supervisors of industrials with draughtsmen and other technicians, coupled with the growth in productivity earnings for industrials. It has as yet been impossible to find a negotiable solution to the problem of vertical differentials

without raising the level of pay for all the people in the relevant grades of the P&T and other groups concerned beyond what would be justified by market considerations.

12. Other examples of management difficulties that arise at this interface are over nuclear working in dockyards and in closing facilities at holiday times. The advent of nuclear submarines radically changed the nature of Dockyard work and its management and brought regular shift working, greater use of non-industrials in work processes and health physics control around the clock. Industrials have local shift-working agreements in respect of nuclear work but there are no similar agreements for non-industrials. The different arrangements that exist side by side make management's task very difficult. One example of a general problem which affects MOD's industrial establishments occurs at holiday periods (eg Christmas) when establishments would like to close facilities for an extended period to save fuel. Industrials can be required to take two days of their annual leave at management's discretion (this being a condition of extra leave negotiated in 1980). In contrast management has no right to insist that non-industrials generally take leave at a particular time.

13. So far as horizontal relativities are concerned the major problems have been about the pay of scientists and technologists. Appendix D reviews the issues, and Appendix E illustrates the movement of salaries in real terms for key grades in relation to the Administration Group and to military salaries. The main points that emerge are:

- a. the pay of government scientists has been a matter of controversy for many years. As a result of a government decision taken in 1979 to apply pay research to scientists

in the following year there was a major shift in internal relativities;

- b. the 1980 changes, which were particularly acute at higher Science Group levels, had important management consequences for MOD not least in project management and affected morale adversely. They refuelled arguments about the relative weight to be attached to horizontal relativities particularly at the higher levels;
- c. changes made for P&T officers generally in 1979 and for the Superintending and Director B grades in 1980 marked a change in their position relative to other groups with whom they have close contact;
- d. though not involved in negotiating their pay MOD is by far the largest employer of staff in these two groups, and had to face the consequences of the sudden erosion of relativities of many years standing;
- e. there is some incompatibility between the post-Fulton structure, which involved the creation of large occupational groups with many disciplines (with pay averaged over them) and the way in which the outside market recruits and pays for specialist disciplines.

14. The interface between civilians and their uniformed colleagues, both in the Armed Services and in the MOD Police, also needs to be considered. This is reviewed in Appendix F. It illustrates the sort of problems that arise when there are different pay systems for large numbers of people, primarily where those concerned work alongside each other on equivalent jobs or in a managerial structure.

15. The pay of officers of the rank of Major General and above is determined, like their Civil Service counterparts, by the Top Salaries Review Body. As with the Civil Service (see para 12 of the Government evidence) there is now a very narrow differential at the AFPRB/TSRB interface. Provided that adequate differentials can be secured, the Ministry of Defence see advantage in maintaining a system of pay determination that considers the most senior military and civilian grades together, not least because of its value in contributing to a sense of unity and cohesion at the top levels in the Ministry.

Problems in Particular Areas

16. The Ministry of Defence has been faced with a number of problems in particular areas. One of the most important stems from the support requirements for the Royal Navy, where the commitment of many civilian staff has to be on a 24-hour operational basis. The Royal Naval Supply and Transport Service (RNSTS) requires staff to undertake a number of tasks and accept requirements not normally met in Civil Service posts. The problems of the RNSTS are examined in detail in Appendix G.

17. An example of the problems faced by management in meeting operational requirements at a remote location can be found at the Clyde Submarine Base. When the Base was established it was difficult to secure the large number of local recruits needed and to persuade existing employees to move there. As a result special measures were needed, unique to the Base, which involved:

- a. paying industrials for travelling time; and
- b. paying a Base Allowance to all non-industrials, currently £540 per annum.

There is a regular requirement for many CSB non-industrial and industrial employees to undertake much overtime and shift working. Many of the problems caused by differing conditions of service for industrials and non-industrials exist at the Base, including the concern of non-industrials over differentials.

Industrial Action

18. After a long period without major industrial disputes the past decade has seen a steadily increasing amount of industrial action affecting MOD. The history of this is set out in Appendix H. General Civil Service pay issues have been at the heart of this but the discontent among specialist staff has been an added factor for the Ministry. The change in the nature of the Civil Service since Priestley reported, reflecting changes in society generally, has affected all Departments. In the Ministry of Defence the military environment in which most civil servants work can be an important influence on their approach with a strong attachment to the defence of the country and significant evidence of loyalty to one of the Armed Services and to individual arms. But in MOD as elsewhere the Civil Service trade unions, almost all affiliated to the TUC, can now expect a much greater degree of backing for activities which a decade ago would have not been supported, eg industrial action on a significant scale. There is a tug of loyalties, particularly in time of stress, even up to Principal level grades. Both trade unions and the staff they represent are much more aware of the power they can wield, though the degree of militancy varies a lot from place to place.

19. After many years of harmonious relations, during which it was accepted government policy partly on grounds of economy to rely on civilians in many areas which in other countries are manned by

conscript service personnel, recent experience has led to a questioning of what is the right manning policy for carrying out work in areas (eg the nuclear deterrent) where operational readiness is essential. The possibilities include a limited militarisation of key areas currently manned by civilians (which would be likely to increase costs) or of special conditions of service, including no strike provisions, either for all staff in the defence area (including the PSA) for selected categories or in particular establishments. A no-strike clause as part of conditions of service in Defence should be considered. The possibility of no-strike arrangements has a Civil Service wide dimension, but is of particular interest to the Ministry of Defence which would greatly welcome arrangements which ensured that key defence areas were effectively protected from industrial action.

Efficiency

20. The MOD in common with other Departments, is currently engaged in a sustained drive to increase efficiency. Reductions in manpower are having an important and constructive effect here. Many factors in the structure, pay system and conditions of service of staff apply to the Civil Service generally. But so far as MOD is concerned, apart from the individual merit promotion scheme which affects primarily the scientific grades, the absence of arrangements for giving additional financial reward for meritorious performance where promotion is not possible or for example, for staff who acquire after entry professional and other qualifications of particular value to the Department is a matter of regret. Professionalism has increased but needs to increase more.

21. The reverse of this is that there is virtual inevitability in present arrangements for increments and pay rises without the opportunity to relate them to performance. Procedures exist for dealing with inefficient staff and those of limited efficiency

(although there are problems in securing objective reports from supervisors). But the Ministry, in common with other Departments, has no effective means for dealing with the less able in mid or late career and where their performance is not so bad as to warrant premature retirement under existing procedures.

22. From the point of view of the management of a major Department it is important to have means of encouraging middle and senior managers to take new initiatives, both in leadership and other fields. Performance-related cash incentives on lines that are common in industry could have a part to play (coupled with a revision of the present system of almost automatic increments). Their introduction would require special care to ensure that the particular form they took (including the appraisal of performance) was recognised by the majority of staff as being reasonable and did not impose an undue administrative burden on management.

23. The other side of this problem, highlighted for the Ministry by the contrast between Armed Forces arrangements and those for civilians is how to get more flexibility into the pattern of employment, eg by a wider use of period appointments, greater mobility into and out of the Civil Service and less rigidity of retirement ages. Any changes that proved possible here would have implications for the pay structure.

IV. ISSUES FOR CONSIDERATION

Factors Relating to Pay

24. The Committee's terms of reference mention the need for an efficient Civil Service, good industrial relations in it, and other matters related to pay, including management and structure. These areas are all of particular concern in the day-to-day management of a very large department such as MOD.

25. Because civilian pay is in itself a significant element of the total Defence Cash L^f it (in 1981/82 some £1,800 million out of £12,000 million) MOD is keenly aware of the need for the pay bill to be properly controlled and to reflect both market forces and what the taxpayers can afford. Through its close direct control over staff numbers, overtime (and, in the case of industrials, partial control over earnings too) the department has, in recent years, evolved mechanisms for controlling its civilian pay bill as part of its overall cash management.

26. Where industrials are concerned the MOD (and PSA) are associated with the main pay negotiations and have a degree of delegated authority in respect of certain areas such as productivity schemes and allowances within agreed principles. In the non-industrial pay field the department is only indirectly involved and it would in general welcome changes in the pay system and in delegated authority within it which enabled its management requirements to be reflected more directly in the fixing of pay for its non-industrial staff. This would be operated within the discipline of keeping within Cash Limits, while maximising value for money from Defence civil servants as a whole.

27. Any Government will want to reach a collective judgement on its approach to Civil Service pay. The development of the non-industrial Civil Service into its present unitary structure with large general service classes has meant the centralisation in the CSD of responsibility for regulating the non-industrial Civil Service and for negotiations with the unions. This makes it possible to ensure a consistent approach (with uniformity where this is appropriate) across a disparate field. But it has not been without some disadvantages.

28. It is in theory possible to conceive of an alternative approach which in the case of defence would point towards the development of a Defence Support Service. This would in effect involve the creation of a new division of the Civil Service run by the department within the overall Government approach to Civil Service pay and within the Cash Limits agreed for the Defence Budget. This idea has attracted some support within the Ministry. But carried to its logical conclusion it would involve the dismantling of the present unified Civil Service with the breaking up of the large general service grades, for example in the executive and clerical fields. The disadvantages of so radical a step would in the MOD's judgement outweigh any advantages but it is important to find ways in which departmental management requirements, particularly for specialists, can be adequately reflected in the operation of a pay system through less radical changes to it.

29. The present centralisation of responsibility for pay arrangements matches the operation of the pay research system with its emphasis on the central collection of data, the derivation of true money rates and subsequent central negotiations with the unions. The Government's initial evidence to the Committee on the issues to be dealt with in this inquiry has underlined the disadvantages of too mechanistic a system which takes inadequate account of managerial requirements. If in a new pay system greater attention were to be given to the basic test of the ability to recruit, retain and motivate adequate numbers of staff of the necessary calibre this would suggest a less structured arrangement in which managerial considerations could figure more prominently with greater participation by employing departments in shaping the outcome of pay negotiations. The MOD would welcome developments on these lines, which would take account of the different responsibilities of the central

and other Departments and ensure a satisfactory balance between them at such times.

Market Forces

30. The Ministry recruits in both national and local markets. In the former it is clear that when there are shortages account must be taken of national rates of pay and other conditions of service offered by outside employers, if we are to secure and retain the people we need.

31. In MOD's experience of local recruitment market rates can vary widely within a regional or a local authority boundary. For many establishments the market is normally a home-to-work travel area which may cut across local or regional boundaries. We would therefore see problems in "local" pay rates set for large geographical areas.

32. The pay system does however need to have sufficient flexibility to be able to deal with those special situations, localised in nature, where it is necessary to provide additional inducements if people are to come forward to work in radioactive areas or at isolated sites with few amenities.

Vertical Relativities

33. In the internal labour market (ie the factors which influence existing employees in their performance and willingness to move or take on new tasks) vertical relativities are of particular importance. The problems that have arisen at the interface between industrials and non-industrials have been discussed in paragraphs 11 and 12 and in Appendix C. There is much to be said for a grading and pay system which bridges the current socially obsolescent distinctions between non-industrials and industrials. However this is likely to be a difficult path to follow, given the history of the distinc-

tions in the UK Civil Service, including the pattern of trade union representation. But it would be helpful if the recommendations which the Committee make could facilitate the harmonisation of conditions between non-industrial and industrial, and offer a realistic prospect of finding an early solution to the industrial interface problem.

Horizontal Relativities

34. The relative weight to be given to internal horizontal relativities is a difficult matter, which has been of particular concern to scientists and technologists, and has been a major factor in their low morale. MOD would like a pay system that gave greater weight to horizontal relativities for jobs where managerial content is more important than specialist discipline. But the cost should be contained within the same total pay bill, which would inevitably mean that some would gain and others would get less.

Structural Problems

35. The Ministry's review of its problems indicates that all is not well with the relationship of pay to the present system of occupational groups in the science and technology area. In its experience the problems here are more acute than those that arise over Administration Group grades. There are disadvantages in a system which requires uniformity to be maintained between Departments in the pay and management structure of scientists and technologists. For example the MOD believes that there are strong affinities between the P&T and Science structures in the Department. At senior levels, where management qualities as distinct from specialist expertise are such key requirements, there is a sound argument for unification of the DCSO and SPSO with the D Eng and Superintending Engineer.

36. There is very little in common between the P&T staff of the MOD and those of the other main employer, the Property Services Agency, whose staff are mainly architects, surveyors, valuers and building engineers. Movement of P&T staff between the two sectors - equipment and construction - is highly unusual. There is rather more interchange of scientific staff between the MOD and other Departments, but except for particular areas (such as part of the Department of Industry) it is still very much the exception. The logic of this approach points towards a Defence science and technology group, unified at the more senior levels. This could have advantages in the development of more appropriate grading structures matching internal needs and outside recruitment markets. On the other hand it would have significant effects on the rest of the Civil Service.

37. Another structural problem arises because of the discrepancy between the number of steps needed in the management hierarchy and of grades hitherto held to be required for career management and pay purposes. Action is already being taken within MOD to shorten management chains of command.

Conclusion

38. The Ministry of Defence believes that one of the key issues for the Committee is how to achieve the right balance between external market considerations and the internal needs of managing what are major industrial and technological undertakings. It would be happy to expand on particular points and to provide any additional material that the Committee may require on the problems and issues described in this memorandum.

APPENDICES

- A. Statistical Data on MOD Civil Servants
- B. Problems in Recruiting and Retaining Professional Engineers
- C. Pay Interface between Non-Industrial and Industrial Staff
- D. Pay of the Science and P&T Groups
- E. Salary Movements between Groups, 1971-81
- F. Interface between Pay Systems in the Ministry of Defence
- G. The Problems of the Royal Naval Supply and Transport Service
- H. History of Industrial Action in the Ministry of Defence

Strengths of civilian staff employed in the Ministry of Defence

TABLE 5.1

Thousands

	Actual				1 April 1981
	1 April				
	1977	1978	1979	1980	
MOD civilian staff: total	300.9	290.4	285.9	276.2	264.9
UK based ¹					
United Kingdom (excluding Royal Ordnance Factories):					
Non-industrial	115.0	111.4	109.8	107.8	103.7
Industrial	114.2	109.6	108.5	104.0	99.6
Royal Ordnance Factories:					
Non-industrial	5.4	5.7	5.9	5.9	5.8
Industrial	17.3	17.2	17.1	15.9	15.0
Overseas:					
Non-industrial	5.5	5.2	4.9	4.8	4.6
Industrial	1.3	1.4	1.5	1.4	1.3
Locally engaged:					
Non-industrial	11.9	11.5	11.2	11.0	10.9
Industrial	30.3	28.5	27.1	25.5	24.4

1. UK based personnel are those recruited in the UK even though in some instances they may be serving overseas. Locally engaged staff are those recruited overseas.

Functional analysis of civilian staff

TABLE 5.2

Thousands

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Total civilian staff ¹	289.4	278.8	266.8	263.3	255.5	242.3
Nuclear strategic force	4.1	4.2	4.1	4.4	4.5	4.4
Navy general purpose combat forces	9.9	9.3	8.4	8.2	8.1	7.7
Amphibious forces	0.3	0.2	—	—	—	—
Other vessels	5.9	5.5	5.5	5.5	5.4	5.1
Aircraft	0.1	0.1	0.1	0.1	0.1	0.1
Fleet headquarters	0.1	0.1	0.1	0.2	0.2	0.2
Overseas shore establishments	3.5	3.4	2.7	2.4	2.4	2.3
European theatre ground forces (British Army of the Rhine)	30.1	29.2	28.2	27.7	26.9	25.2
Other Army combat forces	7.4	7.2	6.9	6.8	6.6	6.9
Mediterranean	3.3	3.4	3.1	2.9	2.6	2.7
Hong Kong and other Far East	4.0	3.7	3.7	3.7	3.8	4.0
Other areas	0.1	0.1	0.1	0.2	0.2	0.2
Air Force general purpose forces	12.7	12.1	11.6	11.4	11.0	10.2
Air defence	0.2	0.1	0.1	0.1	0.1	0.1
Other aircraft	0.3	0.2	0.3	0.3	0.3	0.3
Operational stations	5.4	5.2	5.1	5.1	4.9	4.6
Headquarters	1.0	1.0	1.1	1.0	0.9	0.9
General support	5.8	5.6	5.0	4.9	4.8	4.3
Reserve and Auxiliary formations	3.6	3.6	3.6	3.5	3.3	3.2
Navy	0.2	0.2	0.2	0.2	0.2	0.2
Army	2.9	2.9	2.9	2.8	2.6	2.5
Air Force	0.5	0.5	0.5	0.5	0.5	0.5
Research and Development	36.7	35.2	33.7	33.2	32.0	31.0
Ship construction and underwater warfare	3.3	3.0	3.1	3.5	3.4	3.5
Ordnance and other armaments	5.4	5.2	5.0	4.8	3.9	3.7
Military aircraft	7.1	7.0	6.8	6.5	6.5	7.5
Guided weapons	3.1	3.1	3.0	2.5	2.9	2.6
Other electronics	4.4	4.0	3.7	4.3	4.7	3.7
Other research and development	13.4	12.9	12.1	11.6	10.6	10.0
Training	21.6	21.1	20.5	21.0	20.8	19.7
Service colleges	3.5	3.5	3.3	3.3	3.3	3.0
Navy	4.1	4.0	3.9	4.0	3.8	3.6
Army	11.0	10.6	10.5	10.9	10.9	10.4
Air Force	3.0	3.0	2.8	2.8	2.8	2.7
Repair and associated facilities in UK	97.5	93.5	88.3	87.2	84.9	78.9
Royal dockyards	34.6	34.5	34.2	33.8	32.8	31.0
Other repair and maintenance	18.6	17.3	15.6	15.7	15.8	15.1
Storage and supply	32.6	31.1	28.9	28.3	27.2	24.7
Quality assurance	11.7	10.6	9.6	9.4	9.1	8.1
Other support functions	65.8	63.4	61.5	59.9	57.4	55.1
Whitehall organisations	14.0	13.0	12.2	12.4	11.6	11.1
Local administration communications, etc, in UK	30.7	30.4	30.2	29.0	28.1	27.1
Meteorological services	3.5	3.4	3.3	3.2	3.1	2.9
Family and personnel services in UK	11.6	11.2	10.6	10.5	9.8	9.3
Service and pensions	0.2	0.2	0.2	0.2	0.2	0.2
Other support services	5.8	5.2	5.0	4.6	4.6	4.5

1. These figures are the average strengths of industrial and non-industrial staff provided for in the Estimates and include locally engaged staff. Civilians employed in the Royal Ordnance Factories and Department of Environment staff directly employed on Defence work are excluded, figures for such staff are as follows:

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Royal Ordnance Factories	22.0	23.0	23.5	23.5	21.9	20.9
Department of Environment civilians engaged on Defence work	22.0	28.0	28.0	26.0	24.7	23.3

NB A further update of these figures
will not be available until January 1982

TABLE 5.3

Organisational Strengths of UK-Based Civilian Staff⁽¹⁾

1 April

thousands

	1976	1977	1978	1979	1980	1981
Ministry of Defence total	266.2	258.7	250.4	247.7	239.8	229.6
Headquarters						
Centre	6.6	6.3	6.5	6.2	5.8	5.6
Navy	0.8	0.7	0.7	0.7	0.7	0.7
Army	1.0	0.9	0.8	0.7	0.7	0.7
Air	1.2	1.1	0.9	0.9	0.8	0.8
Procurement Executive	6.4	6.0	5.1	4.8	4.7	4.7
Maintenance, repair, storage and supply organisations						
Centre	0.6	0.6	0.6	0.5	0.5	0 ⁽⁴⁾
Navy, including Royal Dockyards	59.8	59.0	59.0	58.6	57.4	55.4
Army	29.6	28.6	27.9	27.7	26.5	25.1
Air	11.3	10.5	8.5	7.7	7.7	7.7
Command and Support Services ⁽²⁾						
Centre	17.7	16.7	15.3	14.9	14.6	14.1
Navy	10.7	10.6	10.5	10.7	10.3	9.9
Army	32.9	31.6	30.4	30.4	28.8	27.2
Air	15.0	14.4	14.3	15.1	14.1	14.0
Procurement Executive ⁽³⁾	47.6	45.6	43.7	43.0	42.3	39.9
Meteorological Services	3.3	3.2	3.1	3.1	3.1	2.9
Royal Ordnance Factories	21.7	22.8	22.9	23.0	21.8	20.8

(1) This table includes UK-based staff serving overseas

(2) Including medical, educational and training establishments

(3) Including research and development establishments

(4) Centre maintenance transferred to Commands in 1981

Strengths of civilian staff¹: United Kingdom
1 January

TABLE 1

Thousands

	1977	1978 ²	1979	1980	1981
United Kingdom	254.4	243.8	242.1	235.4	226.8
Non-industrial	121.5	117.1	115.9	114.2	110.1
Industrial	132.9	126.7	126.2	121.2	116.7
England	216.4	208.8	206.8	200.9	192.3
Non-industrial	108.8	105.2	104.1	102.5	98.4
Industrial	107.6	103.5	102.7	98.4	93.9
Wales	9.7	9.7	9.8	9.4	9.5
Non-industrial	3.4	3.4	3.4	3.4	3.4
Industrial	6.2	6.4	6.4	6.1	6.1
Scotland	22.8	21.9	22.2	21.9	21.9
Non-industrial	7.5	7.4	7.4	7.3	7.4
Industrial	15.2	14.6	14.8	14.6	14.5
Northern Ireland	5.5	3.4	3.3	3.2	3.1
Non-industrial	1.7	1.1	1.0	1.0	1.0
Industrial	3.9	2.2	2.3	2.2	2.1
Standard regions of England					
North	6.4	6.6	6.4	6.4	6.3
Non-industrial	2.3	2.3	2.2	2.4	2.3
Industrial	4.2	4.2	4.2	4.1	4.0
Yorkshire and Humberside	9.7	10.3	10.3	9.6	9.1
Non-industrial	4.7	5.1	5.1	5.1	4.9
Industrial	5.0	5.2	5.2	4.5	4.2
East Midlands	10.2	9.8	9.7	9.4	8.8
Non-industrial	3.5	3.5	3.4	3.4	3.2
Industrial	6.7	6.4	6.3	6.0	5.6
East Anglia	2.8	2.8	3.0	2.8	2.7
Non-industrial	1.2	1.3	1.4	1.3	1.3
Industrial	1.6	1.6	1.6	1.4	1.4
South East	108.0	101.9	99.9	96.8	92.4
Non-industrial	60.4	57.0	55.6	54.1	51.8
Industrial	47.5	44.9	44.4	42.6	40.6
South West	54.0	53.0	53.0	51.9	49.8
Non-industrial	26.0	25.6	25.8	25.5	24.7
Industrial	28.0	27.3	27.2	26.4	25.0
West Midlands	11.7	11.3	11.2	11.2	10.8
Non-industrial	5.4	5.5	5.4	5.5	5.3
Industrial	6.2	5.8	5.8	5.7	5.5
North West	13.6	13.0	13.3	12.8	12.5
Non-industrial	5.2	4.9	5.2	5.1	4.9
Industrial	8.4	8.1	8.0	7.7	7.6

1. This table includes staff at the Royal Ordnance Factories.

2. At 1 April.

Strengths of civilian staff employed overseas
1 April

TABLE 5.5

	Number					1951
	1976	1977	1978	1979	1980	
Overseas areas						
UK based	7,038	6,722	6,557	6,371	6,220	6,348
locally engaged	44,557	42,205	40,001	38,204	36,442	35,303
Federal Republic of Germany						
UK based	2,496	2,493	2,387	2,301	2,191	2,053
locally engaged	29,499	27,981	26,800	26,875	25,098	23,115
elsewhere in Continental Europe ¹						
UK based	..	88	76	84	92	70
locally engaged	..	865	826	792	766	723
Malta						
UK based	310	239	297	303	299	275
locally engaged	2,711	2,716	2,661	2,673	2,656	2,602
Italy						
UK based	172	160	130	4	1	1
locally engaged	2,416	2,139	1,589	18	14	13
France						
UK based	391	346	349	363	370	368
locally engaged	3,623	3,082	2,878	2,880	2,913	2,748
elsewhere in Mediterranean, Near East and Gulf						
UK based	7	10	10	8	8	7
locally engaged	-	-	1	2	-	44
Hong Kong						
UK based	507	424	380	394	383	356
locally engaged	3,770	3,380	3,313	3,253	3,273	3,046
elsewhere in Far East						
UK based	17	19	23	16	27	22
locally engaged	842	809	793	730	754	771
Other areas ²						
UK based	3,148	2,878	2,905	2,898	2,849	2,726
locally engaged	1,696	1,242	1,140	981	968	902

¹In 1976, included with Federal Republic of Germany.
²Including duty afloat and Royal Fleet Auxiliary crews.

