

PREM 19/1685

PAY AND PENSIONS

CIVIL  
SERVICE

PAY DISPUTE / STRIKE

PART I MAY 1979

PART 15 MARCH 1985

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● PART 15 ends:-

Ch. Exch. to SS/MOD 29.5.86

PART 16 begins:-

ms/mod to Ch. Exch 2.6.86





NBP 17.

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

29 May 1986

The Rt. Hon. George Younger MP  
Secretary of State for Defence

A handwritten signature in dark ink, appearing to read 'George Younger'.

**CIVIL SERVICE INDUSTRIAL PAY NEGOTIATIONS 1986**

As you will be aware we received a pay claim from the industrial unions on 11 March for their 1 July pay review. Our officials and Kenneth Baker's (as was) have had some informal exploratory meetings with them and we now need to decide on an offer.

The claim was for "a substantial increase in pay", without figures, and for unquantified improvements in hours, leave, overtime rates and some allowances. There is some pressure to acknowledge the existence of the multi-skilled high technology craftsmen. I think we should try to get a settlement based on increases in pay alone, with a leaning towards favouring the craftsmen, and there are signs that we might be able to do this reasonably peacefully if we agree to continuing discussions on restructuring which were begun last year (this will embrace their clear concern over the craftsman issue) and to review the shift duty allowance payments systems (but without putting any additional money on the latter this year).

Clearly the acceptability of such an approach will depend upon the size of the offer. We must try to contain the cost of the settlement and with inflation coming down, and the need for pay restraint generally, there are great attractions in going for something significantly below the recent non-industrials' settlement.

On the other hand the industrials have had a series of quite low settlements; other groups are pressing for, or have achieved, 6 per cent or more. The industrial Civil Service unions are the same ones who are involved with the electricity industry and local authorities. They will certainly be looking for at least the figure of 6 per cent which we agreed for the non-industrials and are likely to resist any attempt to enforce a lower settlement on them, in the belief that we would eventually be prepared to move to the non-industrial



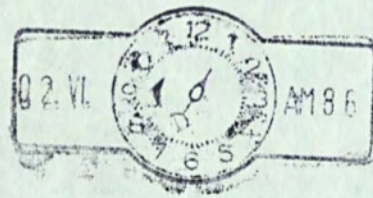
figure. I am mindful that they are employed in areas of great importance for our defence effort. Having carefully considered the issue, I doubt whether it would therefore be worthwhile to provoke a confrontation with them in the hope of getting a slightly lower settlement. I would therefore intend to instruct our officials to try for a lower settlement, but to authorise them to go to 6 per cent if need be to reach agreement.

If you and colleagues agree, I will authorise officials to explore the ground informally, on the lines I have suggested, at the JCC Sub-Committee on 2 June and then to make formal proposals at the full meeting scheduled for 9 June, attempting to get a settlement as quickly as they can. It goes without saying that, consistently with the Cabinet decision on 1 May on the non-industrials pay settlement, the cost will have to be absorbed within departmental running costs limits.

I am copying this letter to the Prime Minister, other members of E(PSP) and to Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to be 'Nigel Lawson', written over a horizontal line.





Your Ref

**with compliments**

*Steve Willis*

Treasury Chambers

Parliament Street

London SW1P 3AG

Tel: Direct Line 01-233

Switchboard 01-233-3000

*7891*





cc/BG

H M Treasury  
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pa

E P Kemp  
Deputy Secretary

PRINCIPAL ESTABLISHMENT OFFICERS

22 May 1986

Dear Establishment Officer

**PAY OF THE SENIOR OPEN STRUCTURE IN THE CIVIL SERVICE**

I attach a note showing revised rates of pay for the Senior Open Structure of the Civil Service which result from the Prime Minister's announcement earlier today. A copy of this statement is also attached.

Advance copies of a Code Memorandum authorising new rates will be circulated shortly. The Code Memorandum will also set out the information we need to calculate revised rates for consequential departmental grades.

If further information is required in advance of the issue of the Code Memorandum Derek Hicks (01 233 8754) or Steve Willis (01 233 7891) will be available to help you.

I also attach a copy of a letter I have today given to the Council of Civil Service Unions amplifying the proposals for strengthening the link between pay and performance, and a copy of some suggested answers to points that may immediately come up. The main thing to emphasise is that while the decision to move in this direction has in principle been taken, there will be full consultation with staff interests before implementation. We shall keep Departments in touch with developments.

Copies go to all Members of EOM and EOM(SD).

Yours sincerely

E P KEMP

● OPEN STRUCTURE - SENIOR

	Current salary	Revised salary from 1.7.86
	£	£
Head of the Home Civil Service	