Strengths of occupational groups or classes of civilian non-industrial staff¹
1 April

TABLE 5.6

	Thousands				
	1976	1977	1978	1979	1980
Total	130.1	125.9	122.2	120.6	118.5
Administrative, executive and clerical	47.0	44.6	43.2	42.8	41.4
Retardial	7.2	7.0	6.8	6.6	6.4
Supervisory	4.9	4.8	4.7	4.7	4.7
Professional and technological	27.6	27.2	26.7	26.6	26.5
Science	11.5	11.2	10.8	10.7	10.6
Geographic and hydrographic	1.1	1.1	1.1	1.2	1.1
Quartermasters and officers	1.9	1.9	1.9	1.9	1.9
Medical	4.4	4.2	4.0	3.8	3.9
Education	2.7	2.8	2.6	2.5	2.4
Medical and nursing	1.0	1.0	0.9	0.9	0.9
Others	20.7	20.2	19.5	18.9	18.7

¹This table covers all UK based non-industrial staff employed within the Ministry of Defence, including those working at the Royal Ordnance Factories.

TABLE 5.6 Updated figures are not currently available (October 1981) - likely to be available Jan 82

Occupational recruitment and losses¹ of UK based civilian non-industrial staff²

TABLE 5.7

	Number				
	1975-76	1976-77	1977-78	1978-79	1979 80
Total:					
Recruitment	10,134	6,659	8,503	10,022	8,825
Losses	10,724	11,269	12,778	13,028	12,297
Administrative, executive and clerical:					
Recruitment	4,393	2,952	4,198	5,151	4,147
Losses	4,834	4,870	5,305	5,841	5,763
Secretarial:					
Recruitment	1,227	730	862	994	799
Losses	1,104	907	1,034	1,096	1,014
Supervisory:					
Recruitment	91	54	66	71	69
Losses	331	383	426	379	397
Professional and technological:					
Recruitment	829	266	155	226	236
Losses	1,017	1,300	1,662	1,436	1,475
Science:					
Recruitment	640	248	313	719	744
Losses	534	547	690	820	771
Cartographic and Hydrographic:					
Recruitment	124	84	137	117	78
Losses	65	67	78	116	100
Retired Officers:					
Recruitment	15	68	227	235	208
Losses	142	177	230	203	195
Police:					
Recruitment	605	179	264	246	401
Losses	329	368	475	420	357
Educational:					
Recruitment	421	403	251	256	265
Losses	301	337	369	394	365
Medical and nursing:					
Recruitment	198	189	164	190	173
Losses	202	183	212	181	151
Others:					
Recruitment	1,591	1,425	1,866	1,817	1,705
Losses	1,865	2,130	2,297	2,142	1,708

1. Recruitment figures refer to staff entering the Ministry of Defence from outside the UK Civil Service and losses relate to those leaving the Ministry of Defence and the UK Civil Service. Royal Ordnance Factory recruitment and losses are included.

2. This table excludes Royal Fleet Auxiliary crews and some staff serving on ocean weather ships.

NB Updated figures are not currently available (October 1981) - Likely

to be available JAN 82.

PROBLEMS IN RECRUITING and RETAINING PROFESSIONAL ENGINEERS

The Ministry of Defence is a major technological enterprise which relies heavily on the use of scientists, professional engineers and technologists. The defence equipment programme continues to grow in complexity, and it is unlikely that any shift towards industry in the balance of work will markedly reduce our problems in recruiting and retaining professional engineers and scientists. However, the current need to reduce P&T staff in the sea systems area as a result of the decisions announced in Cmd 8283 is at present a complicating factor.

2. Wastage of professional engineers in the P&T Group in recent years has been around 200 a year, whilst recruitment (at the basic professional entry level of PTO II) has rarely replaced more than one-third of these losses in any one year. Pay remains at the root of the problem; the majority of those who resign go to engineering competitors for more pay and other benefits (in 1980, half of those giving a reason for their resignation cited pay - or better job/career prospects). It is the better quality, younger professionals who leave and whom we can least afford to lose.

3. This problem has caused MOD to concentrate more on its own graduate and student engineer schemes from whom the bulk of the professional entry into the P&T Group at PTO II level now comes. Even so major problems have remained in securing enough. To attract and keep graduate engineers we must offer both sufficient immediate reward and adequate longer term prospects. There are factors other than starting salary to be taken into account. The sort of arguments which face our recruiters when they visit universities lead us to conclude that:

- a. outside careers offer quicker progression in salary terms, eg early or 'accelerated' promotion, merit pay, and improvements in salary and status for high quality staff;
 - f. fringe benefits in industry frequently include subsidised lunches, free medical and life insurance, discount buying, low cost personal loans, and a car;
 - c. the fierce competition during the 1970s when there was a shortage of talent seems likely to be repeated during the late 1980s when the number of school leavers drops significantly.
4. Recruitment of engineers into the Science Group, where they are also employed, has also fallen well short of requirements.
5. Industry has the flexibility to pay more to attract and retain high quality staff. Disparities in pay rates are highlighted in the scientific and engineering areas since many MOD staff work alongside, or in teams with, their peers in the defence industries.

PAY INTERFACE BETWEEN NON-INDUSTRIAL AND INDUSTRIAL STAFF

The Government evidence to the Committee on future pay arrangements for the non-industrial home Civil Service refers in paragraph 11a to the question of vertical relativities with the industrial civil service, and to the need to make pay adjustments where necessary to deal with pressing management problems. The problem of the pay interface between industrials and non-industrials has become increasingly pressing within MOD in recent years. It is a major cause of tension and management difficulties, and has been the decisive factor in a number of industrial disputes, most noticeably in the dockyards and at ROF, Bishopton (see Appendix H).

2. The case for the eventual integration of the non-industrial and industrial civil services was examined by the National Board for Prices and Incomes in its reports on industrial civil servants in 1966 and 1970 (Reports No 18 and 146), and recommended as an eventual objective. A number of important steps towards harmonisation have been made since then. But the pay arrangements remain separate and there has been no change in the system of staff representation (which the Board recognized as the main obstacle to change). One set of trade unions represents non-industrials and another set represents industrials.

3. Since 1966, when the NBPI recommended the introduction of productivity schemes for industrial civil servants, such schemes have been progressively introduced throughout MOD. Now about 98% of the MOD industrial workforce is covered by productivity or piece-work schemes. The average non-work measured bonus in 1981 is £8.05 and the work measured bonus is £20.32.

The result is that, excluding overtime and shift earnings, the average earnings of a typical craftsman on work measured bonuses are now:

	£
Basic Pay	91.65
Craft Allowance	3.50
Work Measured Bonus	20.32
	<hr/>
	£115.47
	<hr/>

The craftsman is supervised by a PTO IV who will earn a minimum of £113.31 and £129.71 a week at maximum; the PTO III above earns between £125.61 and £142.01. The £115 weekly earnings figure for craftsmen is an average and substantial numbers are in the £120-£130 range.

5. The effect of overtime also needs to be taken into account. The normal hours of a non-industrial are three hours less than an industrial. The PTO IV supervisor therefore is usually eligible for three hours more overtime than his charges and this will increase his pay by some £555-£635pa. There are however some limited respects in which the industrial has more favourable conditions than the non-industrial.

6. Overall there is widespread discontent among supervisors in many areas about the erosion or reversal of differentials; some evidence of unwillingness among well-qualified industrials to accept promotion because of the drop in pay; applications by PTO IVs and even PTO IIIs to revert to industrial status; and reluctance to co-operate in the design and introduction of productivity schemes. In the naval area dockyard apprenticeship schemes have traditionally provided the bulk of recruits for drawing office and technical staffs not just in the dockyards but at the HQ of the Dockyard Department, for Ship Department and for the overseeing of naval procurement. The

narrowing of differentials has however made advancement into these careers much less attractive. In the ROFs the normal requirement for candidates for promotion to PTO IV to possess ONC has had to be waived because of the shortage of good quality candidates. Many PTOs have participated in industrial action, even in the ROFs where there is a long history of the earnings of piece-workers exceeding those of their supervisors. For example 2800 PTOs in ROFs - the overwhelming majority up to and including PPTO - participated in the one day strike of 22 June 1979.

7. The discontent is not confined to those PTOs who are supervisors or indeed to the P&T Group, but extends to other groups in close contact with industrials. For example, clerical staff responsible for productivity bonus calculations see their pay differential disappearing as the productivity earnings of industrials increase. The feelings here mirror dissatisfaction in outside employment at changes in the relative position of manual workers compared with those in junior management and in offices, and also that those with fewer formal qualifications can do better in terms of pay.

8. In view of the serious management problems within MOD arising from the distortion of vertical relativities the Ministry has reviewed a number of possible ways of alleviation. It is clear from a study made of pay differentials between supervisors and industrials in outside industry that in general manufacturing companies ensure that a foreman keeps well ahead in pay terms of the people he supervises, and that he normally works the same standard hours. While the possibility of introducing productivity payments for non-industrials in MOD has been considered the drawbacks far outweigh any potential advantages. These drawbacks include problems in measuring "output"; maintaining mobility where a posting to a low earning establishment was involved; the difficulty of

establishing a discernable link between effort and reward; the difficulty of industrial unions accepting that some of the rewards which their members generated should be diverted elsewhere; and the fact that most non-industrial are engaged on activities for which private industry has been unable to devise successful productivity-related pay schemes.

9. The MOD has kept in close contact with other Departments concerned and with the CSD which is responsible for pay negotiations for non-industrial staff. The basic problem derives from the make-up of the PTO IV grade with its amalgamation of supervisors, draughtsmen, recorders, diagnosticians and others, which does not equate with the normal pattern outside. Although pay research indicated that a higher pay rate for supervisors on their own was justified, it did not in the event prove possible to find a negotiable solution without raising the level of pay for all the members of the grades concerned in the P&T and other groups involved beyond what was justified by market considerations.

PAY OF THE SCIENCE AND P AND T GROUPS

Although it is not involved in negotiating their pay, MOD is by far the largest employer of government scientists and technologists in the Civil Service. Their pay has given rise to many problems in recent years, particularly over relativities between the two groups and with the Administration Group.

Pay of Government Scientists up to 1980

2. The best way to settle the pay of government scientists has been a matter of controversy for many years. In 1945 the Barlow Committee (Cmd 6679) argued that the best scientists should have equal prospects with the best men in the administrative class. Salary levels were raised; salaries of the most highly qualified members of the scientific service were related to those of the administrative class, and a relationship was established between the experimental officer class and the executive class.
3. The Priestley Commission discussed the applicability of the principle of "fair comparisons" to scientific staff. They rejected the idea that the Government should give a lead in raising the status of scientists, and argued that outside comparisons should apply to scientists as to other grades. The Commission did not recommend any permanent relativities between the scientific and other classes.
4. The first pay research study of the scientific classes took place in 1960-61. Negotiations followed and internal relativities with the administrative, executive and clerical grades were maintained in the revised rates of pay, as they were in the settlements of the nineteen sixties. A second pay research study took place in 1970 and the negotiations that followed led to a reference to the CSAT, whose award sought to apply the principle of external comparison but took account of the fact that hitherto the pay of scientific grades had been determined by horizontal relativities.

5. Between 1970-71 and 1979-80 there was no pay research study of the Science Group (which had been created in 1971 as part of the post-Fulton restructuring of classes). In 1978 the Pay Research Unit Board produced a report on how pay research could be applied to scientists, and this formed the basis for pay research, negotiations and arbitration in 1980.

The 1980 Award

6. The results of the 1980 award had major management consequences for the Ministry of Defence, which employs 55% of the civil servants in the Science Group. Significant changes occurred in internal relativities and affected morale adversely at a time when the Holdgate report (Cmd 8032) was emphasising the importance of the government scientist and the technological generalist to the country's future. These changes were particularly acute at the top levels in the Group. The newly promoted DCSO who for many years had a significant lead over the newly promoted Assistant Secretary now receives the same pay. The SPSO who previously had a significant lead on the Senior Principal now has £1250 less at the maximum, while an SPSO at the minimum became £600 lower than the Principal maximum. The 3% increase awarded to the SPSO was compared with the average Civil Service increase of 18.5%. At the Principal level, where for many years there had been broadly equivalent status and pay, the effect of the 1980 award was to put the PSO nearly £1500 behind the Principal at the maximum. The changes over the years are illustrated in Appendix E.

Pay of the P&T Group

7. The P&T Group (formed in 1971) includes professionals and technicians in many disciplines. Pay research surveys for them have been held regularly since 1958. Prior to 1979 negotiated settlements were normally achieved, though there was arbitration on three occasions.

8. The Priestley Commission recommended that comparisons should be made around the median of the outside rate. The only reason for departing from this was if the sample of employers was representative of the community as a whole rather than of good employers. In practice until 1979 P&T staff achieved rates well above the median. The extent varied from grade to grade in different years, within a range of +3.8% to +21.8%, and staff in these categories became accustomed to obtaining pay settlements above the median.

9. In 1979 the Official Side took the view that the external fields selected by the Director of the PRU were, as in other pay research surveys, of good employers and that it was right to use the median as the determining factor in negotiating new pay rates, as was done for all other Civil Service groups. The IPCS saw this as a major departure from previous practice for the P&T Group and initiated widespread and damaging industrial action, particularly in the Ministry of Defence. Subsequently the parties went to arbitration on the question. The pay rates which were awarded were set at 3% above the government offer based on the median.

10. The effect of the 1979 dispute led to IPCS to suspend cooperation with the PRU, and made CSD/IPCS negotiations over the April 1980 settlement protracted and difficult. Eventually a settlement of 18.5% was introduced by administrative action, in line with the increases for the other main Civil Service groups. At the same time pay research for the Superintending and Director 'B' levels led to revised pay rates for them.

11. Among the significant changes that occurred were:

- a. the Superintending grades, who between 1972 and 1979 had a £500-£750 lead on the Senior Principal, were given the same maximum. Whereas the former usually have university and/or professional qualifications, Senior Principals come generally from the non-graduate stream. The Superintending Grade scale up to this time covered the bottom three points

of the Assistant Secretary scale. In 1980 his minimum became £750 less and only the bottom two points of the AS scale were covered;

- b. the PPTO who had had the same maximum as the Principal now lagged £800 behind;
- c. there were changes at all levels in relation to the PGS and Stores Officer grades to the detriment of the P&T class. These grades are primarily supervisors of non-craft industrials.

Managerial Consequences of Changes

12. For the MOD serious strains resulted from the 1979 and 1980 settlements for the Science and P&T Groups, particularly in the Systems Controllerates responsible for project management but also in the R and D establishments. In these areas scientists, P&T staff and administrators work side by side, and at middle and senior level members of the 'S' and 'P&T' Groups are often interchangeable. Effective use of expensive resources and of advanced technology is a vital part of the defence effort and depends on multi-disciplinary teams. Relativities of many years standing were suddenly eroded or reversed. Though it was implicit in Priestley that this could happen, the extent of the change and the absence of any transitional arrangements gave the Ministry particular problems. The Priestley Commission in its report stressed the importance of horizontal relativities for grades above Principal.

Structural Issues

13. In a sense there is an incompatibility between Priestley and Fulton. Fulton argued in favour of large groups which will inevitably include a variety of disciplines within a single group. This immediately complicates pay research since the "averaging" process restricts the scope for fine tuning to match market forces

for specialist disciplines. Similarly the dilemma over any possible extension of unified grading is how to reconcile consistent grading standards with the different market rates for people with different skills.

REAL TERM SALARY CHANGES 1971-81

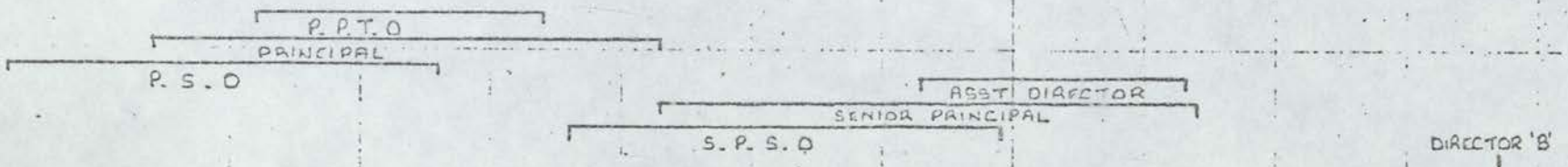
APPENDIX E



1971



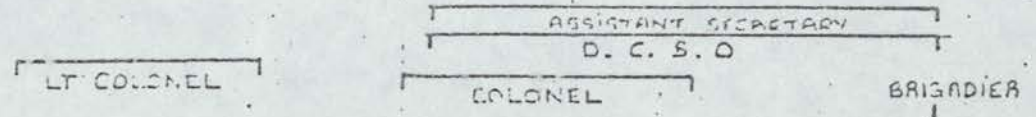
1976



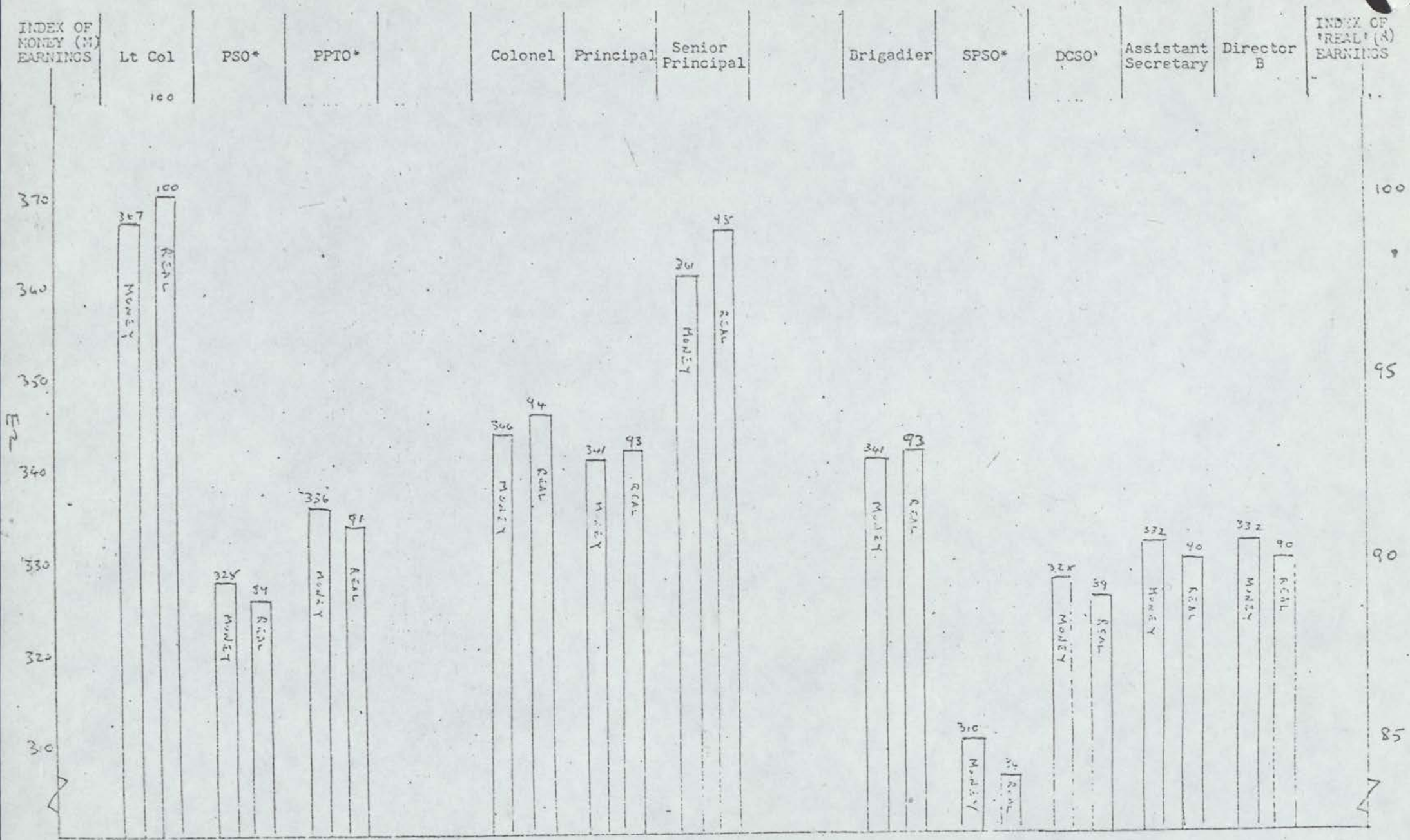
1981

ABBREVIATIONS:-

- D.C.S.C. = DEPUTY CHIEF SCIENTIFIC OFFICER
- P.P.T.O. = PRINCIPAL PROFESSIONAL AND TECHNOLOGY-OFFICER
- P.S.O. = PRINCIPAL SCIENTIFIC OFFICER
- S.P.S.O. = SENIOR PRINCIPAL SCIENTIFIC OFFICER



CHANGES IN SALARIES (IN "MONEY" AND "REAL" TERMS)
 SELECTED CIVIL SERVICE GRADES AND ARMY OFFICERS
 1971-81 (1971 = 100)



* Titles in full:
 PSO - Principal Scientific Officer
 PPTO - Principal Professional and Technology Officer
 SPSO - Senior Principal Scientific Officer
 DCSO - Deputy Chief Scientific Officer

INTERFACE BETWEEN PAY SYSTEMS IN MOD

The operation in the Ministry of Defence of different pay systems for the Armed Forces, the main groups of non-industrial civilians and a range of civilians with direct links to outside pay regimes has led to a number of problems, primarily where the people concerned work alongside each other on equivalent jobs or in a managerial structure.

Armed Forces Pay

2. The pay of Servicemen up to and including Brigadier is based on recommendations by the Armed Forces Pay Review Body. Evidence is obtained on earnings levels outside using well-tried procedures of comparison based on job evaluation. In many cases analogous jobs outside do not exist, so comparisons are based on a "factor plan" rather than the PRU "whole job concept". Relative security of employment is taken into account by the AFPRB in assessing the level of the 'X' factor, which is the addition reflecting the balance of the special disadvantages over the advantages of Service life (currently 10% of pay of all except senior officers).

3. Within MOD both at headquarters and in other areas Servicemen and civilians work alongside each other. Lieutenant Generals and Deputy Secretaries work in harness together. SPSOs in research establishments can have Lieutenant Colonels in their branches. An EO, for example, dealing with complementing of Army units can report to a Major whose superior is a Principal. There are generally accepted military equivalents to the Administration Group: which for example equate an SEO to a Lieutenant Colonel, Principal and Senior Principal to Colonel and Assistant Secretary to Brigadier.

4. The AFPRB assessment is based on the entire range of work that (say) a Major might be called upon to do. Desk or other work in a mixed civilian/military branch is only one element of this. But for the civilians working alongside Servicemen changes in differentials are bound to be closely watched.
5. Civilians in MOD fully accept the different nature of Service employment and conditions of service, and the lead element arising from the 'X' factor. But the growing disparity in pay at equivalent levels which has arisen has had its irritant effect within the Ministry. The relative movement of salaries over the years is shown in Appendix E.
6. Subject to an offset for the 'X' factor the results of the PRU and AFPRB studies are not dissimilar. In 1970, 1975 and 1980, for example, the Lieutenant Colonel scale covered or straddled the top half of the Principal scale. The same is broadly true of the Major vis-a-vis the SEO. It seems that, broadly, the two systems validate each other - at least as far as the Administration grades are concerned. In 1981, however, following the suspension of PRU studies, the Lieutenant Colonel drew significantly ahead and so did other comparators. So far as pay relationships between the Science Group and the Services are concerned the low pay award to scientists in 1980 had awkward consequences. The SPSO can now draw less pay than the Lieutenant Colonel, two steps below him in the hierarchy of a research establishment.
7. The pay of officers of the rank of Major General and above is determined, like their Civil Service counterparts, by the Top Salaries Review Body. As with the Civil Service (see para 12 of the Government evidence) there is now a very narrow differential at the AFPRB/TSRB interface. Provided that adequate differentials can be secured, the Ministry of Defence see advantage in maintaining a system of pay determination that considers the most senior military and civilian grades together, not least because of its value in contributing to a sense of unity and cohesion at top levels in MOD.

MOD Police

8. MOD currently employs some 4,000 policemen in its own force. Their pay is directly linked with that of the civil police, as a result of which they have received increases substantially higher than those of other civil servants in the past two years. There are establishments where the person in charge is an HEO, who earns less than the police constable on the gate.

Other Civilian Grades

9. In addition there are more than 3,000 other non-industrials in MOD whose pay is derived directly from an analogue outside the Civil Service. For example personnel of the Royal Fleet Auxiliary are paid on scales directly related to commercial practice in the Merchant Navy. Without such links MOD would be unable to recruit or retain the specialist grades it needs.

THE PROBLEMS OF THE ROYAL NAVAL SUPPLY AND TRANSPORT SERVICE

The problems of the Royal Naval Supply and Transport Service are an example of those that result from the special position of many MOD civil servants who directly support the Armed Forces. The prime function of the RNSTS is first line support of the Fleet. Both the Army and the RAF depend heavily for immediate back up on supplies and weapons held in forward echelons - e.g. 60% of RAF stocks are held forward at operational station level. This is not the case in the Navy, where vital components are supplied direct to the user from civilian-manned supply units at naval bases or from inland depots. Space limitations afloat are tending to increase the proportion of stocks held on shore. Overall this disposition of logistic support is highly cost effective.

2. In order to discharge this operational function to an acceptably high standard and in particular to meet the 24 hour operational supply commitment, and the production and assembly task associated with the maintenance of the War Arsenal, the RNSTS requires staff to undertake a number of tasks and accept requirements not normally met in conventional Civil Service posts. These requirements include a tendency to greater mobility, service afloat, exchange appointments with naval officers, extra duties (on call or overtime), the obligatory occupation of official housing often in remote areas, a requirement to fill 'dormant' appointments as logistic staff officers throughout the UK in periods of tension/emergency, and to participate on a round the clock basis in MOD exercises. Whilst these requirements may arise individually elsewhere, it is considered that the wide ranging nature of the overall commitment necessary in the RNSTS deserves to be recognised.

3. Because the RNSTS operates in close support of the Navy, any substantial reduction in the service it provides could have a marked effect on the capability of the Fleet both directly and through the ship refitting programme. This makes the RNSTS a particularly attractive target for industrial action. This was well recognised by the unions during the 1981 pay dispute and as a consequence the RNSTS was selected as a prime target in MOD. In addition to the 440 who went on strike, there was an overtime ban and other restrictions on the contribution made by some of the staff. The fact that such a significant proportion of urgent business was still undertaken owed much to the loyalty and flexibility of the staff remaining.

4. Notwithstanding that, with some difficulty, the Fleet was generally kept operational during the recent dispute, the ability of the RNSTS to support the Navy, whatever the circumstances, was called into question. There is therefore a particular need to restore credibility to the support organisation and inevitably comparisons have been drawn with the other Services where mixed manning in the support arms insulates operational units to some degree from the consequences of industrial action.

5. Failing the development of some means of ensuring continuing support of the RN by civilian staff in all circumstances then it would undoubtedly be necessary to consider other options, e.g. mixed manning or the placing of additional resources in uniformed hands. There would, however, be a cost penalty involved.

HISTORY OF INDUSTRIAL ACTION IN THE MINISTRY OF DEFENCE

After a long period without major industrial disputes the era of incomes policies and suspension of pay research procedures has in the past decade brought a steadily increasing amount of industrial action in the Ministry of Defence. In 1973 MOD non-industrial civil servants became seriously involved in such action for the first time when the then Society of Civil Servants and CPSA staged a number of protests over the overriding of the current pay agreements by the national pay standstill. This was followed in 1974 by the first IPCS action (mainly overtime bans and non-co-operation in productivity schemes) over specialists' pay. There was disagreement over how to apply the Priestley principles to the Science Group, and a dispute in respect of the P&T group over what adjustments if any to make to True Money Rates to allow for special factors. The next four years saw a marked growth in local action within MOD, although co-ordinated industrial action causing widespread disruption to defence activities did not start in earnest until the 1978 dispute over industrial pay.

2. Defence was again a target for selective action during the 1979 non-industrial pay disputes in resistance to the prevailing pay norm and over the timing of payments resulting from pay research. In MOD, as elsewhere, the SCPS and CPSA industrial action from February to May involved withdrawal of goodwill, various types of selective working and strikes by key personnel in selected areas (eg computer operators at DGDA Liverpool, RNSTS establishments and RAF equipment supply depots). The IPCS dispute, over pay differentials and the interpretation of pay research evidence, followed a similar pattern from June to August 1979 but was more

diverse and disruptive in its effects on Defence. At Devonport Dockyard for example, selective action included a series of walk-outs, working-to-rule, refusing to go to sea trials when this meant working beyond normal hours, working on priorities other than those assigned by management, refusing to take orders from Service personnel and alternating strikes by a number of different officials on successive days which meant that ships could not sail. While the IPCS dispute ended in August, resentment about differentials resurfaced the following year and from January to July 1980 non-co-operation was reactivated by IPCS grades particularly at RNSTS establishments and ROF Bishopton. At Bishopton, the non-co-operation by P&T staff, directed selectively at key processes in the factory, resulted in a total of 43 being temporarily relieved from duty (TRD), a virtual halt in production and almost all the industrial workforce having to be laid off on basic pay under the guaranteed pay agreement. The non-industrial staff who reported for work continued to be paid normally.

3. After an eight-month respite from serious disputes, the 1981 non-industrial campaign of industrial action again hit defence but was this time concentrated primarily on the Navy Department, although some other establishments were affected at various times. Unlike previous disputes, the emphasis was much more on protracted selective strikes, although other disruptive tactics were also employed. The effects varied from inconvenience and backlogs to rapid and widespread disruption bringing work at some establishments almost to a standstill. Essential defence operations were kept going by the co-operation of staff at all levels who came to work. This was reinforced by some limited substitution of Service personnel and redirection of civilian staff which kept essential

defence operations going, notably at the Clyde Submarine Base. As the dispute continued increasing numbers of staff became under or unemployed. Industrials were laid off on basic pay under the guaranteed pay agreement. No action was possible in respect of non-industrials made idle by the actions of their colleagues.

Mr. Scholar.

Civil Service

SECRET AND PERSONAL UNTIL
2.30PM TUESDAY, 8 DECEMBER 1981

MR TOWERS

cc Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Sir Douglas Wass
Mr Ryrie
Mr Burns
Mr Middleton
Mr Britton
Mr Kemp
Mr Monck
Mr Allen
Mr Sedgwick
Mr Riley
Mr Turnbull
Mr Pickford
Mr H J Davies
Mr Crook
Miss Roach
Mr Guy

REUTERS REPORT ON CIVIL SERVICE STRIKE DISTORTION TO £M3

Yesterday evening Reuters reported that "a senior Treasury official" had said that £M3 had been "inflated by 3 percentage points on an annualised basis" by the effects of the Civil Service strike.

2. Neither Mr Burns nor Mr Middleton, who were questioned at the TCSC hearing, say that they told Reuters or the Committee anything of the sort. In recent months we have not given an official estimate of the effect of the strike on £M3. To do so would involve making difficult assumptions about how and by how much the distortion to the CGBR feeds through into money. Our estimates of the distortion to the CGBR are also fairly crude.

3. You should therefore say that we can neither confirm nor deny the 3 per cent figure. If necessary, you can refer commentators to outside analyses such as that given by the Midland Bank in its Autumn/Winter Review. This assumed that half of the distortion to the CGBR feeds through into money

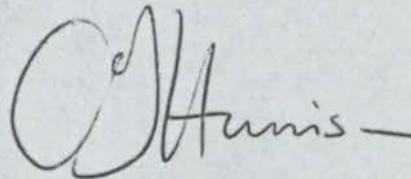
SECRET AND PERSONAL UNTIL
2.30PM TUESDAY, 8 DECEMBER 1981

-2-

(and so would in fact result in a distortion to £M3 in the 9 months to November which is not far from the figure quoted by Reuters).

4. A technical point: we are trying to discourage commentators from annualising money figures which are distorted by the strike, Reuters have tried to put the estimate of the distortion onto the same basis as an annualised £M3 figure, by annualising the distortion. But it does not make sense to annualise either of these, as this compounds the strike effect, which will be mostly unwound during the rest of the target period.

5. I am copying this to Mr Scholar in No. 10.



C D HARRISON
8 December 1981

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2036 :UK TREASURY OFFICIAL SAYS MONEY GROWTH
INFLATED THREE PCT POINTS BY DISPUTE:

LONDON, DEC 7 - STERLING M-3, THE BRITISH
GOVERNMENT'S TARGETED MEASURE OF MONEY SUPPLY
GROWTH, HAS BEEN INFLATED BY THREE PERCENTAGE
POINTS ON AN ANNUALISED BASIS DUE TO THE EFFECTS
OF THE SIX MONTH LONG CIVIL SERVICE DISPUTE, A
SENIOR TREASURY OFFICIAL TOLD REUTERS.

THE LATEST INDICATION OF MONEY SUPPLY GROWTH
FOR THE MONTH TO MID-NOVEMBER WILL BE PUBLISHED
BY THE BANK OF ENGLAND TOMORROW.

PETER MIDDLETON, TREASURY DEPUTY SECRETARY
FOR THE UK ECONOMY, TOLD A PARLIAMENTARY
COMMITTEE EARLIER, THAT THE GOVERNMENT RECOVERED
ABOUT 1.5 BILLION STG OF UNPAID TAXES DURING
THAT PERIOD, LEAVING ABOUT FOUR BILLION STILL TO
BE RECOVERED.

MORE

132

NNNN

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2039 :MONEY GROWTH 2 LONDON:

THIS SHARP FALL IN TAXES DUE TO THE
GOVERNMENT FOLLOWING THE CIVIL SERVICE DISPUTE
EARLIER IN THE YEAR, WHICH SERIOUSLY DISRUPTED
REVENUE COLLECTION, IS EXPECTED TO CONTRIBUTE TO
A SIGNIFICANT REDUCTION IN THE RATE OF MONETARY
GROWTH DURING BANKING NOVEMBER, THE SOURCE SAID.

UK BOND MARKET ANALYSTS' FORECASTS RANGE
FROM A FALL OF ONE PCT TO A GAIN OF 1.2 PCT,
WITH THE MAJORITY EXPECTING NO CHANGE IN
STERLING M-3, AFTER A 1.7 PCT RISE IN OCTOBER.

OVER THE LAST TWELVE MONTHS TO OCTOBER
STERLING M-3 ROSE AT AN ANNUAL RATE OF OVER 15
PCT ACCORDING TO THE LATEST TREASURY FIGURES,
AND IS EXPECTED TO EXCEED THE OFFICIAL SIX TO 10
PCT TARGET GROWTH RANGE FOR THE 14 MONTHS ENDING
MID APRIL 1982.

REUTER



1881 DEC 10 -

1881 DEC 10 -



cc JV

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

MAJ

4 December 1981

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Michael

Lessons From the Civil Service Dispute

Thank you for sending me a copy of your letter of 18 November to Sir Robert Armstrong, conveying the Prime Minister's wish for a small inter-departmental group of officials to report on the issues raised in the report attached to the Chancellor of the Exchequer's minute to her of 9 November.

I am writing simply to record the fact that we hope this Department will be included in the membership of the Group. We were involved in the last dispute, when our contribution income and computers were a main target of the Unions. Our impression is that we might be more heavily involved in any future dispute, with the Unions showing less caution about interfering more directly with benefit payments. We have a particular viewpoint to express, therefore, derived from reports we have prepared on the effects of that action on our operations, the lessons we have learned, and the measures we have since set in hand to improve our arrangements against similar eventualities in future. Our experience in the strike was in some respects different from that of the Revenue Departments - we were able, for instance, to use TRD very effectively against our strikers.

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

Your ever
D Brereton

D Brereton
Private Secretary

7 DEC 1981



1010100000

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A1DU
Telephone 01-379 7400
Telex 21332
Telegrams Cobustry London WC1

From the President
Sir Raymond Pennock

CBI
CONFEDERATION OF
BRITISH INDUSTRY

C.S. J.V.

NBPM

*Civil
Service*

27 November 1981

R3/12

Dear Prime Minister,

INQUIRY INTO CIVIL SERVICE PAY

I am enclosing for your information a copy of the evidence which the CBI has submitted to the Inquiry under Sir John Megaw into Civil Service Pay.

This was approved by our Council last week after some intensive consultation and discussion in the policy committees.

Yours sincerely,

Ray Pennock

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

*Copy to
1007
Pay*

CONFEDERATION OF BRITISH INDUSTRY

EVIDENCE OF THE CBI
TO THE
COMMITTEE OF INQUIRY
ON
CIVIL SERVICE PAY

November 1981

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I INTRODUCTION

- 1 On 29 June the Lord President of the Council announced the appointment of a Committee of Inquiry with the following terms of reference:

"Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; to the need for good industrial relations in the Civil Service; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service: to consider and make recommendations on the principles and the system by which the remuneration of the non-industrial Civil Service should be determined, taking account of other conditions of service and other matters related to pay, including management, structure, recruitment and grading."

- 2 The CBI welcomes the appointment of the present Inquiry and the Government's decision to review the principles and procedures for determining Civil Service pay. There is widespread concern among CBI members that a system set up in the name of fairness has in practice neither guaranteed fairness to the community as a whole, nor ensured stability in pay determination, nor encouraged cost-effective management of the Civil Service - all of which are essential for the fight against inflation.

- 3 The main themes of this submission are

- i that the pay determination system for the Civil Service should be consistent with, and should support, cost effective and accountable management. The Government has in principle the same direct responsibility for managing its resources efficiently as that of employers in the rest of the economy. Ministers, both individually and collectively, should therefore be no less accountable for their decisions, including decisions on employment costs, than the Chief Executive of a company. In particular, decisions on pay should not be regarded as an external responsibility.
- ii that pay arrangements which have existed till recently have allowed pay research undertaken jointly by the parties to dominate rather than assist negotiations, have failed to encourage management to manage its labour resources efficiently, and have largely shifted the responsibility for pay determination out of Ministers' hands to a pay research unit not directly accountable to employing Departments or to Parliament. As a result, in 9 of the last 15 years, the pay research system has been over-ridden or implemented only after delay.

iii that undue emphasis on comparability as a result of the recent arrangements has meant that other important considerations have not had a sufficient influence on pay. To ensure fairness to the community as a whole, as well as to civil servants, Civil Service pay should to a very large extent be influenced by the same considerations that influence pay in the trading sector (private companies and nationalised industries). These considerations include the state of the labour market, the need to reward and motivate employees, the effect on costs and internal relativities.

II SUMMARY OF RECOMMENDATIONS

4 The CBI recommends, therefore:

- i That the objective of Civil Service pay should be an efficient Civil Service fairly remunerated. This objective, however, should not be used to justify higher pay levels and better conditions of service than are needed to recruit and retain sufficient staff with the skills and qualifications necessary for actual job requirements. (paras 5-6)
- ii That "fair comparisons" (in the sense used by the Priestley Commission) should not be the dominant factor determining civil servants' pay. A greater role should be played by other factors such as:
 - a the state of the labour market, including the ability to recruit and retain appropriate labour given the Government's future manpower plans. (paras 9-10)
 - b the need to motivate employees and reward their performance. (paras 11-12)
 - c the effect on costs, levels of service and the efficiency with which the services are provided - in the context of the Government's economic objectives. This is in line with the recent report of the CBI working party on Government expenditure, which emphasises the important implications of public service pay for the cost of government spending, and the need to take particular account of the Government's plans to reduce Civil Service numbers in the next few years.¹ (paras 13-14)
- iii That the present pay research system should be replaced by one more akin to normal collective bargaining. The present system has proved unsatisfactory because:
 - a The opportunity for bias exists at key stages in the research process. There is no adequate outside check on whether bias has in fact occurred, and if so whether it has had a significant effect on the results. (paras 15-20)

1 Report of the CBI Working Party on government expenditure, September 1981, CBI Publications.

- b It has failed to produce comparisons that are fair, because too much weight has been attached to large organisations whose rates of pay tend to be higher than small and medium sized firms. (paras 21-30)
- c The results of pay research have dominated negotiations. This has led to an over-mechanistic approach to pay bargaining, and to insufficient account being taken of important but not easily quantified considerations. (paras 31-35)
- iv That the mandate to management negotiators should be prepared by Ministers collectively, should permit negotiators a degree of flexibility, and should be confidential to those directly involved. Management negotiators should be accountable to a team of Ministers and should report to them on a continuing basis. (paras 37-38)
- v That pay research should be undertaken separately by the two parties to avoid the very considerable disadvantages of joint pay research, however modified. On the management side, pay research should not be limited to comparability, and where comparability studies are undertaken they should not be based on the Pay Research Unit's methodologies. Independent advice on the overall state of the labour market should be available to Ministers through a panel of experts from the trading sector. (paras 39-40)
- vi That in striking a balance during negotiations between the requirements of the labour market, the need to reward and motivate employees, the effect on costs and internal relativities, full account should be taken of the non-pay benefits enjoyed by civil servants, which at present include job security and their pensions package. (paras 41-45)
- vii That to encourage stability in Civil Service pay determination, the Government should set realistic bargaining objectives. If binding arbitration on pay is included in procedure, it should not be available as of right and it must be with the agreement of both parties. The setting of realistic objectives within a normal collective bargaining framework would encourage greater stability in pay determination than has occurred under previous arrangements. Collective bargaining provides a more efficient means of reconciling labour market factors with the economic objectives of Government as an employer. Previous arrangements have not achieved this and have necessitated suspension or deferment of comparability mechanisms - with damaging consequences for future negotiations and for employee relations generally. (paras 46-48)

- viii That the pay of senior civil servants should no longer be covered by the Top Salaries Review Body. Their pay should be determined by Ministers collectively in the light of pay increases for the rest of the Civil Service, differentials, evidence on the state of the labour market and the effect on costs. (paras 49-50)
- ix That civil servants' pay and grading should be more closely related to individual performance, and that as far as possible management responsibility for controlling labour costs should be decentralised. (paras 51-54)
- x That consideration should be given to setting an initial government spending cash projection in advance of negotiations so as to bring home to negotiators the implications for costs and levels of service of the results of their negotiations. The projection would be intended to influence but not prevent genuine negotiations.

The Government would aim to reach settlements that were consistent with it. It should be made clear that, except in most unusual circumstances, settlements higher than assumed in the cash projection would be negotiated only in return for correspondingly reduced manpower levels; the latter would be linked to increased efficiency so as to maintain levels of service. If in exceptional circumstances Government felt obliged to concede pay increases which could not be reconciled with the cash projection, it might do so and then make a full statement to Parliament setting out in detail the implications for levels of service and costs.

At the time of the Budget, when Civil Service negotiations were well advanced or complete, the Government could announce its cash limits, based on its cash projection (amended if necessary). It would then stick firmly to these limits so as to control expenditure through the coming year. (paras 55-61)

III A CRITIQUE OF THE PRIESTLEY APPROACH

The Objectives of Civil Service Pay

- 5 The Priestley Commission suggested that the objective of Civil Service pay should be an efficient Civil Service fairly remunerated in the eyes of the community and of the civil servants themselves. This meant, it argued, "that the interests of the community in general, of those responsible for administering the Civil Service and of the individual civil servants themselves should be kept in balance. The community must feel that it is getting an efficient service and that it is not being asked to pay an excessive price for it. Heads of Departments must have sufficient suitably qualified staff to carry out the tasks demanded of them. The individual civil servant must feel that his remuneration is not unreasonable".
- 6 The CBI agrees with these general objectives, although it does not agree with the principles and practices that Priestley recommended. However, the need to recruit sufficient staff of suitable quality should not be taken as justifying pay levels and conditions of service which enable management to recruit - irrespective of the state of the labour market - staff with better skills and qualifications than are needed to do the job in a cost effective manner. Otherwise, the burden of overcoming particular shortages of skills, or of skill levels, might be shifted to the trading sector, which would be damaging to the rest of the economy and impair its ability to create wealth. The incentive for Civil Service managers to use existing labour more efficiently might also be reduced.

The Principles of Civil Service Pay - Fair Comparisons

- 7 The Priestley Commission argued that an efficient Civil Service, fairly remunerated, would "be achieved only if the primary principle of civil service pay is fair comparison with the current remuneration of outside staffs employed on broadly comparable work taking account of differences in other conditions of service". It justified this on grounds of fairness to non civil servants, and that it would safeguard the Civil Service from political pressures such as the arbitrary adjustment of individual rates, or arbitrary changes in the relative pay of particular grades. The principle of fair comparison was one that could be applied consistently by successive Governments, and would ensure that changes in relative pay in the community as a whole were reflected within the Civil Service.
- 8 The CBI agrees that fairness, both to the community at large and to civil servants, should be a major determinant of civil servants' remuneration. But this cannot be achieved by making "fair comparisons" the most important influence on pay. Although remuneration is obviously important, there are many other factors which influence the relative attractiveness of different jobs - for example the pace and method of work, the office "atmosphere", the degree of job security, the style of management. However elaborate or scientifically based, it is impossible for comparability exercises to take full account of these factors. Yet the Priestley recommendations have encouraged too much emphasis to be placed on the results of such exercises.
- 9 Greater weight should be attached to labour market signals, such as the ability to recruit and retain labour. To avoid excessive pay increases because of general skill shortages or depressing pay levels unduly because of widespread labour surpluses, attention should be paid not only to the Civil Service experience of recruitment and retention but also to the

experience of other employers. (This should include the measures they have adopted to prevent shortages of particular skills leading to widespread adjustments elsewhere.) The result would be a more complete picture of the relative attractiveness of Civil Service employment than is possible with comparability alone, and would indicate any changes necessary in terms and conditions, including pay.

- 10 It should not be too difficult for labour market indicators to help determine the pay of certain groups of civil servants such as clerical workers (particularly the younger ones) and recent graduates, just as they do for similar jobs in the trading sector. But it will be less easy where employees are "locked" into a career structure unique to the Civil Service. This problem would be eased by encouraging recruitment at all levels from outside the Civil Service. The CBI understands the considerable problems involved, but urges that outside recruitment into all grades be encouraged as far as possible. Even where civil servants are "locked" into their particular career, labour market signals should play a greater role than at present - for example by determining the pay of such jobs in the light of differentials between them and occupations more directly subject to labour market pressures.¹ Pay comparisons should be made only in so far as they are one element in assessing the state of the labour market.
- 11 A second major influence on pay should be the need to motivate employees. The existence of automatic salary progression in the Civil Service has substantially reduced the scope for management to reward individuals for outstanding performance or to encourage them to improve their performance. While recognising the practical difficulties involved in giving management greater freedom to reward individual performance, it would be wrong to exaggerate the problems. The long, well entrenched tradition of a non-political Civil Service provides a defence against political influences on merit awards. It is difficult to envisage the existence of such influences in the case of more junior grades.
- 12 Large organisations outside the Civil Service, some of them employing many thousands, operate merit payment schemes successfully. Within these organisations, working arrangements are often analogous to those in the Civil Service - a high degree of co-operative effort or team work, the difficulty in some administrative functions of measuring performance in output terms, the danger that objective advice to senior management will be impaired by the desire for financial reward. These organisations have found that difficulties such as these, as well as the staff time required to administer merit payment schemes, have been outweighed by considerable gains from encouraging individuals to improve their performance. In principle, there is no reason why the Civil Service should not obtain similar benefits.

1 The validity of these differentials can be checked against the differentials for comparable jobs outside the Civil Service.

- 13 A third and vital influence on pay must be the effect on costs. When negotiating settlements, employers in the trading sector take account of the effect of pay increases on their overall costs, and hence on the level of output, size of the workforce, operating efficiency and their organisations' overall strategic objectives. Likewise, in determining Civil Service pay, full account should be taken of the cost implications of the settlement for the level of service the Government wishes to provide, its long term manpower requirements and the Government's overall economic objectives, as well as the scope for offsetting efficiency improvements. The need to take particular account of the Government's future demand for labour has been emphasised in the CBI's recent report on Government spending in which the CBI welcomed the Government's announced plans to reduce Civil Service numbers in the next few years.¹
- 14 The Committee, therefore, should reject the Priestley Commission's view that "fair comparisons" should be the primary principle in determining Civil Service pay. Rather, the ability to recruit and retain labour, comparability (in so far as it is used to indicate the state of the labour market), the need to motivate employees and the effect on costs, together with due regard to internal relativities, should interact with each other. Proper weight should be given to each according to circumstances at the time, and the need to achieve the objectives set out in paragraphs 5 to 6.

Comparisons by means of pay research

- 15 The Priestley Commission proposed that fair comparisons should be made by a fact finding unit, which would be a branch of the Civil Service but would involve fully the staff associations in its work. It was on this recommendation that the Civil Service Pay Research Unit (PRU) was established. The Unit, staffed mainly by civil servants, has operated independently of the Civil Service management, but has involved both management and staff associations in its work. Its findings are presented to the parties as the basis for negotiation.
- 16 In the past concern has been expressed about the difficulty of obtaining objective results from arrangements amounting, in effect, to a system whereby civil servants are asked to pass judgment on their own pay. The appointment in 1978 of an independent Board to supervise the work of the PRU, together with efforts to recruit non-civil servants to the Unit - so far only moderately successful² - has gone some way to meeting this concern.
- 17 Cause for concern is based not on any lack of objectivity with which the PRU staff approach their task, but on their dependence at critical stages in their work on information provided by Civil Service management and staff

1 Report of the CBI Working Party on government expenditure, op.cit., pages 18-35.

2 In 1980 just under 8% of the PRU's 42 survey officers and 52 part-time technical advisers were recruited from outside the Civil Service. Report of the Civil Service Pay Research Unit Board and the Civil Service Pay Research Unit, 1981.

associations. The Unit's first task is to survey those jobs within the Civil Service which are to be compared with a sample of equivalent jobs outside. To do this, the Unit discusses with the national officials of the negotiating parties the grade to be surveyed, and the selection of establishments from which a sample of jobs in these grades is to be drawn. Before the Unit's staff visit these establishments, local management and union representatives are asked to discuss which jobs should be included in the sample. Although the decision whether or not to include a particular job lies with the Unit, in practice the PRU depends heavily - especially for jobs with which it is unfamiliar - on the advice it receives from local management and staff representatives. This advice can include the extent to which jobs in a particular grade vary, which jobs in which sections are typical and suggestions as to which particular jobs to survey.

- 18 The possibility exists that in giving this advice, staff and management representatives may - albeit unwittingly - point the Unit to jobs which have, for example, the most responsibility or highest skill content. There is a clear incentive for staff associations to do this, and local managements may - perhaps not deliberately - acquiesce to help maintain good industrial relations, or to hide "skeletons in the cupboard" (perhaps jobs whose existence is difficult to justify), or to enhance their own self-esteem (by implying that they manage others with considerable skills and responsibilities), or even because they stand to gain from favourable results of pay research.
- 19 Opportunity for bias also exists in the Unit's survey of outside jobs. From the reports the CBI has received from some members with direct experience of the PRU, it appears that the Unit's staff may be insufficiently familiar with the day-to-day realities of salary practice in the trading sector. Yet there are no adequate safeguards to prevent this affecting the results. Frequently, it appears, the Unit's staff do not interview job holders or their superiors in outside organisations. Although interviews may not always be necessary, it would be surprising if there were not at least some cases where interviews would provide a useful check against the possibility of mistake. Unlike reputable private sector pay surveys where the surveyor provides job descriptions for the company to match in his own organisation, the PRU requires firms to provide their own job description which they themselves match with Civil Service jobs. Without full knowledge of the Civil Service job in question, there is no means for the surveyed company to check that the comparison was valid.
- 20 The CBI is not claiming that bias definitely occurs. What the CBI is concerned about is, first, that the possibility of bias exists at various stages of the Unit's work; second, given that it would be impractical for the PRU Board to supervise the Unit's work sufficiently closely, there is no independent means of discovering whether bias has occurred; and third, if there has been bias, there is no way of knowing whether it has had a significant effect on the results. It may be costing the country millions of pounds: or it may not. The public should not have to bear that risk.

Comparisons with large firms

- 21 Having argued that fair comparisons should be the primary principle in determining civil servants' pay, the Priestley Commission recommended that comparisons should be made with "good employers". While recognising that such employers would include small firms, the Commission proposed that comparisons be made predominantly with large organisations. This has been the practice of the Civil Service Pay Research Unit. In 1980 about four-fifths of the Unit's surveys were in enterprises with over 2,000 employees, and of the rest a large number employed over 1,000.¹
- 22 The Priestley Commission believed that the quality and remuneration of staff in large organisations would be fair by comparison with occupations in the country at large. However, the experience of many businessmen is that there is a tendency for large firms to pay higher rates. This impression is supported by the results of the 1964, 1968 and 1973 labour costs surveys, which are summarised in Tables 1 and 2. (Later surveys did not present results by company size.)

TABLE 1

Analysis of labour costs in manufacturing industry by size range of firms, 1964-1968. (Average expenditure per employee; fs per year)

	<u>Size of firms (no. of employees)</u>			
	25-249	250-999	1,000 & over	Av. of all employees
<u>1964</u>				
Total wages & salaries	717.8	756.5	868.9	813.0
Total labour costs	769.0	818.2	953.1	885.5
<u>1968</u>				
Total wages & salaries	899.1	965.2	1,110.8	1,034.5
Total labour costs	973.3	1,056.4	1,220.1	1,132.9

Sources: Ministry of Labour Gazette - Dec 1966
Employment & Productivity Gazette - Aug 1970

1 Report of the Civil Service Pay Research Unit Board and Civil Service Pay Research Unit 1981, Appendix 7.

TABLE 2

Analysis of labour costs in manufacturing industry by size range of firm, 1973
(Average expenditure per employee; £s per year)

	<u>Size of firms</u> (no. of employees)					Av. of all employees
	50-99	100-199	200-499	500-999	1000 & over	
Total wages and salaries	1542.5	1559.3	1631.1	1710.4	1945.6	1799.1
Total labour costs	1687.7	1708.5	1801.3	1897.6	2177.6	2001.4

Source: Department of Employment Gazette - Sept 1975

- 23 There is no evidence that the gap between the remuneration of large and small firms has narrowed. In fact, the long term trend seems to be the reverse. Between 1964 and 1973 average wages and salaries per employee in manufacturing companies increased by about 121%. For companies with 1,000 employees or more the increase was just under 124%. The difference of course would be greater if it was possible to make comparisons between employees in large and smaller firms, rather than between large companies and the average of all companies - the form in which the data is available. (The equivalent information for non-manufacturing firms is not available.)
- 24 Although official labour costs surveys since 1973 have not provided information by size of enterprise, the Inbucon Salary Surveys, covering non-manufacturing as well as manufacturing industry, suggest that this trend has continued. The occupations surveyed are at senior and middle management levels, but it would be surprising if the trend indicated in Table 3 was not reflected in the remuneration of more junior staff.

TABLE 3

Remuneration of middle and senior managers by size of company, 1973-80

Company size (employees)	1973	1980	% change
All companies (250-10,000 & over)	4,500	11,292	150.9%
1,000 - 1,999	4,450	11,750	164.0%
2,000 - 4,999	5,148	13,236	157.1%
5,000 - 9,999	6,273	16,350	160.6%
10,000 - & over	7,000	19,120	173.1%

Source: Inbucon, Survey of executive salaries and fringe benefits - 1973,1980

- 25 The evidence from both the Department of Employment's labour costs and Inbucon's salary surveys casts doubt on the findings of a recent study by the Civil Service Pay Research Unit, which concluded "that the results do not show any significant connection between the levels of pay for comparable jobs and the size of organisation".¹ The study was based on a relatively small sample - 328 organisations. And the overwhelming majority of these were large firms. Of the 3515 analogue pay rates from the total sample, only about a tenth were in organisations with less than 1,000 employees; for the typist grade, out of 63 outside organisations only one had less than 500 employees. The study was unable, therefore, to consider whether there may be differences in pay levels between, for example, firms with less than 500 employees, firms with 500 to 1,000 employees and firms with a workforce of over 1,000.²
- 26 The CBI is not arguing that size of itself is the reason why large companies have higher levels of pay. There may be other reasons. The CBI's concern is that a widening gap between the pay of large and small firms, and the linking of civil service pay to that of large companies, would mean that overall civil servants' pay has been getting increasingly ahead of the community as a whole.
- 27 Data from the New Earnings Survey would suggest that this has indeed been the case. In 1980 the pay of central government non-manual employees (full-time male 21 and over) relative to the average of private sector non-manuals was 6.6% higher than it was in the period 1970-74.³ However, the figures need to be interpreted with care, not least because those for central government include non-civil servants. Even if there has not been tendency for civil servants' pay to get increasingly out of line with rates in the rest of the economy, comparisons with large firms since the Priestley report may have placed civil servants' pay in an unduly favourable position vis-a-vis other employees throughout the period since the mid 1950s. (The CBI recognises however, that the grading structure and internal comparisons may have prevented some posts from being properly rewarded).

1 Appendix 6, Report of the Civil Service Pay Research Unit Board and the Civil Service Pay Research Unit, 1981.

2 The Inbucon data suggests that even within particular size categories, pay levels may vary according to company size.

3 See Report of the CBI Working Party on government expenditure, op. cit. pages 13-15.

- 28 One of the reasons given by the Priestley Commission for recommending that comparisons be made mainly with large organisations was that, because of their size, the structure and method of grading jobs would be closer to Civil Service practice than those of smaller firms. However, this would only be relevant to the making of fair comparisons when the structure and method of grading jobs, as well as the size of the organisation itself, significantly affected the content of the actual work done. For some posts - particularly those involving management accountability for large numbers of employees - comparison with equivalent jobs in large organisations is appropriate. But for many occupations - certain clerical jobs for example - it would be just as appropriate to make comparisons with equivalent jobs in smaller enterprises. In both cases of course, this should only be to the limited extent that comparability has a role to play.
- 29 The Priestley Commission's third reason for advocating comparisons predominantly with large organisations was that their personnel departments would be likely to be better equipped, both from their size and their experience of job description and analysis, to co-operate in the task of making comparisons. The CBI believes, however, that if the operation of the PRU in its present form requires that comparisons be made mainly with large enterprises, which is contrary to the objective of "fair comparisons", then this is a compelling argument for changing the existing arrangements.
- 30 The Committee should recommend, therefore, that in so far as pay comparisons are used to help determine the state of the labour market, they should be made - where appropriate - with a larger proportion of small and medium sized firms.

Negotiating the results of the PRU surveys

- 31 The results of the PRU's surveys form the basis for negotiation between the parties. The reports contain extensive information on the terms and conditions of those doing equivalent jobs in outside firms, including details of fringe benefits, security of tenure, pension arrangements and so on. Over the years the parties have agreed formulae for assigning monetary values to fringe benefits frequently found outside the Civil Service. The Government Actuary also provides an annual assessment of the value to civil servants of their inflation-proofed pensions. These values are taken into account in negotiations designed to reach an agreed interpretation of the results of the PRU's surveys and the implications of the results for civil servants' salaries. Whilst genuine negotiations do take place, their scope is limited. The parties concentrate on the PRU surveys, and in translating the results into salaries, they are substantially constrained by the previously agreed formulae on fringe benefits and the Government Actuary's report on pensions.
- 32 This has led to an over-mechanistic approach to pay determination, to a danger that in making comparisons too much emphasis will be placed on those elements of the employment package on which it is relatively easy to place monetary values. Some elements are not easy to quantify - notably the greater job security enjoyed by civil servants. Not enough weight has been given to the advantage of greater job security when negotiating Civil Service pay.
- 33 There is another danger. The Scott Committee's Report showed how a range of valuations can, quite reasonably, be placed on the benefit of an inflation-proofed pension. The same applies, for example, to the valuation

of company cars. Valuation can be based on their actual purchase and running costs - the recent practice in Civil Service negotiations, using an agreed formula based on AA Scales. Or it can be based on the value of the car to the recipient. It can be argued that the latter would be lower than the car's actual costs, since without this "perk" many employees would have bought cheaper cars and owned them for longer periods. The danger is that, if arrangements for treating individual elements of the employment package are agreed in an isolated set of negotiations, and if significant concessions are made by one party, these concessions may not be offset by compensatory concessions on other issues during the course of subsequent negotiations.

- 34 The CBI is concerned that some of the arrangements for dealing with individual issues - notably the valuation of inflation-proofed pensions and to a lesser extent of company cars - have considerable advantages for civil servants, and that management may not have secured adequate concessions in return. In fact, under the Priestley arrangements both parties are denied all the checks and balances that exist within collective bargaining. The latter enables concessions to be made in the context of the total remuneration package. Compromises can be reached which may not have a strict mathematical logic, but which reflect a fair balance between opposing views. If the balance struck one year is not quite right, it can be corrected the next. In the mechanistic approach to Civil Service pay, mistakes are not so easily put right - and they may be expensive.
- 35 This leads to CBI's final concern. In any particular year, management will find that in controlling its labour costs it is heavily constrained by the reports of the PRU, the Government Actuary's report on the valuation of pensions, and agreements reached in previous years on the valuation of fringe benefits. By contrast, in the trading sector managements are seeking to gain maximum control over labour costs - often so that they will be better placed to make concessions to their employees. The CBI believes that it is wrong in principle for the Government to have surrendered so much control over its per capita labour costs, especially when these comprise a major element of public expenditure. It is particularly concerned that present arrangements give undue influence to the PRU, whose reports can have significant implications for economic policy, but which is not directly accountable to Parliament. It is most unsatisfactory that the only way for Government to reassert its control of Civil Service costs is by suspending the operation of the pay determination system itself.

III THE CBI PROPOSALS

Collective bargaining

36 Against this background, the CBI believes that the current system for determining Civil Service pay should be replaced by one more akin to normal collective bargaining. This would overcome many of the deficiencies of the Priestley arrangements. It would provide a more efficient means of striking a balance between labour market requirements, the need to reward and motivate employees, internal relativities and cost constraints, including the implications of the settlement for the Government's overall economic objectives. It would help to ensure that Government has greater control over its labour costs. It would provide greater stability. But the practical difficulties of relying on collective bargaining in the Civil Service need to be considered.

Management's approach to pay bargaining

37 In principle there is no reason why Civil Service pay should not be determined by collective bargaining, as is the pay of employees in other parts of central and local government and in the trading sector. However, in the particular circumstances of the Civil Service it is important to consider such issues as who would decide the mandate for negotiators on the management side, and how the mandate should be carried through.

38 In the CBI's view, the mandate should be prepared by Ministers collectively. It should permit negotiators flexibility within the framework of the cash projection already announced to Parliament (see paras 55 to 61 below). The details of the mandate itself, however, should be confidential to those directly responsible for negotiating it. Those on the management side who actually conduct the negotiations should be accountable to a team of Ministers and report to them on a continuing basis.

The role of pay research

39 Initially, negotiations will involve among other factors arguments about pay comparisons based on wage and salary surveys, as is often the case in the trading sector. The CBI has considered whether, by eliminating the methodological flaws in the current pay research system, it might be possible for pay research to be undertaken jointly by the parties. It recognises the possible advantages to negotiators of having an agreed set of facts before them. However, the CBI does not believe that joint pay research, even on a modified basis, is desirable because:

- i Both parties may disagree as to what matters should be covered by pay research. If those issues which both parties agreed should be covered by pay research were examined jointly, there would be a danger that - because the facts had been agreed in advance - these matters would play a greater role in negotiations than was originally intended, and that insufficient weight would be given to other factors.
- ii There is likely to be considerable room for disagreement about the methods for conducting pay research. A compromise methodology would have to be agreed well in advance of negotiations, and it is unlikely in practice that this methodology would be substantially altered from year to year. Consequently, if either party felt that - for one reason

or another - it had made the greater concessions on methodology, because the concessions had been made outside the total context of the remuneration package, that party would not find it easy to obtain offsetting concessions on other issues. If the results of pay research were then to play a larger role in negotiations than originally envisaged, that same party might find that the system was loaded against it - and this would jeopardise the long term durability of the pay determination arrangements.

iii It is wrong in principle to rely on a joint research mechanism to reconcile differences of opinion between the parties about the accuracy or relevance of specific data, especially if the research mechanism has considerable independence. The greater the independence of a joint mechanism, the greater will be the parties' loss of control over the results of pay research, and hence - as far as management is concerned - over labour costs and public expenditure. It is far better for differences of opinion, supported by separate pieces of research reflecting different research methodologies and priorities, to be discussed during the principal negotiations. The resulting compromises are more likely to reflect a fair balance between opposing views, and both parties will be more directly responsible for the outcome of the negotiations.

40 Each party, therefore, should develop research facilities appropriate to its own needs. So as not to prejudice the outcome of negotiations, the results of pay research should be kept confidential to the party which undertakes it - at least until negotiations are complete. On the management side, this would argue, first, for the availability of independent advice to Ministers from a panel of advisors in the trading sector. The purpose of this advice would be to keep Ministers informed about overall trends in the labour market. For more specific information on what is happening in particular labour markets, Ministers may wish to commission independent research rather than rely on civil servants, who may well be members of staff associations and who will have a direct interest in the results of the negotiations. It will also be necessary for management to ensure that its pay research is not limited to comparability, but deals more widely with the state of the labour market and the relative ability of the Civil Service to recruit and retain labour. Where comparability studies are undertaken, their approach should reflect the criticisms made of the PRU (paras 15 to 30 above).

Factors to be considered in negotiations

- 41 As emphasised already, full account should be taken in negotiations of the labour market, the need to reward and motivate employees, the effect on costs, and internal relativities. In striking a balance between these considerations, account must also be taken of the non-pay benefits enjoyed by civil servants, which at present include job security and their pensions package, as well as the fringe benefits which exist in the trading sector.
- 42 The difficulty of putting a precise value on relative job security was demonstrated in the work of the Clegg Commission and the Scott Inquiry. This did not, however, reduce the importance of taking it fully into account in negotiations, especially since those who have lived with

security of tenure often fail to comprehend the psychological costs of insecurity.

- 43 If negotiators are simply urged to take account of relative job security, there is a danger that it will be undervalued. On the other hand, attempts to produce precise valuations could well be unsuccessful or could also lead to extensive argument about the accuracy of the valuation.
- 44 The CBI therefore believes that the present Inquiry should assist negotiators by seeking and publishing evidence of the value placed by the labour market on security in order to assist negotiators in putting values upon it. For example, the Inquiry could examine differences in pay between freelance and permanent staff, taking appropriate account of conditions not provided to freelance staff. Additional indications could be obtained through the use of attitude surveys - to gauge, for example, how much income individuals are prepared to trade for job security. The CBI would be prepared to discuss in greater detail with the Committee how such attitude surveys might be conducted.
- 45 On pensions, the CBI has recommended to Government that more realistic assessments should be made of pension contributions by public service employees to take proper account of the benefits of inflation-proofing which they currently enjoy. In addition, it favours an end to the full and automatic indexation of Civil Service pensions.

Stability in pay determination

- 46 The Committee may wish to consider whether reliance on collective bargaining will lead to instability in Civil Service pay determination. It should be emphasised, first, that the Priestley arrangements have not guaranteed stability. In 9 out of the last 15 years the PRU system has been over-ridden or implemented only after delay with consequent damage to Civil Service employee relations. There is no certainty that a continuation of the Priestley arrangements would bring industrial peace. Civil servants have not foresworn industrial action in exchange for these arrangements. If the price of peace is the Priestley system, the price would be unacceptably high for the reasons set out in paras 5 to 35. The Priestley arrangements have introduced instability to pay bargaining outside the Civil Service as employers in the trading sector have from time to time sought to match unrealistic rates in the Civil Service.
- 47 The CBI believes that the way to minimise the threat of industrial action is for Government, in setting its pay bargaining objectives, to set a realistic balance between the considerations referred to in para 41 above. It should set a high priority on explaining to its employees throughout the year the objectives and implications of its policies, just as management has increasingly been doing in the trading sector. Indeed, the main reason for advocating greater emphasis on collective bargaining is that it provides a more efficient means of reconciling labour market factors with the economic objectives of Government as an employer.
- 48 In order to reduce further the danger of industrial action, there may be a case for including arbitration in procedure. It may well be that arbitration is more appropriate for issues of right (such as discipline or interpretation) rather than matters of interest (such as pay). However, if it was felt that there should be binding arbitration on pay in the event of a failure to agree, the CBI would emphasise that it should not be

available as of right, and it must be with the agreement of both parties. Arbitration should not become a means by which the Government's responsibility for controlling expenditure and setting appropriate levels of pay is avoided. Nor should it reduce the incentive for both parties to reach agreement through negotiations. It should be regarded as a one-off exercise to deal with a particular aspect of pay bargaining at a particular time.

The pay of senior civil servants

- 49 At present, the pay of Assistant Secretaries and their seniors is determined by the Prime Minister on the advice of the Top Salaries Review Body. The advantage of this is that the scope for collective bargaining with very senior Civil Servants is limited. It is undesirable that they should be employed in politically sensitive posts on a personal contract basis, or that the process for determining their pay should be subject to excessive political pressures. In practice, however, implementation of the recommendations of the Top Salaries Review Body has not always proved to be immune from political interference. Moreover, it would be inconsistent if the pay of senior Civil Servants was to be determined by means of institutionalised comparability and that of more junior grades by means of collective bargaining; an unintended widening or narrowing of differentials could result.
- 50 The CBI therefore recommends, on balance, that senior Civil Servants should no longer be covered by the Top Salaries Review Body. Their pay should be determined by Ministers collectively in the light of pay increases for the rest of the Civil Service, differentials, evidence on the state of the labour market and other relevant considerations including the effect on costs.

The pay system and management's control of employment costs

- 51 At present, in nearly all cases in the home Civil Service there is automatic progression through the salary scale according to the person's length of experience in the grade. This practice should be modified to allow greater scope to reward individual performance. Of course the special circumstances of the Civil Service mean that in many cases it will not be possible to measure performance in terms, for example, of output or value added. But there is no reason why performance - either on an individual or group basis - should not be measured against the requirements of the job. Among relevant considerations should be the efficiency with which the job is performed and, where relevant, the contribution made to reducing departmental costs.¹
- 52 Pay systems which take account of individual performance are widely used outside the Civil Service. In some cases, they allow for progression through the salary scale by a number of steps on the basis of individual performance in the job. This approach might be appropriate for the Civil Service. The alternative is for individual performance to be rewarded by means of merit payments. If this approach is adopted, the CBI recommends that to avoid uncontrolled "wage drift", the total sum available for merit payments should be agreed at national level as part of the pay settlement. The sum should be distributed between departments and sections on a planned per capita basis. The size of individuals' merit payments should be determined within the available total by departmental and section heads.

1 See Report of the CBI Working Party on government expenditure, op.cit.

- 53 Whichever approach is adopted, the ultimate objective should be to decentralise as far as possible the responsibility for the control of employment costs. Within their budgets, departmental and section heads should be responsible for the numbers they employ and for the cost effectiveness with which the work is performed (including where necessary adjustments to the skill mix of the employees concerned), as well as for assessing the performance of their staff. They should be held accountable for, and be at least partly rewarded on the basis of their ability to manage resources efficiently. The CBI recognises that changes on these lines would raise a number of practical questions and would take time, but it believes that there would be considerable gains from decentralising management responsibility for controlling labour costs and from encouraging remuneration to be more closely related to individual performance.
- 54 Consideration should also be given to ways of enabling pay to reflect variations between local labour markets, so that pay levels can be more responsive to labour market forces. The CBI is aware of the difficulties - the danger of leapfrogging for example - that could arise if pay bargaining was decentralised. One approach, therefore, might be to retain centralized bargaining but to adopt a system similar to the provincial differentiation of salaries, covering London, intermediate and provincial offices, which existed between 1920 and 1958. Alternatively, it might be possible to negotiate at national level a total sum for distribution to departments which had difficulties in recruiting in particular labour markets. However greater responsiveness to local labour markets is achieved, care will need to be taken that this does not lead to excessive or uncontrolled wage drift. It will be necessary to ensure that information systems are developed which enable senior management to maintain control of labour costs.

Cash limits

- 55 A final question is how collective bargaining can be reconciled with cash limits. At present "cash limits" for local authorities, as reflected in the Rate Support Grant, are announced around November and apply to the financial year starting the following April. Cash limits for central government expenditure are announced during the months immediately preceding the financial year to which they apply. It has been customary for both sets of cash limits to make the same assumptions about movements in pay. This means that Government has to take a view on likely pay developments, as well as on its economic objectives, early in the bargaining round.
- 56 There are three options. The first would be for cash limits to be set before negotiations begin, and to be adhered to strictly irrespective of the outcome of negotiations. The CBI believes that this might have undesirable results. First, such an approach might be thought to be inconsistent with genuine negotiations. Second, if for example cash limits were based on unrealistic assumptions about pay developments in the economy as a whole, it might be impossible to negotiate a settlement that was consistent with the original cash limit. As on several occasions in the past, sudden and disruptive cuts in public expenditure might follow, with the cuts possibly falling most heavily on the capital account.
- 57 The second alternative - for cash limits to be "negotiable" - would also be undesirable in that this might be interpreted as a blank cheque, and remove from negotiators a discipline which was analogous to the market disciplines experienced by the trading sector. It might encourage the

assumption that planned levels of service would be maintained irrespective of cost, which would be against the objective of achieving an efficient allocation of national resources.

- 58 A third alternative, which the CBI favours, might be for Government to announce - say in November - a cash projection for total central government expenditure (and also the Rate Support Grant). The cash projection would differ from a "cash limit" in that it would be based on a preliminary view of Government expenditure, taking into account the advice received on the overall state of the labour market from the panel of advisors recommended in para 40 above. The announcement of the cash projection would be in advance of negotiations for the main employees concerned and would be designed to bring home to negotiators the implications for costs and levels of service of the results of their negotiations. It would provide a yardstick against which the effects of the outcome of negotiations could be measured. As late as practicable - when negotiations were well advanced or complete - firm cash limits for spending audit and control purposes would be announced.
- 59 The Government would aim to reach settlements that were consistent with its cash projection. Normally this should be possible. It should be made clear that, except in most unusual circumstances, settlements higher than assumed in the cash projection would only be negotiated in return for correspondingly reduced manpower levels; the latter would be linked to increased efficiency so as to maintain levels of service. The implications of proposals for spending programmes made in negotiations should be continually and carefully considered in the light of the original cash projection. The CBI would also re-emphasise a point it has made on a number of occasions:¹ that settlements should not be reconciled with cash limits (or projections) by means of "staging".
- 60 However, if in exceptional circumstances Government felt obliged to concede pay increases which could not be reconciled with the cash projection, it might do so and then make a full statement to Parliament setting out in detail the implications for levels of service and costs. Parliament and its relevant committees could then examine the considerations behind the cash projection and the reasons for its revision. The involvement of Select Committees might help to ensure that the Government was held fully accountable for its decisions, and might encourage a bi-partisan approach to Civil Service pay. At the time of the Budget, when Civil Service negotiations were well advanced or complete, the Government could announce its cash limits, based on its cash projections (amended if necessary). It would then stick firmly to these limits so as to control expenditure through the coming year.
- 61 Though far from ideal, such an approach (which builds on recent and existing practice) would have certain advantages. It would give that degree of flexibility needed to allow for exceptional circumstances and permit genuine negotiations. It would encourage negotiators to consider fully the implications of alternative outcomes for levels of service and costs. And it would provide a way of making Government accountable for the effectiveness with which it conducted negotiations.

1 Eg: Report of the CBI Working Party on government expenditure,
op. cit., p 35

c. c. Mr. Hoskyns
Mr. Vereker
Mr. Duguid



83
C. S. Service

10 DOWNING STREET

From the Private Secretary

23 November 1981

Dear Jim,

LESSONS FROM THE CIVIL SERVICE DISPUTE

Thank you for your letter of 20 November about the new inter-departmental group which will be preparing a report on the lessons of the Civil Service dispute.

The Prime Minister was interested to read about the comprehensive report on the dispute which was being prepared within the Civil Service Department. She hopes that the Management and Personnel Office will be represented on the inter-departmental group, and that the group will consider the CSD report at the same time as the Chancellor's and Mr. Hoskyns'.

I am copying this letter to John Kerr (HM Treasury), Don Brereton (Social Services), Richard Dykes (Employment), Adrian Carter (Mr. Hayhoe's Office), David Wright (Cabinet Office) and John Hoskyns.

Yours sincerely,

Michael Scholar

Jim Buckley, Esq.,
Chancellor of the Duchy of Lancaster's Office.

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CONFIDENTIAL

JS

23 November 1981

RECOVERY FROM THE CIVIL SERVICE STRIKE

The Prime Minister has seen and noted your letter to me of 18 November.

MS

Peter Jenkins, Esq.,
HM Treasury.

So

CONFIDENTIAL



bc JV JS

10 DOWNING STREET

From the Private Secretary

23 November 1981

INLAND REVENUE EVIDENCE TO MEGAW COMMITTEE

Thank you for your letter of 17 November with which you enclosed draft evidence from the Inland Revenue and Customs and Excise for the Megaw Committee.

The Prime Minister has no points to raise and is content for the evidence to be submitted.

I am sending copies of this letter to Jim Buckley (Chancellor of the Duchy's Office), David Omand (Ministry of Defence), Don Brereton (DHSS), Richard Dykes (Department of Employment) and Jim Nursaw (Law Officers' Department).

M. C. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

so

From the Private Secretary

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Chancellor of the Duchy of Lancaster

Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 4400

20 November 1981

Prime Minister

~~XXXXXXXXXX~~

M/S 20/11

Michael Scholar
10 Downing Street
LONDON SW1

Dear Michael,

LESSONS FROM THE CIVIL SERVICE DISPUTE

In your minute of 18 November you asked Sir Robert Armstrong to set up an inter-departmental group to prepare a report on this. The Chancellor of the Duchy would very much like the Management and Personnel Office to be represented on that group to assist with the preparation of a report on the issues raised in the Chancellor's minute of 9 November and Mr Hoskyns' of 13 November.

Although she was not directly involved during the dispute, the Chancellor of the Duchy has been following within the Civil Service Department the preparation of a comprehensive report on the dispute. That report is almost complete. The Chancellor of the Exchequer's report, prepared of course before the recent reorganisation, examines the problems from the vantage point of Inland Revenue and Customs. The Chancellor of the Duchy hopes that it will be possible for the inter-departmental group to have before them also the report prepared in the CSD, which covers the whole of the Service, and that that report will be circulated in the same way as the Chancellor's and Mr Hoskyns'.

I am copying this to John Kerr (Treasury), Don Brereton (Social Services), Richard Dykes (Employment), Adrian Carter (Mr Hayhoe's Office), John Hoskyns (Number 10) and to David Wright (in Sir Robert Armstrong's Office).

Yours sincerely,
Jim Buckley.

J BUCKLEY

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Cont source
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MR. SCHOLAR

c.c. Mr. Hoskyns

Evidence to the Megaw Committee from the Inland Revenue and Customs and Excise

Subject to the views of other Ministers (and I would not expect any) there are no points the Prime Minister should raise on the draft evidence submitted under cover of the letter of 17 November from the Chancellor's Private Secretary. Both pieces of evidence were agreed in the official group in which I participate. They are largely factual, and, in the case of the evidence from Customs and Excise, quite helpful on local pay. Both papers are cautious about merit pay, but it would be wrong for us to try and suppress the genuine difficulties perceived by management in the large employing departments, and to which the Government's general evidence on merit pay will refer. I doubt if the Prime Minister need trouble to look at these papers in detail.

J.

19 November, 1981.

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✓ A. Walter

(2)



Prime Minister

This is an interesting note.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000 18 November 1981

Michael Scholar Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

MS

You asked the other day why there was a loss of revenue in 1980-81. I understand it is because the strike began on 9 March 1981 - and £860m was lost between then and the end of March.

Dear Michael,

RECOVERY FROM THE CIVIL SERVICE STRIKE

MLs 20/11

We last gave a full assessment of the likely path of recovery from the Civil Service strike on 18 September in my letter to you. We have now updated that assessment in the light of further data and practical experience of handling the recovery. This is set out in detail in the attached report, which we promised in John Kerr's letter to you of 10 November accompanying the monthly note on the CGBR.

The report suggests that, now that good progress has been made on getting up to date with VAT repayments, the unwinding of strike effects will produce substantial net benefits for the CGBR in the next few months. As a result the published increases in £M3 will now be lower than the underlying growth.

The report concludes that on current estimates the net effect of the strike on the CGBR in 1981-82 might be around £½ billion. As John Kerr mentioned in his letter to you of 10 November, despite this effect we still expect the PSBR to be fairly close to the Budget estimate.

Yours ever,
Peter

P S JENKINS
Private Secretary

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RECOVERY FROM THE CIVIL SERVICE STRIKE

1. The prospects for recovery from the Civil Service dispute were discussed in a note circulated in mid-September. At that time an attempt was made to assess the impact on the recovery path of operational decisions taken on the priorities for action. This note summarises the more recent data (already incorporated in the Monthly Reports on the CGBR) and gives revised estimates of the likely recovery profile.

2. These estimates are set out in table 1. The main features are:

(i) A strong start was made in August to recovering the backlog but the recovery profile has been affected by operational decisions to give priority to VAT repayments, and to collect VAT payments through rolled-up returns. The former has, as expected, caused further temporary losses of revenue, but the latter should from now on produce a faster recovery than would otherwise have occurred.

(ii) September and October saw net increases in the borrowing requirement as a result of the strike of less than £ $\frac{1}{2}$ billion in each month.

(iii) Because the recovery profile so far has been better than expected, especially in October, there is a smaller backlog to clear in future months. Nevertheless we are still expecting a strong recovery of revenue in the next few months, including over £1 billion in each of the next three months (November to January). The main factor is the turnround estimated for Customs and Excise - they showed net outgoings of £800 million in September and £1.7 billion in October but are expected to record net receipts from now on. Inland Revenue recovered in October more of the backlog than expected and have now received about half of their total shortfall; they expect to recover a further one-third in the next three months.

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(iv) The cumulative backlog from the start of the strike, which for the two Revenue departments reached £6 billion at the end of July, still stands at £5½ billion. But from November onwards the benefits from the receipts under the rolled-up VAT returns will be felt. By the end of 1981 we estimate that the backlog might be below £3 billion, and the carryover into the next financial year might be just over £1 billion; this is little different from the recovery profile presented in the note circulated in mid-September.

(v) Table 2 shows that our estimate of the interest cost (gross of tax paid on it) of the higher borrowing requirement in 1981-82 is still around £½ billion. The cost will partly depend on the future course of interest rates. It might be argued by some critics that the interest cost, amounting to roughly 10 per cent of the total Civil Service pay bill, is greater than it might have cost to settle the dispute earlier; but to have conceded a larger pay settlement would have entailed permanent additional costs, and would probably have had repercussions on pay in the rest of the public and private sectors.

(vi) The net effect of the strike on the CGBR in the current financial year is estimated to be around £¾ billion, comprising a little over £1 billion delayed into next year or irrecoverable, plus around £½ billion debt interest less £1 billion (or a little less) of revenue delayed from last year.

(vii) From now on recovery from the strike is expected to reduce recorded monetary growth, so that recorded increases in the £M3 statistics will be lower than underlying growth. Recovery from the strike could reduce recorded monetary growth by nearly ½ per cent in both banking November and December, and by a further 1 per cent

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in banking January. However, we still think that by the end of the current target period the net effect of the strike will be to add over 1 per cent to recorded £M3.

(viii) We have in recent public announcements been drawing attention to the fact that the CGBR has continued to deteriorate as a result of the strike. The market will now be expecting, after the results for banking October, a significantly lower level of recorded £M3 growth in coming months.

H M Treasury
12 November 1981

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Table 1:

CIVIL SERVICE STRIKE AND RECOVERY - EFFECTS ON CENTRAL GOVERNMENT REVENUE

£ million

Effects on:	1980-81	1981-82										1982-83	Irre- coverable
	1981 Q1	1981 Q2	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar		
Inland Revenue and National Insurance	- 610	- 3140	- 1350	+ 900	+ 350	+ 1180	+ 800	+ 620	+ 450	+ 250	+ 200	+ 250	100
Customs and Excise net receipts	- 250	- 300	- 300	+ 450	- 700	- 1630	+ 300	+ 800	+ 600	+ 200	+ 50	+ 750	30
Of which:													
gross receipts	- 450	- 1850	- 900	+ 250	- 500	- 380	+ 1000	+ 1200	+ 600	+ 200	+ 50	+ 750	30
VAT repayments	+ 200	+ 1550	+ 600	+ 200	- 200	- 1250	- 700	- 400	-	-	-	-	-
NET REVENUE (delayed -; recovered +)	- 860	- 3440	- 1650	+ 1350	- 350	- 450	+ 1100	+ 1420	+ 1050	+ 450	+ 250	+ 1000	130
Cumulative net effect on CG revenue	- 860	- 4300	- 5950	- 4600	- 4950	- 5400	- 4300	- 2880	- 1830	- 1380	- 1130	- 130	

TABLE 2: FINANCIAL YEAR EFFECTS OF THE STRIKE ON THE CGBR

	£ million		
	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
(Addition to CGBR -)			
Net effect on CG revenue	-860	-270	+1000 ⁽¹⁾
Interest costs	-	-510	-100
<hr/>			
Total effect on CGBR (including effects on expenditure)	-860	-780	+900

(1) Excludes irrecoverable revenue.

1928





10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONGLessons from the Civil Service Dispute

The Prime Minister has seen the Chancellor of the Exchequer's minute of 9 November, and the report which was attached to it, on the lessons which emerged from each of the Chancellor's Departments' experiences in the recent strike.

The Prime Minister has commented that in order to deter, or else win (and at a lower cost) in a further strike, we must document and study the lessons learnt from the last one and solve the problems identified in advance. She would accordingly be grateful if you would set up a small interdepartmental group, which she imagines would be chaired by the Treasury, to prepare a report on each of the issues raised in the attachment to the Chancellor's minute and in John Hoskyns' minute to the Prime Minister of 13 November. She would like the Policy Unit at No.10 to be involved in the preparation of this report.

I am sending copies of this minute to John Kerr (HM Treasury), Richard Dykes (Department of Employment), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Adrian Carter (Mr. Hayhoe's office), David Omand (Ministry of Defence), Don Brereton (DHSS), and David Heyhoe (Lord President's Office).

18 November 1981

SD



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J. Vereker

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

17 November 1981

Michael Scholar Esq.
Private Secretary,
10, Downing Street

Prime Minister

This evidence is largely factual. It is pretty cautious on merit pay* - but not, I think, excessively so. John Vereker has been through it and thinks you need raise no points.

*pams? 32-37
of Inland Rev
evidence

Dear Michael, para 6.1 of
C+E evidence.

Content for the evidence to be submitted?

INLAND REVENUE EVIDENCE TO MEGAW COMMITTEE

MCS 19/11 Yes me

As you know, the Megaw Committee has asked for evidence from a number of Government Departments, including the Inland Revenue and Customs and Excise.

.....

I attach copies of these Departments' draft evidence. It has been cleared interdepartmentally at official level and the Chancellor has seen it and is content with its terms.

overtaken

Perhaps you would let me know if the Prime Minister has any points to raise on it before it is submitted; and I would be grateful if the other recipients of this letter would likewise let me know if their Ministers have any comments. If I do not hear from you or the others by Friday next, I will take it that the way is clear for the evidence to go forward.

I am copying this letter to Jim Buckley, David Omand, Don Brereton, Richard Dykes and James Nursaw.

Yours ever
Peter

P.S. JENKINS

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8 NOV 1981

IR EVIDENCE TO MEGAW COMMITTEE

The Committee have asked for evidence from the Inland Revenue, as a major employing department, on managerial issues connected with their inquiry into Civil Service pay.

2. The present note outlines first the main features of the Department; of particular relevance here are the facts that it is largely manned by departmental grades, and that most of the staff are deployed outside London, in networks of local offices. The paper then considers the implications for a department with this structure and organisation of a number of the pay issues which will fall within the Committee's field of review.

Departmental background

(a) General

3. The Inland Revenue is responsible primarily for the care and management of the direct taxes. These are principally income tax, corporation tax, capital transfer tax, capital gains tax, development land tax, petroleum revenue tax and the stamp duties. For each the Department's tasks cover assessing and collecting tax liabilities which are legally due and where necessary enforcing payment. In addition, the Department is responsible for valuations for revenue and other purposes, and for rating valuations, in England and Wales, and for the collection of national insurance contributions and surcharge. A further function is to advise Ministers on tax and valuation matters - including questions of fiscal policy - although the resources involved in this are small by comparison with its operational responsibilities.

4. The scale of these tasks may be illustrated by the costs incurred by the Department and the revenues collected. These are shown in Annex 1. Total revenues collected were £42,153 million. Total costs were £617 million (1.46 per cent of the revenues). Part of these totals represent costs for services such as valuations for rates, etc which do not count as Inland Revenue duties and for collecting national insurance contributions and surcharge (about £14b of revenues and £20 million of costs).

5. The Inland Revenue has a mixture of departmental and general administration group grades. The departmental grades are primarily in Taxes (32620 - including 6511 Inspectors of Taxes), Collection (8231) and Valuation (5264) and the great majority of them, together with about 23600 clerical assistants, typists and other support staff, work in regional and local offices spread throughout the United Kingdom. The balance of the total Inland Revenue staff of 75624 (at 1 April 1981) - primarily general administration group grades - work either in large centralised offices (for example the Capital Taxes Office) or in Head Office, and are located primarily in the South East. A more detailed breakdown appears in Annex 2.

6. The care and management of the taxes is vested by statute in the Board of Inland Revenue, acting under the general direction of Treasury Ministers. In practice the Department operates in much the same way as any other Government department. Most of its work in connection with income tax, corporation tax and capital gains tax is carried out in two local office networks of 780 tax offices and 247 collection offices. Until 1975 the two networks reported to the Board through separate "branch" hierarchies. Following a management review in 1975 a common Head Office was established for assessing and recovery work underpinned by a merged regional structure of 15 regions each under a Regional Controller, who is responsible for the overall progress and standard of assessment and collection work in his region.

(b) Taxes and Collection

7. Each tax office is under the charge of a District Inspector who is personally responsible for the full range of work within his office, including the settlement of tax liabilities of businesses within his district. Apart from the general management oversight of the Regional Controller, and the availability of technical advice from Head Office, the District Inspector has considerable discretion to solve his own problems, whether they are of a management or technical nature. Similar arrangements apply in the Collection network.

(c) Valuation

8. The Valuation Offices in England and Wales have their own networks of 24 regions and 172 local offices concerned with valuation but are not formally part of the Head Office structure described above. Scotland does not have a regional structure but has 15 local offices which work to the Chief Valuer (Scotland). The officer in charge of the local office is responsible for the management, organisation and supervision of the work of his office and in England and Wales has statutory responsibility for capital and rating valuation and for maintenance of the valuation list for his area. In Scotland local offices are not concerned with rating valuations.

9. An organisation chart is attached at Annex 3.

(d) Departmental Classes - union representation

10. The Departmental Classes in Taxes, Collection and Valuation are separate from the rest of the civil service and from each other. Details of how the grades in these classes are recruited, trained, employed and paid are given in the factual memorandum which has already been submitted. Details of the current relationship of the pay of these grades and how they have developed in recent years are shown in Annex 4.

11. Most of the staff in the departmental classes and the clerical assistants and typing staff supporting them are represented by the Inland Revenue Staff Federation (IRSF) which operates only in the Inland Revenue and which has a total membership of approximately 62,000. The fully-trained Tax Inspectorate is represented by a different union, the Association of Her Majesty's Inspectors of Taxes (AIT) (2500 members); this union too

operates only in the Inland Revenue and at present has a Memorandum of Understanding with the First Division Association (FDA - representing general administrators) which provides a common approach on general service matters but leaves the AIT free to adopt a separate approach on matters of special interest to its members. In the Valuation Offices the professional staff are represented by the Association of Valuation Office Valuers (AVOV) (2000 members), which is a branch of the Institution of Professional Civil Servants.

12. The remaining staff in the Department are represented by the FDA (240), SCPS (2000), CPSA (3000), CSU (500). (These figures are approximate).

(e) Mobility

13. In order to staff the Department adequately and to provide experience for those individuals likely to reach senior positions there is a management need to transfer individuals between offices. As far as is practicable transfers are limited to those which do not involve a change of residence on the part of the individual transferred but nevertheless a substantial number of transfers involving a change of residence is necessary, Figures for the last 3 years ended 31 March are:-

		(% of the grade)		(% of the grade)		(% of the grade)
	<u>1979</u>		<u>1980</u>		<u>1981</u>	
Inspectors of Taxes	328	(5%)	238	(3.6%)	355	(5.5%)
Senior Collection staff	111	(13%)	76	(9.1%)	90	(10.7%)
TOHG/ Collector	487	(1.2%)	330	(0.9%)	204	(0.6%)
Valuation - Professional	88	(3.4%)	57	(2.2%)	63	(2.7%)
- Non- Professional	80	(2.0%)	26	(0.7%)	43	(1.4%)
Administration Group Staff	81	(2.3%)	12	(0.4%)	69	(2.2%)
	<u>1175</u>		<u>739</u>		<u>824</u>	

About one half of the Inspector and Senior Collection grade transfers and one quarter of the Valuation transfers were made without promotion; most of the other transfers were made on promotion.

Departmental Classes

14. Although the existence of departmental classes is not in the forefront of the Committee's inquiry, some account of the reasons for their existence is required for the discussion of pay and management in the Inland Revenue. The essential reason for these classes lies in the distinctive nature of the Department's work; taxation and valuation are both highly complex subjects which to some degree form a discrete area of public administration, and involve the application of a complicated and in some respects self-contained legal code. They require a highly specialised training. The departmental classes are moreover, generally large enough by themselves to provide competent staff at all grade levels, and to offer an adequate and self-contained career structure and a base to staff it. It is true of course that comparable claims might be made on behalf of the work done by a number of other Government departments; and at one time many of the larger Departments had Departmental Grades.

15. Over the years however departmental classes in other Departments have, in general, become assimilated to General Service Grades. They have survived mainly where they have proved of continuing value: in broad terms where a distinctive and homogeneous block of work is concentrated in a single Department (or in some cases a group of Departments). The pay of a Departmental class is normally determined by pay links with General Service grades. Where an evaluation of job weight shows this to be justified the pay of a Departmental grades may be higher than that of the corresponding General Service grade. In practice pay leads have been established on this basis in a number of instances and at present 6 of the 27 Departmental grades in the Department have higher pay than the corresponding grades in the Administration Group. The 6 grades and the leads at the scale maxima are Inspector (6.05%), Tax Officer (Higher Grade) (6.06%), Tax Officer (9.28%), Collector (6.06%), Assistant Collector (3.7%) and Valuation Clerk (Higher Grade) (1.7%).

16. The mechanism by which a departmental grade should, where appropriate, have its pay differentiated from that of Administration Group grades is a matter to which the Committee will wish to give consideration. Under the Civil Service Pay Agreements it was open to unions or management to seek reviews of pay of individual grades which were not being subjected to pay research. Over the years the interval between such reviews was shortened until in the last Agreement (now rescinded) annual reviews were permissible. Such frequent reviews impose a very heavy burden on resources and there would be advantages in limiting the frequency of such reviews except when major changes of duties have occurred.

17. A further consideration here is that the abolition of departmental grades in the Inland Revenue would be seen as bringing into question the continued existence of the Inland Revenue Staff Federation and would be strongly resisted by them. There are management advantages in dealing largely with one union and there is likely to be a greater coincidence of interest between the Department and the Departmental union, than with a multiplicity of general service unions. Clearly this factor cannot be a conclusive one in considering the future of Revenue departmental grades; nevertheless it should be given due weight.

18. To sum up, the existence of departmental grades in the Revenue, in our view,

- (a) is justified on merits and
- (b) confers a valuable element of flexibility in the pay field.

Recruitment and Wastage

19. Figures for recruitment and wastage in recent years, shown by grade, are set out in Annex 5. To a large extent, of course, our experience here parallels that of the civil service generally. It is however relevant that

(a) the level of our wastage, like that of the civil service generally, appears to be correlated with changing pay relativities between the civil service and outside employers;

(b) however, wastage in the Revenue has consistently run at 1 or 2 percent points higher than in the civil service-as a whole. This may be because we have significantly more people in the lower grades, where wastage tends to be higher;

(c) about one-third of our new recruits leave within the first two years of service (but in some parts of London our turnover of CAs many of whom are women can be as high as 50% per annum);

(d) we recruit a large number of high quality graduates - up to 100 a year - as Inspectors of Taxes. This year our intake will be higher than the service-wide figures for graduate Administration trainees.

(a) Recruitment

20. In common with other large employers, we have for a long time had difficulty in recruiting and retaining adequate numbers of staff, in particular clerical staff, in the London area. This has been an important consideration, along with regional policy factors, in the massive move of PAYE work out of London; since 1959 we have set up 53 PAYE concentrations and 13 London Accounts Offices in Edinburgh, Manchester, Liverpool and other provincial towns.

21. In general, recruitment is easier in the provinces than in London. The crucial factor, in our experience, is the existence of other employers offering similar jobs, rather than the level of housing, etc costs in a particular area.

(b) Wastage

22. Wastage is made up of two components; the first is wastage resulting from retirement, sickness, etc, the second is where people leave the department voluntarily either for personal reasons (such as marriage), or where they leave us for another job. It is the level of this final aspect which is of particular concern to management. Excessive wastage has its costs and its dangers. It is costly because the specialised nature of the Department's work calls for a fairly elaborate and expensive training. It is one year before we regard a Tax Officer as fully trained and effective (two years for a Tax Officer (Higher Grade)); and the full training course for the Tax Inspectorate lasts 3 years, with two stiff examinations to pass. We accept, however, that where a valuable training is given, it will command a premium from those not able to offer that training but needing the skills the training provides. There are, moreover, arguments in favour of some degree of job movement; there are gains from cross fertilisation, and the civil service should not be a closed order.

23. The dangers are twofold. First, the higher the level of voluntary wastage, the higher the proportion of untrained, or not fully trained, members of the Department's staff. This lack of training inevitably has repercussions on the quality of the work done. It is not simply a question of speed and accuracy; equally important is the ability to spot and to deal with less straightforward issues. The second danger arises from the fact that the Department relies on promotion to fill its senior posts. Even though the loss at senior levels is fairly low, some of the best qualified people are most likely to be enticed away. The more of these people who leave for outside jobs, the more difficult it becomes to staff our senior levels by promotion.

24. The nature of the Department's specialism works against us here, because there is a ready market for tax specialists in accountants' offices and in tax departments of companies. Professional and union journals frequently carry advertisements from outside employers seeking Inland Revenue staff (for example a page from the July 1981 issue of the IRSF journal Taxes is copied at Annex 6.) In most instances the pay offered is not attractive to individuals on their scale maximum but is attractive to trained staff who have not yet reached their scale maximum and who are seeking local employment. This second danger has been the cause of genuine concern to us in recent years, because of the quality rather than quantity of staff that we have lost. The existence of such job opportunities also means that people who are reluctant to accept transfer have an easy alternative at hand. The same considerations apply to an even greater extent to the professional staff in the Valuation Office, though the position here has been somewhat mitigated recently by the shrinkage in the scale of the offices' work.

25. One specific problem which deserves mention is the relationship of wastage rates to overall manpower targets. As the Committee will know, these targets are fixed sometime in advance, and to stay within them means striking a fairly precise balance between recruitment on the one hand and wastage on the other. A high but fluctuating wastage rate is therefore particularly difficult to cope with; if recruitment is set at a level which assumes high wastage, the target figure may be exceeded if wastage falls, even if only temporarily, whereas if the recruitment figure is scaled down, the Department risks being understaffed, with work falling into arrear.

26. Finally, there is the relationship between departmental grades and recruitment and wastage. In this context the pay leads of certain grades are of particular relevance. There is no clear evidence of their effects here; but on balance they must be helpful. The average school leaver is likely to think taxation a very forbidding subject, and the pay lead at TO level does something to offset this; similarly, as regards wastage, the lead requires the outside employer to offer more than he would otherwise have done, and this must to some degree be helpful in limiting losses. With the pay lead, our wastage rate is not significantly different from other government departments; without it we fear that it would be a good deal worse.

Mobility and local variation in pay

27. The Committee will wish to know our views on the managerial implications of a pay system incorporating greater local pay differentiation than at present. This question is closely bound up with that of mobility, touched on briefly in paragraph 13 above. As things stand, grades up to and including Tax Officer (analogous to Clerical Officer, but with a pay lead) are not mobile; above this level, mobility is a requirement. But Officers of the next highest grade (Tax Officer (Higher Grade), equivalent to Executive Officer) are not normally transferred without promotion to an office which requires them to change their residence where the move is unacceptable; it is only above this level that mobility without promotion is called for. From a managerial point of view, with a large number of local offices to staff, we would in principle wish to see a higher degree of mobility than exists at present, and in particular to have a truly mobile TOHG grade.

28. Against this background, we would see a case in principle for a pay system distinguishing between mobile and non-mobile staff. For the latter it is the relative ease of recruitment which is relevant for us; this depends primarily on local employment opportunities outside the civil service. A pay system for non-mobile grades which took account of this could have advantages, as compared with the present system, since it would enable us to offer more attractive rates in "difficult" recruitment areas, without having to pay the same premium in the less difficult areas. As against this, it would mean an extra complication in the pay arrangements, with some accompanying administrative cost. Also the establishment of appropriate local rates for a very large number of areas, and keeping them up to date, would be a major task, with a great deal of scope for argument with the staff and the unions.

29. This suggests, that, if the idea is to be followed up, it would be best to have a fairly small number of rates for places outside London - no more than two or three at most for the main grades in question (CO and CA equivalents and typing grades). There would need to be provision for particular locations to be moved from one scale to the other where the evidence justified it. Presumably the same pay arrangements would apply to all departments at a particular location, and common rules for application of the system would be required.

30. As regards mobile staff, since the need here is to retain staff there is an argument in principle for local differentiation only to the extent that this differentiation reflects local differences in living costs. At present if an officer is transferred and buys a more expensive house, he gets financial help; this may not meet entirely the cost of the dislocation to himself and his family. But by and large the costs are pretty fully covered, and it would seem to follow from this that local variation is not in general desirable for mobile staff. The application of this approach to mobile staff could mean, in particular circumstances, that somebody who was required for departmental reasons to move from A to B would also be compelled to accept a cut in living standards, because the market clearing price for labour value in B happened (eg because of the absence of other white collar employers) to be lower than at A, although living costs were the same at both. The practical difficulties of operating such a scheme in these circumstances will be obvious.

31. The exception is of course London, where housing and travelling costs are in general notably higher than elsewhere. In our experience the present level of differentiation between London and National rates of pay does not currently provide a sufficient inducement to attract staff to the capital. There is a similar, though less marked, difference between rural areas and other conurbations.

Increments and Merit Pay

32. The civil service pay and promotion system is unusual in the degree of publicity with which it operates; pay scales and rates are published, as is the award of responsibility allowances, and the arrangements for promotion include a fairly comprehensive appeal machinery.

33. One justification for incremental scales is that they recognise that performance of the duties of the higher grade tends to develop with experience and confidence, and a rising scale is a well recognised - and economical - way of taking account of this. It also serves as a means of encouraging staff to stay with the department in their early years although it need not apply universally to have this effect. At present, the award of an increment to someone on an incremental scale is the norm, and the withholding of an increment is very exceptional. The latter involves a management cost in ensuring that the withholding is justified, and explaining the position to the person concerned and probably his trade union. In a word, individual consideration is required where an increment is withheld, but not where it is awarded.

34. It would be possible, without undue management difficulty, to reverse the position entirely, so that the award of an increment was relatively exceptional, and its withholding was the norm; this would limit individual consideration by management to cases where the increment was given. But this treatment would not fit well with the functions of an incremental scale; and it would not be possible to reconcile this approach with the incremental scales which exist at present, so that it could be necessary to split existing grades into two or more new grades. The implications of this go beyond the scope of the present paper.

35. It is often suggested that increments should be less automatic so that they would be withheld or reduced in cases where the work was of only a mediocre standard and an additional increment given where it was of a high standard. Such a scheme would involve an extra cost in management resources. The criteria for withholding increments would be wider than at present, and with over 60,000 staff dispersed in some 1,200 local offices some element of rough justice would have to be accepted. It would be essential for simplicity to ensure that any scheme of withholding or accelerating increments would be tied closely to the existing system of assessing performance through the annual report. These sanctions could not apply to people on their scale maximum (47% of our staff) if the level of their performance falls off.

36. Similar considerations are raised by the suggestion of merit pay on a basis which would be available at all levels in a widely dispersed Department. Inspectors, Tax Officers (Higher Grade) and Tax Officers already get accelerated advancement to their scale maxima through the special increases awarded on passing examinations on completion of their training and the requisite period of service. This limits the scope for further incremental variation. And here too a fairly rough and ready scheme would have to be devised to share out say 1,000 merit pay awards at, for example, TO or TOHG level throughout the Department. The quality of staff, both as between Regions and within Regions, does vary from time to time. If each Region had its own predetermined ration, which might well prove to be the only practicable way to administer sizeable numbers of awards, the "merit" basis of the scheme would tend to be eroded. On the other hand, if a nationwide scheme were adopted, staff would have to accept that, in a particular year, a preponderance of merit awards might go to a particular Region or Regions. Of course the fewer people within the ambit of such a scheme, the easier it would be to operate. A merit pay scheme limited to fairly senior staff, though not without difficulties of its own, might be feasible, since top management would be directly aware of the position, but a general scheme across the whole Department, unless it was very rough justice, would be difficult and involve a significant management cost.

Productivity Pay

37. Here again, we limit our comments to the managerial aspects of this proposal. It is essential for the proper operation of a productivity pay scheme that it should be possible to monitor accurately both the volume and the quality of the work done. If the volume but not the quality can be monitored, there is an obvious danger that staff will concentrate on the former at the expense of the latter.

38. A great deal of 'programme' work is done in the Inland Revenue - for example the examination of returns, and the scrutiny and classification of deduction cards after the end of the tax year. But there are two obstacles to the application of productivity to work of this kind. First, the items of work are not themselves similar in content, though they may be similar in name; the examination of one taxpayer's return may raise genuine and difficult problems, while that of another taxpayer may not. Because PAYE taxpayers are grouped by employer, there is no very satisfactory way of allowing for this kind of variation. Second, if the work is skimmed in the interest of speed, the fact may - depending on circumstances - not be apparent for a long time. Thus we would not wish to require staff to meet a specified level of output in all circumstances, if this meant putting the quality of their work at risk.

39. In the preparation of data for computers, where it is possible to establish some quantitative links between pay and performance this link is already made under the rules for proficiency payments to data processors. But we do not think that, as a general rule, the use of pay and productivity schemes would be desirable in Revenue work.

costs and yields of Inland Revenue taxes and duties (1979/80)

	<u>Cost</u>	<u>Yield</u>	<u>Cost/Yield</u>
	(£m)	(£m)	£
Income tax	470	20,609.3	2.28
Corporation tax	27	4,646.0	0.6
Capital gains tax	9	431.0	2.18
Stamp duties	6	620.1	0.94
Capital transfer tax/ Estate duty	15	432.9	3.35
Petroleum revenue tax	0.4	1,435.4	0.03
Development land tax	5	26.3	12.8 *
	<u>532.4</u>	<u>28,201.0</u>	<u>1.89</u>
Rating work	45		
Collection of NIC and Surcharge	20	13,952.0	
Work for other Government Departments etc	19		
	<u>616.4</u>	<u>42,153.0</u>	<u>1.46</u>

* takes account of benefits accruing to
net of tax bodies

b. breakdown of Departmental costs (1979/80)

	(£m)
Wages and salaries	393
Superannuation	65
Accommodation etc	86
Postal and telephones	31
HMSO services (forms, stationery etc)	16
Travelling & Removal expenses	12
Cleaning, legal services & misc costs	14
	<u>617</u> (rounded total)
less receipts and costs of services performed for other departments	<u>84</u>
	533

COLLECTION
(at 1 April 1981)

GRADE (with general service grade equivalents)	HEAD OFFICE (FINANCE AND MANAGEMENT DIVISIONS ETC.)	REGIONAL OFFICES	LOCAL OFFICES (INCLUDING ACCOUNTS OFFICES)	TOTAL
Sen. Principal	4		2	6
Prin. Collector (Principal)	17	19	5	41
Regional Collector (Sen Exec Off)	37	60	101	198
Collector (Higher Grade) (Higher Exec Off)	117	62	420	599
Collector (Exec Off)	129	39	1,860	2,028
Assistant Collector (Clerical Off)	65	37	5,263	5,365
Clerical Assistant	9	21	1,453	1,483
Secretarial Group	12½	18	740	770½
Data Processors			209	209
Telephonists			6	6
Office Keeping Grades			83	83
TOTAL	390½	256	10,142	10,788½

TAXES
(at 1 April 1981)

GRADE (with general service grade equivalent)	HEAD OFFICE (MANAGEMENT, TECHNICAL DIVISIONS ETC.)	REGIONAL OFFICES	LOCAL OFFICES	TOTAL
Senior Prin. Inspector (Asst Secretary +)	22	14		36
Principal Inspector (Asst Secretary)	33	51	61	145
Inspector (SP) (Senior Principal)	182		529	711
Inspector (P) (Principal)	144	9	951	1,104
Inspector (Higher Grade) - obsolescent	25	74	15	114
Inspector(S) (Sen Exec Off)	75	16	191	282
Inspector (Grade III) (Higher Exec Off)	234	80	3,805½	4,119½
Tax Officer (Higher Grade) (Exec Off)	349½	45	9,448½	9,843
Tax Officer (Clerical Off)	146	44	16,076	16,266
Clerical Assistant	302½	74	14,554½	14,931
Secretarial Group	83½	73	3,671½	3,828
Data Processors	105		119	224
Telephonist		1	115	116
Office Keeping Grades	19		230	249
	-----	-----	-----	-----
TOTAL	1,720½	481	49,767	51,968½
	-----	-----	-----	-----

VALUATION
(at 1 April 1981)

GRADE	VALUATION OFFICE (ENGLAND AND WALES)		MINERAL VALUERS	SUB TOTAL	VALUATION OFFICE (SCOTLAND)		TOTAL
	(with general service grade equivalents)	HEAD OFFICE			REGIONS AND LICENSED PROPERTY VALUERS	VALUATION OFFICE (SCOTLAND)	
<u>Professional Staff</u>							
Asst Chief Valuer (Asst Sec +)	6			6			6
Superintending Valuer (Asst Sec)	10	24		34	2		36
1st Class Valuer (Sen Prin)	16	218	6	240	19		259
Senior Valuer) No	20	331	9	360	21		381
Valuer (Main Grade) equivalent		839	25	864	50		914
Valuer) general		407	5	412	18		430
Graduate Valuer) service grade		55		55			55
Cadet Valuer (Exec Off)		223		223	14		237
<u>Non-Professional Staff</u>							
Senior Principal	1			1			1
Principal	4			4			4
Senior Executive Officer	9	33		42	1		43
Staff Officer (Higher Exec Off)	23	180		203	2		205
Valuation Clerk (Higher Grade) (EO)	25	569	6	600	18		618
Senior Valuation Clerk*	7	446½		453½			453½
Valuation Clerk (Clerical Off)	33	1,571	25	1,629	40		1,669
Clerical Assistant	22½	947	7	976½	32		1,008½
Typists	2	670½	14	686½	29		715½
Office Keeping Grades	16	6		22	3		25
Telephonists	5	5		10	1		11
TOTAL	199½	6,525	97	6,821½	250		7,071½

* Intermediate Grade

OTHERS
(at 1 April 1981)

Permanent Secretary	1
Deputy Secretary	6
Under Secretary	21
Assistant Secretary	37
Senior Principal	29
Principal	177½
Senior Executive Officer	346
Higher Executive Officer (A)	4
Higher Executive Officer	713
Administration Trainee	7
Executive Officer	1,020½
Clerical Officer	1,058½
Clerical Assistant	757
Secretarial Group	562½
Data Processors	118
Others including Office Keepers, Cleaners etc.	937½
	<hr/>
TOTAL	5,795½
	<hr/>

PAY RELATIVITIES OF INLAND REVENUE DEPARTMENTAL GRADES WITH OTHER CIVIL SERVICE GRADES

Senior Principal Inspector

1. Historically the grade enjoyed a lead over Principal Inspector and the rate was fixed ad hoc by the bodies (Coleraine, Franks etc) considering higher grade pay a little below the Assistant Secretary maximum. But following the revision of the PEO scale to the top 4 points of the Assistant Secretary scale (paragraph 2 below) Senior Principal Inspector pay was raised above the Assistant Secretary maximum to maintain the differential over Principal Inspector. The rate (£21,354 at 1.4.81) now falls in the range between Assistant Secretary and Under Secretary and is recalculated by interpolation following annual pay settlements and the Top Salaries Reviews revisions.

Principal Inspector

2. Following the Priestley report in 1956 the Principal Inspector grade was given pay parity with Principal Executive Officer (PEO). This was then a fixed rate linked to the 4th point of the Assistant Secretary scale, but in 1968 after pay research it became a scale following the top 4 points of the Assistant Secretary scale. The PEO grade was merged with Assistant Secretary in 1971 and Principal Inspector now follows the Assistant Secretary scale (maximum £20,895 at 1.4.81).

Inspector of Taxes (SP)

3. Formerly Senior Inspector, with a scale straddling the top of the Principal scale and the whole of the Senior Principal scale. The grade was retitled and given pay parity with Senior Principal with effect from 1 January 1980 under the 1979 Restructuring Agreement arising out of pay claims by the AIT for Senior Inspector and Inspector (HG).

Inspector of Taxes (Higher Grade)

Inspector of Taxes (P)

4. Inspector (HG) straddled the Principal, SEO and old CEO scales. Following an AIT claim and arbitration award the minimum was lifted at the minimum to the 3rd point of the SEO scale with effect from 1 January 1971, and the maximum was fixed at the 6th point of the Principal scale which then subsumed the CEO scale. With effect from 1 January 1975 in settlement of a claim by AIT the scales were improved relative to the SEO and Principal scales (by 6.2% at the minimum and 2.2% at the maximum with the maximum approaching the penultimate point of the Principal scale.

5. A subsequent claim led to the Restructuring Agreement effective for pay purposes from 1 January 1980. The majority of Inspectors (HG), mainly fully trained, have been regraded as Inspectors (P) giving them pay parity with Principals. The remainder, all non-fully trained, have been regraded to Inspector (S) or are continuing as Inspectors (HG) pending regrading as Inspector (P) or Inspector (S) and the abolition of the grade from 31 March 1983.

Inspector of Taxes (S)

6. This grade was created in 1978 with non-fully trained management functions. It has had pay parity with SEO from the outset.

Inspector of Taxes (FT)

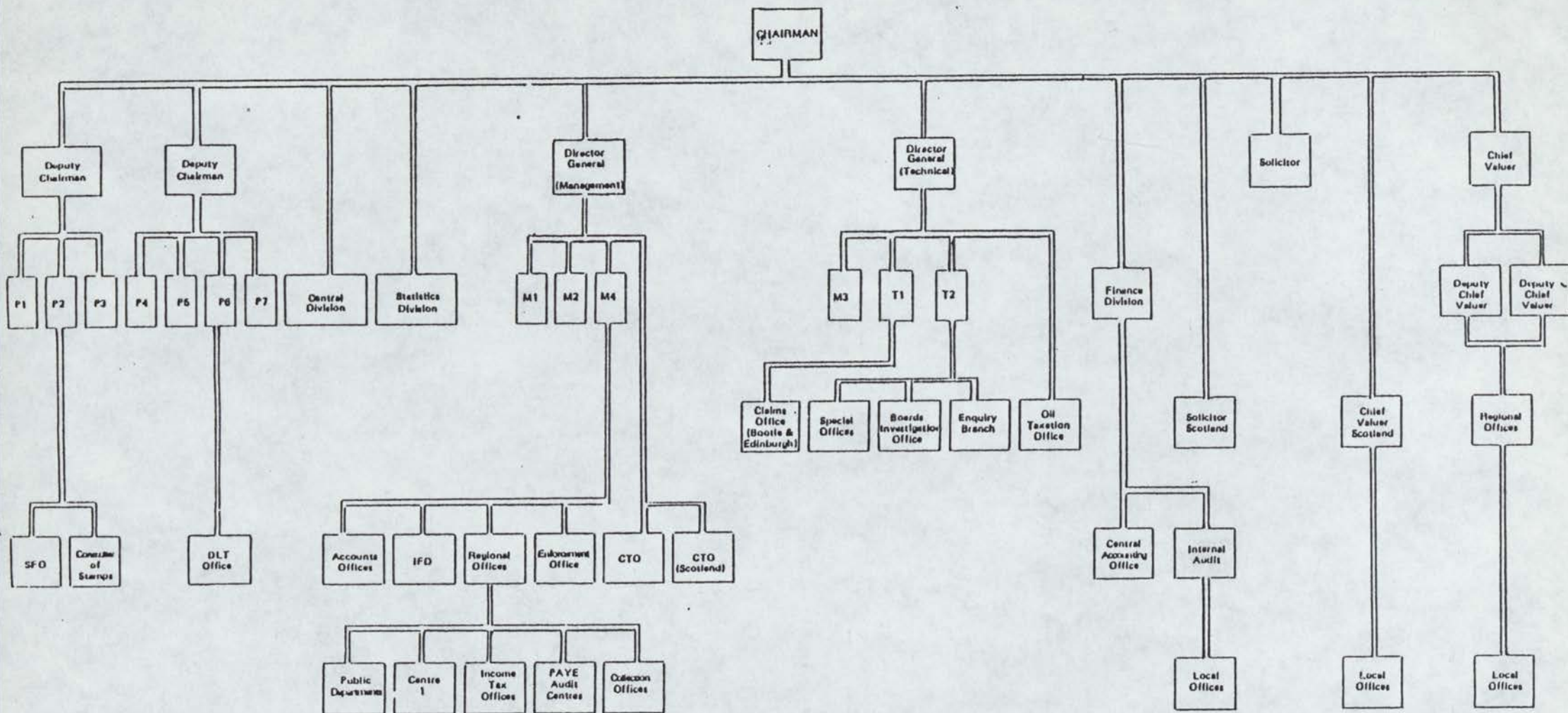
7. See paragraphs 9 to 13.

8. During the years 1962 to 1979 the IRSF lodged a number of claims under the Pay Agreements. Most of them were tested by separate PRU surveys or job evaluations conducted by CSD Staff Investigation and Evaluation Branch using factorial points rated systems evaluating IRSF grade jobs against Administration Group jobs:—

1963 Separate PRU surveys for TO and TOHG using the same PRU external field as for CO and EO surveys. IRSF took the TO claim to arbitration but not the TOHG claim.

INLAND REVENUE - ORGANISATION CHART

OCTOBER 1981



KEY			
POLICY DIVISIONS	MANAGEMENT DIVISIONS	TECHNICAL DIVISIONS	SPECIALIST OFFICES
P1 Personal Taxation	M1 Personnel and Accommodation	T1 Business and other profits, and capital gains	CTO Capital Taxes Office
P2 Collection & Enforcement	M2 Manpower and Training	T2 Counter evasion and evasion Personal and International taxation	DLT Development Land Tax
P3 Capital Taxes Policy	M3 Organisation (Data Processing)		IFD Inspector of Foreign Dividends
P4 Profits	M4 Operations		SFO Superannuation Funds Office
P5 International			
P6 Capital Gains and Land			
P7 Oil Taxation			

1971 CSD job evaluations for TOHG, Collector and VCHG on a factorial points rated system using the internal field for PRU survey for EO. IRSF took all 3 claims to arbitration.

1974 CSD job evaluation for TO on a factorial points rated system (different from the 1971 system) using an internal field agreed by the CPSA as representative of CO jobs and including a number of the PRU internal field jobs for CO. The claim was settled by agreement.

1979 CSD job evaluations for Inspector (the AIT were associated with the IRSF in this), TOHG, TO, Collector (Higher Grade), Collector, Assistant Collector, VCHG, Senior Valuation Clerk and Valuation Clerk. The factorial points rated system used differed from previous ones and the Administration Group jobs used in the evaluation were not those in the internal field for PRU surveys but selected from job descriptions held by the CSD. All claims were settled by agreement except that for Inspectors which was rolled forward for later review.

Summaries of the various settlements for each grade follow.

Inspector of Taxes

9. This grade comprises three streams:—

- (i) Graduate recruits and in-service entrants under the AT/Inspector Scheme receiving full training (Inspectors(FT)).
- (ii) Promoted TOsHG who have completed the Accounts Course (Inspectors (T)).
- (iii) TOsHG promoted to management posts (Inspectors (O)).

10. The pay scale is presently linked to the AT, HEO and SEO scales and at 1 April 1981 runs from £5273 to £9740. Over the years it has been the subject of several claims and some arbitration; up to 1975 the maximum was held at parity with the HEO maximum.

11. Special increases and allowances subject to passing examinations during or on completion of training and specified periods of satisfactory service have long been a feature of this scale. Up to 1975 the special increase paid to Inspectors(FT) and Inspectors (T) was contained within the scale maximum but from 1 January 1975 the scale maximum was extended at arbitration to encompass the special increase. The effect of this was to extend the scale maximum for Inspectors (O) although they do not qualify for the special increase. The special increase is £685.

12. Inspectors (FT) receive a special allowance of £685 in addition to the special increase when they pass their final examinations and this special allowance is carried beyond the scale maximum.

13. The 1979 job evaluation cast doubts on the pay lead over the HEO maximum but the lead has been maintained temporarily pending a review of Inspector work and grading and a further review under the Pay Agreement which has now lapsed intended to be effective from 1 April 1982.

Tax Officer (Higher Grade)

14. The 1963 pay claim tested by the separate PRU survey was settled by maintaining the existing pay parity with EO. The 1971 pay claim tested by job evaluation was taken to arbitration and the scale maximum was increased to give a lead of £125 (6.25%) over the EO maximum and a special increase of £95 was introduced within the scale maximum dependent on passing an examination on completion of training and 3 years satisfactory service. The 1979 claim tested by job evaluation was settled with the lead ranging up to at the maximum £350 (6.14%). At 1 April 1981 the lead stands at £439 (6.06%) and the special increase £414.

Tax Officer

15. Up to 1963 the TO scale was identical with the CO scale. The 1963 claim tested by the separate PRU exercise was taken to arbitration and a pay lead ranging from £10

at the 18 age point to £40 (4.28%) of the maximum was awarded. In settlement of a further pay claim a special increase of £50 was introduced from 1 January 1971 within the scale maximum and dependent on passing an examination at the end of training and 3 years satisfactory service. The 1974 and 1979 claims tested by job evaluations were settled with the lead at £176 (7.3%) and £375 (9.4%) respectively. At 1 April 1981 the lead stands at £474 (9.29%) and the special increase at £223.

Principal Collector
Regional Collector

16. These are the two senior grades in the Collection Service, having pay parity with Principal and SEO, respectively.

Collector of Taxes (Higher Grade)

17. Previous pay parity with HEO. The 1979 job evaluation cast doubts on that parity but parity was maintained following a restructuring which involved abolition of the next higher grade (Senior Collector) and a downward re-allocation of most of the duties of that grade.

Collector of Taxes

18. Previous parity with Higher Clerical Officer (HCO), an obsolescent grade with pay in the upper ranges of the EO scale and the same maximum. The 1971 claim for a lead over HCO went to arbitration but was lost and parity with HCO continued. In 1975 as part of a restructuring involving the abolition of the intermediate grade of Senior Assistant Collector, with the re-allocation of its duties between Collector and Assistant Collector, the Collector scale became identical with EO. The 1979 job evaluation resulted in a pay lead over EO equal to that enjoyed by TO(HG). At 1 April 1981 it stands at £439 (6.06%) at the maximum.

Assistant Collector of Taxes

19. Previous pay parity with CO. Following job evaluation under the 1979 claim, the Assistant Collector was given a pay lead over CO ranging up to £150 at the maximum. At 1 April 1981 this lead stands at £188 (3.7%) and is about 40% of the Tax Officer lead.

Valuation Clerk (Higher Grade)(VCHG)

20. Previous pay parity with Higher Clerical Officer (HCO) an obsolescent grade with pay in the upper reaches of the EO scale and the same maximum. The 1971 claim was taken to arbitration but was unsuccessful and parity with HCO was maintained. The 1979 claim was settled by giving, in effect, a pay lead over EO amounting to £100 at the maximum. At 1 April 1981 this lead stands at £125 (1.7%) and is about 30% of the TOHG/Collector lead.

Senior Valuation Clerk (SVC)

21. An intermediate grade between VC and VCHG. Its future existence is doubtful. The pay scale is fixed by interpolation, previously between CO and HCO, but since 1979 between VC and VCHG.

Valuation Clerk (VC)

22. Pay parity with CO. The 1979 claim was settled by maintaining that parity.

AVOV/IPCS GRADES

Assistant Chief Valuer

23. Up to 1957 ACV pay was a single point equal to the Assistant Secretary maximum but following a regrading in 1957 a lead of £100 (4%) over Assistant Secretary was granted. Following the 1973 review by the Top Salaries Review Board the lead was reduced to £48 (2%). A pay claim in 1971 for the Assistant Chief Valuer and Superintending Valuer grades was tested by a whole job evaluation against Assistant Secretary and Senior Professional posts in the Civil Service and ACV pay was raised to equal that of Lower Executive Directing Band, in effect a lead of £200 (3%) over the Assistant

Secretary maximum. From 1 April 1981 ACV pay stands at £21228 with a lead of £333 (1.6%) over Assistant Secretary.

Superintending Valuer

24. Historically the pay of this grade has been linked with Assistant Secretary and up to 1971 was fixed at a single point equivalent to the penultimate point of the Assistant Secretary scale. Following the 1971 pay claim and job evaluation a 3 point scale was introduced with the maximum a little above the penultimate point of the Assistant Secretary scale. It has maintained its relative position since but consequent on the ceiling imposed by the Government has since 1 April 1980 been restricted to the same pay level as the Assistant Secretary maximum has been restricted but without any implication as to relativity with Assistant Secretary.

First Class Valuer

25. Since 1 April 1970 the scale has been linked at the minimum to the Senior Valuer (PPTO) maximum and the remaining 3 points linked to the lower 3 points on the Assistant Secretary scale. Since 1 April 1980 the maximum has been restricted to the same level as the Senior Principal maximum without any implication as to relativity.

Senior Valuer Valuer (Main Grade) Valuer

26. Pay parity with PPTO, PTOI and PTOII, respectively.

Cadet Valuer

27. Pay parity with EO, apart from minor differences in scale structure. Special increase (£336) payable on passing professional examinations (RICS, Part 2 or BSc (Estate Management) Final, Part 1) subject to confirmation of appointment after probation.

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CUSTOMS AND EXCISE EVIDENCE TO THE MEGAW COMMITTEE

The Committee established under the Chairmanship of Sir John Megaw, invited the Department (through the Chancellor) to provide evidence from the point of view of a Department with responsibilities covering the whole of the United Kingdom on the issues which the Committee is likely to consider in the course of the Inquiry into Civil Service Pay.

1. Organisation and Structure

1.1. Under the general direction of Treasury Ministers, the responsibility for collecting and accounting for the revenue is vested in the Board of Commissioners (Chairman, 2 Deputy Chairmen and 7 other Commissioners) appointed individually by the Sovereign by Letters Patent. Ministers are responsible for policy questions, including questions of resources, but do not intervene in individual tax cases*. The Board has a Headquarters organisation based mainly in London and Southend and a regional organisation comprising 27 Collections (known as the Outfield) each headed by an Assistant Secretary (Collector).

1.2. As will be seen from the organisation chart at Appendix 1 each Commissioner at Under Secretary level heads a Directorate responsible for a range of functions which are contained within Divisions headed at Assistant Secretary level and supported by other general administration group grades. Each Collection is headed by a Collector who is responsible through the Director Outfield for the Departmental work undertaken in his Collection. The Collector has both a functional link with the various Headquarter Divisions and a line management link with the Director Outfield.

* Commonly of course individuals and MP's write to Ministers about their or their constituents' tax affairs. The role played by the Minister in such cases is essentially one of asking the Department to review the case to ensure that it has been dealt with properly: and explaining the position to the MP or taxpayer concerned.

1.3. All officers dealing with the Collection of revenue and the control of imports and exports have a role in detecting fraud and evasion. But the Department also has a Central Investigation Division and each Collection contains a specialist Investigation unit under the day to day control of the Collector, but with liaison with the Investigation Division staff. In view of the type of work undertaken eg the investigation of major revenue fraud, drug and other smuggling, the Investigation staff are specially selected from volunteers from within the Department.

1.4. Because of the nature of its responsibilities in relation to the drafting of legislation, specialist advice to administrators and representation at court and tribunal hearings, the Department has its own legal advisers under the charge of a Deputy Secretary (Legal).

1.5. The permanent staff in post as at 1 April 1981 totalled 26,827. There were also 34 casuals. This compares with a permanent staff at 1 April 1979 of 28,771 and 116 casuals. Rather less than 25% are employed in HQ Offices (including 34 in support of VAT Tribunals) and the remainder in the Outfield. More detailed information is given in Appendix 2. Of the staff employed, only 1,300 are Departmental grades and of these about 1,250 are Revenue Assistants who have a pay link with the general service Clerical Officer grade.

2. Functions of the Department

2.1. The principal functions of the Department are as follows:

- (i) The Collection and administration of the bulk of the indirect taxes (VAT, the excise duties etc) amounting in 1981/2 to about £20 billion.
- (ii) The control of imported and exported goods for the purposes of duties, levies and prohibitions (eg drugs, animal health) and statistics collected largely for other Departments and for the EEC.

3. Impact of Departmental Grades

3.1. Customs and Excise has had a long history of employing Departmental grades, but over the past decade most have been absorbed within the main administration group grading structure. Our remarks are therefore confined to the 1250 Revenue Assistants who constitute the one significant Departmental grade which remains.

3.2. Revenue Assistants (whose pay is somewhat above the middle of the Clerical Officer pay scale) form a non mobile uniformed grade who are recruited locally often following service in HM Forces. They are employed broadly on duties of a "security" type eg guarding warehouses, performing locking, sealing and similar duties, patrolling floors and tallying. Some of their duties are unique to the Department and most are outside the scope and below the level of the normal duties of Clerical Officers as is evidenced in part by the rate of pay applicable to the grade.

3.3. There are limited opportunities for advancement and while they are eligible for consideration for promotion to Clerical Officer in competition with Clerical Assistants and Typing grades, relatively few have been successful (many would not welcome a desk job and do not compete). For example, in the most recent reviews for promotion held in 1980 and 1981 only 29 and 38 Revenue Assistants respectively were selected for promotion from the 1250 in the grade. As a Departmental grade the opportunities for Revenue Assistants to move to other Departments are equally slim mostly because few other Departments employ staff of their kind. A serious difficulty will arise within the next few years mainly in Scotland, where about 200 fewer Revenue Assistants will be needed following planned changes in the methods of revenue control of spirits warehouses and distilleries.

3.4. In our experience we have found that Departmental grades are most valuable in predominantly technical areas where they are able to demonstrate their professionalism, expertise and pride in performance to the full. Moreover separate recruitment can be geared to secure the type of officer needed for the particular work. But when - as was the case in Customs and Excise until the major reorganisation in 1971 - the bulk of the staff other than the headquarters secretariat are in different departmental grades, it is difficult to achieve the sort of flexibility of approach and movement across "streams" which are necessary to cope with an ever changing pattern of procedures - and even of taxes - brought about by eg EEC rules, introducing VAT, and rapid technological change such as computer applications. Moreover, departmental grades to some extent inhibit the undoubtedly beneficial movement of staff between Departments.

4. Wastage and other associated problems

- 4.1. A statement of the Department's wastage and recruitment levels is given in Appendices 3 and 4 and special reference to the wastage of Automatic Data Processing staff appears at Appendix 5. While we do not wish to suggest that in general the level of Customs wastage is significantly different from that of other Departments, there are two special features to which we would draw the Committee's attention.
- 4.2. In common with most Departments, Customs needs to be located in offices in both Central and Greater London. At times of full employment particularly, but at other times also, difficulties are experienced in recruiting and retaining junior staff in these areas. At levels above the Executive Officer and at Higher Executive Officer (HEO) particularly, staff are reluctant to move from the Provinces to London even on promotion. In order to fill vacancies at HEO level, it has been necessary to run special promotion exercises confined to those who are willing to serve in London. Even at more senior levels, the narrowing of differentials together with the upheaval occasioned by a move of home late in an officer's career combine to make a promotion to London an unattractive proposition.
- 4.3. Our general experience is that it is vacancies which arise at offices situated just outside the boundary of the Inner London Weighting Pay Area which are the most difficult to fill. We believe that the reason for this is that the catchment area for the staff is the same relatively high cost residential zones as those for Central London while the transport arrangements may be more difficult (because the offices are less easily accessible from main London termini) and the journey times equally time consuming. The difference between Inner and Outer London Weighting is nearly £600 and offices located either in Central London or nearer to the Outer London boundary are not surprisingly found preferable by staff to those just outside the Inner London boundary.

4.4. The second issue concerns ADP staff. The Department currently has four computers in the main offices at Southend which will be progressively replaced between now and 1984 by a new computer complex located at Shoeburyness.

4.5. As will be seen from the ADP staff wastage figures given in Appendix 5, in 1979/80 the Department suffered a relatively high wastage rate compared with the rate for general staff although in 1980/81 the position was less serious. Our observations show that losses of ADP staff to industry and commerce at Executive Officer and Higher Executive Officer levels tended to occur most frequently after they had spent about 2 years and 5 years respectively in the grade on ADP duties. Staff with this length of experience and training were able to attract offers of employment from outside organisations such as Access and others in the Southend area using ADP facilities. Although, probably because of the present economic circumstances, there has been a welcome reduction in the loss of trained ADP staff to outside organisations, we are in no doubt that as the state of the economy improves there will be a resumption of the wastage problems experienced between 1978 and 1980. Such a development would damage the efficiency of the Department which is likely to depend increasingly on the latest systems and communication technology; this in turn could have a detrimental effect on the private sector.

4.6. The difficulty of filling vacancies and retaining staff in the London area and the wastage of ADP staff in Southend suggests prima facie that there could be advantages in having rather more flexibility in determining pay rates either to meet wastage problems in particular areas or to meet competition for staff in particular disciplines. But we can see substantial difficulties in the way of introducing regional differentiation generally (as discussed in the following paragraph). However, it might well be that in both instances there are other contributory reasons for the existence of the problems. Certainly there are grounds for believing that the "quality of life" is thought by many provincial

5. Local Pay

5.1. In this area of pay we can see certain advantages if the introduction of local differentiation had the effect of regularising wastage rates and permitted some local discretion in fixing pay rates in particular among non mobile clerical and typing grades. Ability to vary rates swiftly to counter wastage would be invaluable. There would be some complications. Customs has some 27 regional Collections whose boundaries do not conform either with the standard economic regions or the boundaries used by other Departments, so there could be different rates of pay within and between our Collections and this would make for administrative difficulties. The existence of different rates could prejudice the willingness of staff to move from one locality to another and could lead to concentration on local promotions affecting both promotion patterns and management succession. However, these obstacles would not be serious in the case of non-mobile clerical and typing grades, and the idea is worth further consideration.

6. Productivity Pay

6.1. In a Department with a wide range of revenue and non-revenue responsibilities, it is difficult to see how pay could reasonably be related to productivity. The use of a yardstick based upon revenue collected would be feasible only on a corporate basis since some staff are engaged on non-revenue collection activities and would have no opportunity otherwise to participate directly in productivity payments. Furthermore, the productivity "kitty" could be arbitrarily varied by factors totally outside the control of the staff eg by inflation or deflation, by budget changes, and changes in trade patterns. It might also be undesirable to motivate staff by such methods and thereby encourage excessive zeal to the point where visiting or preventive staff faced complaints of victimisation or over-officiousness. Until 1979, staff engaged on Customs preventive duties who made seizures of undeclared goods in the course of examining passengers' baggage or rummaging ships were given small rewards. This form of payment was considered to be anachronistic when separate functions previously performed by Departmental grades had been integrated and Departmental pay scales had been superseded by general Service pay rates. Other staff were not entitled to additional payments and the retention of this form of remuneration for one group was considered to be divisive. We have considerable doubts whether a scheme of pay related to productivity is desirable in revenue collection areas and, from previous experience of operating such a scheme, are satisfied that rewards of this kind are not a pre-condition for the performance of the best work.

staff to be appreciably lower in London than in the Provinces and this could provide one reason why staff are reluctant to move there. An added reason might be the increase in the number of families with both parents pursuing a career - a feature which decreases mobility particularly when unemployment is high.

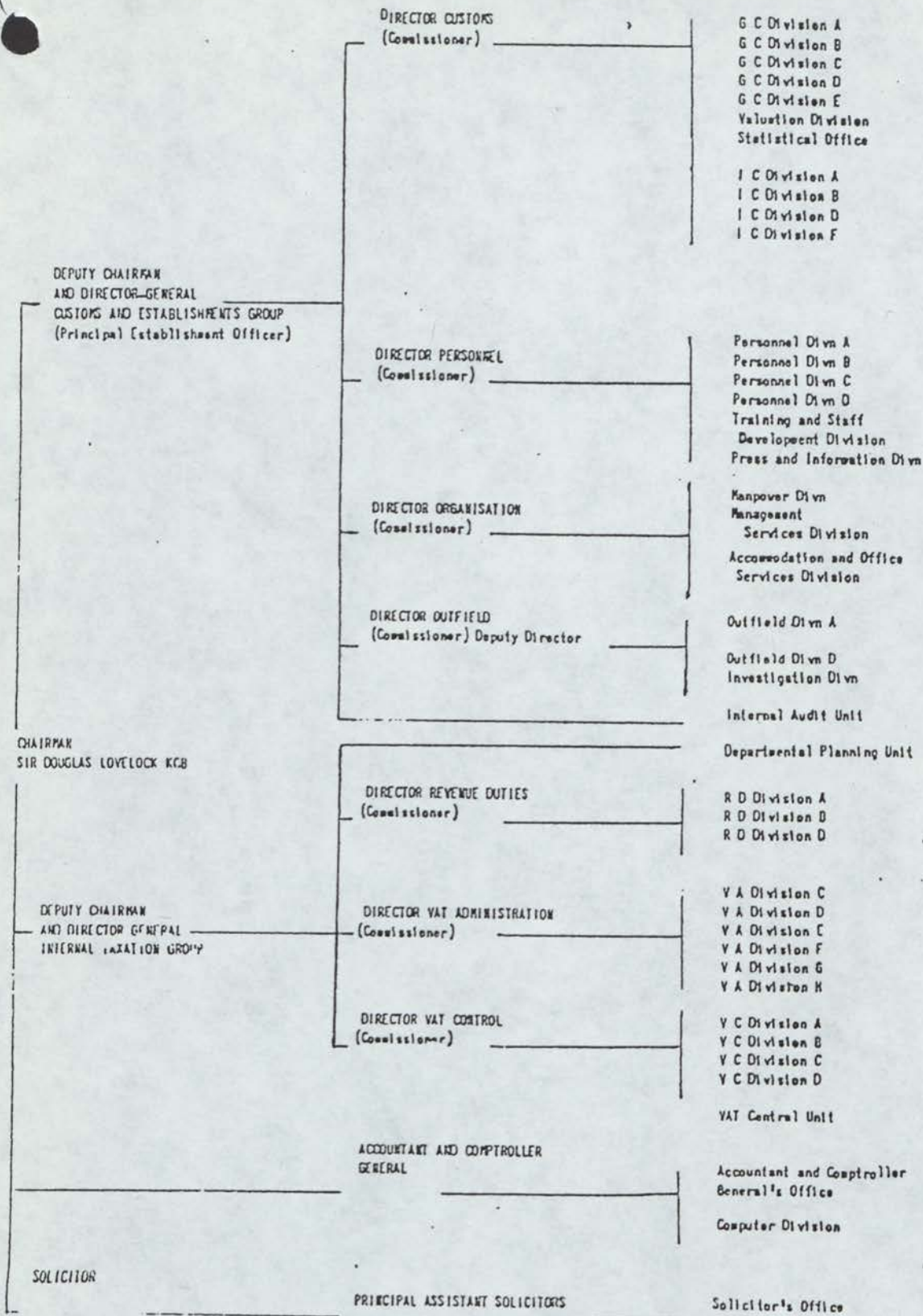
7. Importance of private cars to functioning of Department

7.1. Many of the day to day activities of the Department's Outfield organisation require visits by Officers to the premises of traders who range from multi national companies to corner shops. Officers at Executive Officer and Higher Executive Officer levels regularly travel direct from their homes to make a series of control visits to traders' premises. This is the typical situation of VAT control officers.

7.2. To exercise control of this nature it is becoming increasingly important to the efficient working of the Department for officers to possess and to be willing to use their own transport to conduct the Department's business. Junior staff in particular are finding it increasingly difficult to finance the purchase of cars and there are no arrangements - such as advance of salary - whereby the Department can assist, even where use of a private car would clearly be to the Department's advantage.

7.3. Conceptually such fringe benefits are taken into account in basic pay (and mileage allowance is, of course, paid), but our experience suggests that this approach is no longer entirely satisfactory in practice and is acting as a constraint on the efficiency of the control programme eg officers without cars tend to be restricted to areas with good public transport facilities.

ORGANISATION OF CUSTOMS AND EXCISE



STAFF NUMBERS BY GRADE AS AT 31 MARCH 1981

Under Sec and Above	14
Executive & Directing Middle Band	2
Assistant Secretary	66
Sen Inspector/Sen Principal	100
Principal	369
Senior Executive Officer	1388
Higher Executive Officer	3337
Higher Executive Officer 'A'	12
Officer of Customs & Excise	1655+
Executive Officer	8932
Administration Trainee	8
Clerical Officer	5486 $\frac{1}{2}$
Clerical Assistant	2147 $\frac{1}{2}$ (10)
Senior Personal Secretary	13
Personal Secretary	87
Legal Class	79
Statistician Class	8
Economist Class	1
Scientific Class	8
Information Class	6
Typing Grades	395 $\frac{1}{2}$ (4)
Data Processor Grades	541 $\frac{1}{2}$
Teleprinter Grades	10
Photoprinter Grades	49
Photographer Grades	3
Technical Sections	11
Technical Advisers	2
Stores Grades	43
Messenger Grades	394(2)
Office Keeper Grades	7
Paperkeeper Grades	142
Revenue Grades	1246(6)
Launch Service	4
Cleaners	189(12)
Government Telephone Ops	71 $\frac{1}{2}$
	<hr/>
TOTAL	26827 $\frac{1}{2}$ (34)

+ Officers of Customs & Excise were regraded to HEO on 1 July.
Staff numbers shown in brackets are Casuals.

STAFF WASTAGE

1979-80

Grade Bands * (a)	SIP (1.4.79)	Resignation/Dismissal		Total Wastage * (b)	
		Number	%	Number	%
HEO and above	7745	60	0.8	491	6.3
EO	9420	426	4.5	726	7.7
CO	5970	685	11.5	907	15.2
CA and others	5636	719	12.8	1030	18.3
TOTAL	28771	1,890	6.6	3154	10.9

1980-81

	(1.4.80)	Number	%	Number	%
HEO and above	7346	32	0.4	488	6.6
EO	9020	217	2.4	438	4.9
CO	5656	348	6.2	510	9.0
CA and others	5210	398	7.7	776	14.9
TOTAL	27232	995	3.7	2212	8.1

1981-82

	(1.4.81)	* (c)		* (c)	
		Number	%	Number	%
HEO and above	7040	21/23	0.3/0.3	563/617	8.0/8.8
EO	8945	136/149	1.5/1.7	369/418	4.1/4.7
CO	5486	219/240	4.0/4.4	371/405	6.8/7.4
CA and others	5356	248/272	4.6/5.1	439/477	8.2/8.9
TOTAL	26827	624/694	2.3/2.5	1,742/1,917	6.5/7.1

NOTES

- * (a) Non-Treasury grades have been assimilated to the appropriate grade band. "Others" includes most purely departmental grades.
- * (b) Total wastage comprises all retirements, deaths in harness, secondments, resignations and dismissals on grounds of discipline or inefficiency.
- * (c) Estimates of wastage are given as ranges.

RECRUITMENT

Category/Grade	1979/80	1980/81
<u>Administration Group</u>		
Higher Executive Officer and above	-	-
Administration Trainee	4	-
Executive Officer	222	304
Information Officer	1	-
Assistant Statistician	-	1
Clerical Officer	530	463
Clerical Assistant and others	853	1035
<u>Legal Group</u>		
Legal Assistant	2	2
Legal Trainee	1	-
<u>Science Category</u>		
Higher Scientific Officer	1	2
Scientific Officer	1	-
TOTAL	1615	1807

ADP STAFF WASTAGE

1978/1979

Grade	Staff In Post (1.4.78)	Resignations(1)		Total Wastage - (2)	
		Number	%	Number	%
SEO	50	1	-	4	8
HEO	126	13	10.3	22	17.5
EO	187	23	12.2	35	18.7
TOTAL	363	36	9.9	61	16.8

1979/1980

	(1.4.79)	Number	%	Number	%
SEO	40	2	5	3	7.5
HEO	107	24	22.4	28	26.2
EO	170	18	10.5	48	28.2
TOTAL	317	44	13.89	79	25.0

1980/1981

	(1.4.80)	Number	%	Number	%
SEO	40	1	2.5	5	12.5
HEO	105	4	3.81	5	4.8
EO	174	7	4.0	13	7.5
TOTAL	319	12	3.8	23	7.2

1. These represent staff who are believed to have resigned to take up ADP posts in industry and commerce.
2. Total wastage comprises all retirements, deaths in harness, secondments, resignations and dismissals on grounds of inefficiency and transfers from ADP work to other duties.

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MR. HOSKYNS

cc: Mr. Vereker

LESSONS FROM THE CIVIL SERVICE DISPUTE

You will have seen from the letter I have today written to the Chancellor of the Exchequer's Office that the Prime Minister has agreed with your suggestion, in your note to her of 13 November, for a report on each of the issues raised in the notes by the Chancellor and yourself on the lessons to be learnt from the Civil Service dispute.

I attach a copy of your note to the Prime Minister, so that you can see the comments she has written on it.

M. C. SCHOLAR

16 November 1981

MANAGEMENT IN CONFIDENCE



1

10 DOWNING STREET

Prime Minister

Do you agree with John
Hoskyns (para 10 of his note)
that there should be ^{an interdepartmental} a report on the
issues he and the Chancellor
have identified. Should the
Treasury be in the lead? And
should the Policy Unit be
involved in its preparation?

Collier. Treasury in
the lead now.
Policy Unit
involved please
note.

13 November 1981

POLICY UNIT

PRIME MINISTER

LESSONS FROM THE CIVIL SERVICE DISPUTE

1. We are very glad to see that Geoffrey has commissioned this work and that a series of recommendations have resulted. We have a few comments to add to the report he attached to his minute of 9 November.

BASIS OF THE DISPUTE

2. The chances of a dispute could have been reduced - but not eliminated - if the problem had been recognised and handled better long before the dispute started. During the early summer of 1980 E Committee gradually came round to accepting that very tight disciplines would be necessary for public service pay during the coming year. The 6% pay factor was agreed, and it became necessary, under the terms of the Civil Service Pay Agreement, to give advance notice of the suspension of PRU. During the months before the settlement date, we pinned our hopes on internal work to produce a new pay system. It was finally recognised that an outside inquiry would be a better solution, but this was not announced until the strike had been on for many weeks. An important lesson must be that when we first suspended PRU we should have been able to give a much clearer idea of either the system to replace it or at least the means by which such a system was to be designed. *- Christopher James put some ideas for improvement to the unions - but they weren't interested*
3. Paragraph 12 of Geoffrey's paper recognises this problem but suggests that we should have allowed PRU to report and only then offered 6%. We don't think that would have worked. PRU would have generated high expectations. For the Civil Service - and other groups - it was essential for the 6% to be announced early in the pay round to allow time for expectations to moderate.
4. It is often said that we could have settled for 7½% plus arbitration with override at the outset of the dispute. We do not think this was by any means certain. Such an offer might have been interpreted as the first sign of Government weakness, giving new confidence to the unions that they could negotiate it upwards. We did think, however, that if at any stage a 7½% settlement was achieved, it

/would have

would have been interpreted as a victory by the Government - as indeed it finally was. (It might have been possible to make that move at an earlier stage once the strike had started, but this judgement is really no easier now than it was during the dispute.) The important thing is that Government emerged as resolute. This was expensive, but vital for our overall credibility in public service pay and other matters.

WINNING TACTICS

5. In the end, Government won the strike but at considerable cost. During the strike we felt there was scope for action by Government to raise the costs and inconveniences of striking to the union and its members, which might have brought it to an end more swiftly. Some of these tactics might not have worked; others might have done. The lesson from this is the need to consider some of these measures in advance of a strike. Geoffrey refers to some of them:
- a. Improving TRD procedure (paras 3 and 4a).
 - b. A statutory right to suspend - and maintain the suspension of - employees refusing to carry out their normal duties (para 4b).
 - c. Increased pressure through tougher management action (para 5).
 - d. Right to lay off employees without work (para 6 and 8b).
 - e. End check-off arrangements for unions subscriptions (paras 7 and 8a).
6. As Geoffrey's note recommends, all these measures should be looked at now. Statutory action on lay-offs has been rejected, but an alternative to statutory approach might be to have an explicit agreement on lay-offs built into the Civil Service contracts. This would be hard to negotiate but we should try to reduce our vulnerability to selective action. On check-off arrangements, we understood the problem was a lack of time in which to give the notice required. We propose that the Government should give notice well in

/advance

Government to have been rejected.

advance of the next negotiations that check-off arrangements will come to an end immediately officially endorsed strike action takes place.

7. There are several other winning tactics not discussed in Geoffrey's note:

This would have checked those who stayed loggily at work.

a. Giving notice of intention not to pay back-dated increases. We debated this at length during the dispute, ending up at a very late stage with a vaguely expressed threat to consider it. But if the intention was made clear, with several weeks notice, it could have forced people to think again. Better still, if it was made clear in advance of a dispute that there would be no back-dating, this would deter a strike in the first place and mean an extra sacrifice with each week that passed.

b. A ballot. We entirely accept that a ballot would only work in the right circumstances. But would we be able to conduct a management ballot if we wished? This should be considered now.

c. "Imposing" a settlement. This half-baked idea was rightly rejected during the dispute. But it consumed a great deal of time, distracting attention from other winning tactics. Clear thinking in advance would have demonstrated that it is not a sensible tactic when faced with selective action that costs the employer far more than the employee. The likelihood is that action will simply continue.

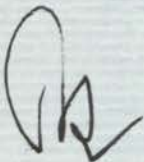
COMMUNICATION

8. We agree with Geoffrey's view (paras 13 and 14) that separate judgements were needed in each Department and that personal messages to staff are important. At the time we thought that Permanent Secretaries could play a part, though only when the negotiations were complete. If another occasion arises when the Government's final offer has been reached and strike action is about to begin, it seems right that they should explain the realities to their staff. We think this is entirely compatible with their non-political, but

/managerial

managerial responsibilities. It cannot make sense for them to say in effect, "This is nothing to do with me, I'm only the Permanent Secretary".

9. Arguably they should go further - as the Permanent Secretary at ODA did - and give a recommendation to their staff. (See Annex A).
10. The most important thing we can do to ensure that we deter, or else win (and at lower cost) in a further strike, is to document and study the lessons learned from the last one and solve the problems it identifies in advance. It is so easy to forget the lessons and then to make the same mistakes again. We suggest you ask for a report on each of the issues raised in Geoffrey's and this note.
11. I am copying this note to those who received Geoffrey's minute.



JOHN HOSKYNS

ANNEX A

EXTRACT FROM ANNOUNCEMENT FROM SIR PETER PRESTON TO ALL
ODA STAFF ON 9 JUNE 1981

"I set out below the notice issued by the Lord President following his meeting on 5 June with representatives of the Civil Service Unions. It is quite clear that the Government are firm in their intention and that further industrial action can have no effect except to intensify the damage which has already been done to the whole Service. We in ODA have not hitherto been greatly affected by the dispute and I trust that this will continue to be the case. The Government's decision has been taken only after full and serious consideration of all the issues and I believe that it is now in the best interests of the Civil Service to accept that decision however disappointing it may be."

✓ S. Vercher
A. Dwyer (4)



Prime Minister

To note.

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

MCS 9/11

PRIME MINISTER

LESSONS FROM THE CIVIL SERVICE DISPUTE

As you know, two of the Departments in the front line during the Civil Service pay dispute were Inland Revenue and Customs and Excise. When the dispute came to an end, I asked for reports from each of my Departments on the main lessons which seemed to emerge from it and on ways we might handle any further disputes better in future. A number of useful insights emerged, and I thought it would be worth bringing them together in a single report, with recommendations for action where appropriate. This is attached.

.....

2. I am copying this minute and copies of the report to Norman Tebbit, Janet Young, Barney Hayhoe, John Nott, Norman Fowler, Francis Pym and Robert Armstrong.

G.H.

(G.H.)

9 November 1981

LESSONS FROM THE CIVIL SERVICE DISPUTE

GENERAL

1. Finances - the unions' and the Government's - were the key to the dispute. The unions' tactics were to manage the strike in a way so as to maximise the disruptive effect on Government at minimum financial cost to themselves, by taking out staff on a selective basis in key installations, such as the VAT computer and in the Inland Revenue Accounts Offices. Although in the end it was shortage of funds which forced the unions to bring their selective action to an end, they were able to sustain their action for some months. At the same time, the Government was most vulnerable in its own finances - so that the union's main chosen targets were the Inland Revenue and Customs and Excise (particularly VAT operations).

2. We need to face the fact that in this - as in other disputes - the unions will try to go for the jugular - and in the case of the Government the jugular is the flow of revenue into the Exchequer. Apart therefore from the issues dealt with in the minute attached, which relate primarily to how ways of dealing with a strike once one occurs, there is the major issue whether action can be taken to make the revenue more strike-proof. The less the revenue is seen to be at risk, the less likely is strike action to be taken and the less likely is it to be directed against the revenue collecting departments. A review of what action might be taken here is already in hand, and a separate report will be made about this in due course.

TEMPORARY RELIEF FROM DUTY

3. Temporary relief from duty (TRD) was very far from being an effective weapon, for reasons which varied according to the local situation. In the Inland Revenue, because local office managers in the Collection Service were mostly unwilling to operate TRD procedures against their own staff, the Department had to rely mainly on visits by senior staff from other offices, which in practice were often evaded by staff absenting themselves

just before their arrival. To a limited extent we were able to counter these tactics by streamlining and simplifying the procedure on the basis of legal advice. The unions also tried to operate a process of "box and cox" - as soon as one group of staff were suspended another group would start disruptive action. The moment the TRD procedure was operated against the second group the first group would return to work. In this event, under the TRD rules they had to be allowed to resume work and of course to receive full pay. The success of these various manoeuvres is illustrated by the fact that after three months we had only succeeded in applying the procedure to one-eighth of the Inland Revenue collection staff despite the fact that virtually all of them were failing to work properly. In Customs and Excise although 400 warning letters were sent, no staff were TRDd - they either went on strike, or resumed work before they were suspended. Had they been suspended, they could not have received strike pay, and this consideration - together with the unions' decision to maximise the cost effectiveness of their campaign in Customs and Excise by paying strike pay only to the limited numbers of staff pulled out for the duration of the dispute - explains why the TRD procedure was not tested there fully.

RECOMMENDATIONS

4. The TRD weapon was only partially effective; in the Inland Revenue when it was tested its implementation was thwarted to a significant extent by evasive tactics by staff and the unions. In Customs and Excise the unions decided on different tactics. Two recommendations arise from this analysis:-

(a) in readiness for any further dispute, the TRD procedure - particularly the rules for its implementation - should be carefully examined with a view to streamlining and improving them further to counter the sort of evasive tactics used successfully in the Inland Revenue;

MANAGEMENT IN CONFIDENCE

(b) consideration should also be given to establishing a statutory right for the employer, where a trade dispute exists, to suspend employees without pay if they refuse to carry out their normal duties and to continue this suspension as long as the dispute continues even if the employees claim subsequently that they are prepared to work normally.

OTHER WEAPONS

5. We could have put financial pressure on the unions by more drastic action at an earlier stage even if this resulted in the unions retaliating by escalating the dispute. At the beginning of the strike the Inland Revenue proposed to require staff in local collection offices to deal with cheques diverted from the accounts offices; in this case we would either have got the revenue or the action would have led to the unions calling out the whole of the ~~revenue~~ service and thus having to pay strike pay to some 9,000 staff in the Revenue alone, instead of less than half that number in all Departments put together. It was decided not to follow this course; but with hindsight it looks like a missed opportunity of shortening the strike.

6. Another possibility would have been to take legal powers to suspend without pay staff who had no work to do because of industrial action. This was considered but in practice while the work of "innocent" staff was frequently disrupted fewer than expected were starved of work altogether, largely because of management action, e.g. in maintaining communications. The difficulties of amending the Employment Protection Act at short notice, as well as the likely controversy, also contributed to the decision by the Government not to follow this course. It would, of course, meet the proposals made by the Engineering Employers' Association in the context of Trade Union Reform if such a measure was included in the forthcoming legislation.

7. A key financial weapon against union funds concerned the check-off arrangements whereby union subscriptions are paid direct from

MANAGEMENT IN CONFLICT

pay. Continuing a facilitation agreement of this kind amounted to co-operation in funding strike pay. If it could have been withdrawn the unions would have been forced to ask for payment of subscriptions direct, in addition to the strike levies. This possibility was considered but not implemented. There was considerable confusion about the legal aspects and the timing of renouncing the agreement, which were never satisfactorily resolved. An early feasibility study of this proposal, covering legal aspects, technical aspects and timing, should have been carried out at the outset of the dispute, so that a clear recommendation, based on a complete analysis, could have been put to Ministers early enough to affect the outcome.

RECOMMENDATIONS

8. The main lesson is that at the outset of any future dispute immediate attention should be given to those weapons or responses which would place maximum pressure on union finances. In particular it is recommended that:

(a) a full appraisal should be made now of the possibility of renouncing the check-off facility, so that the Government is in a position to renounce the agreement very early on in a future dispute, and

(b) that further consideration of the EEF proposals on Trade Union Reform should take fully into account the possible advantages to the Government as an employer of a provision allowing suspension without pay of staff who have no work to do because of industrial action.

CO-ORDINATION AND CO-OPERATION

9. The central arrangements for co-ordination between Departments, analysis of the state of play and the possible options, and strategic advice to Ministers worked reasonably well, but by no means perfectly. We learnt a lot as time went on, and the setting up of the Minister of State CSD's interdepartmental group proved useful as an information clearing house. However it was less effective in presenting to Ministers a proper tactical appraisal of the developing situation, perhaps partly because it became too large and unwieldy.

10. At the operational level, the revenue departments did not find that the co-operation of other Departments less affected by strike action and of other public bodies was always what it might have been. There seems no point in listing particular examples, but the impression left was that the dispute was seen as lying between the unions and a few unfortunate departments, and that "Government" as a whole was not involved. At times it seemed that other bodies, although responsible directly or indirectly to Ministers, were more anxious to keep clear of trouble themselves than to help those Departments which found themselves in the front line.

RECOMMENDATION

11. Those Departments which find themselves in the front line because of union tactics should be given the full support and co-operation of all parts of Government, including other Departments and public bodies.

TACTICAL HANDLING OF THE DISPUTE

12. On the tactical handling of the dispute, there is room for argument about whether different approaches would have produced a different result - in particular relating to the timing of suspension of the pay agreement and the different offers. It seems fruitless to speculate too much about this, but it does seem clear that a major grievance of staff was the suspension of PRU without any indication of what would take its place. Had 6 per cent been imposed despite the evidence of pay research - for which there was ample precedent - and an announcement then been made that a new system of pay determination was to be evolved, it is possible but by no means certain that strike action would have been avoided. More likely there would have been some action, but both its length and depth of support would have been reduced.

COMMUNICATION WITH STAFF

13. The dispute also showed up deficiencies in our methods of communication with staff. This is as much a matter of style and presentation, and getting the psychology right to suit the

particular local circumstances, as of the content. The method of distribution and the ascribed authorship can also be important. It is suggested that in certain cases it would be helpful for the Departmental Minister, rather than a CSD Minister, to give his name to particular important communications, and there is much to be said for passing less important communications down through the line of management, rather than by circular. While it was important to ensure that the staff were aware of the reasons for the Government's stand and for the action it might be taking, too many circulars tended to devalue the currency, and could prove counter-productive.

RECOMMENDATION

14. The important lesson here is that the situation needed to be judged separately for each Department by those most closely in touch with it. In general, personal messages to staff were much more effective as a means of communication with them than reliance on more general publicity, e.g. through the media, which was resented because it was seen as part and parcel of alleged refusal by Government Ministers to rebut unjustified criticisms of the Civil Service or to defend it against attack. The main lesson is that more could have been done to prevent the moderates from joining the militants.

PUBLICITY AND PRESENTATION OF THE GOVERNMENT'S CASE

15. In addition the public presentation of the Government's case was less effective and well co-ordinated than it should have been. The running was too often made by private sector critics of the Civil Service. The dispute was between the Government and its employees, and it should have been predominantly its voice which was heard. Appearing to leave it to private sector critics - whether deliberately or otherwise - gave an impression of some uncertainty, and meant that to some extent the Government's case went by default. Ministers were not provided with the full, forcible and prompt information and material about the Government's case which would

have enabled them to take a more effective part in promoting it and in countering the misleading impression made by the unions.

RECOMMENDATION

16. It is recommended that in any future dispute, better efforts should be made to prepare a co-ordinated defence of the Government's position, and to ensure that it is effectively promoted and put across to the media.

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PART 7 ends:-

5.11.87

PART 8 begins:-

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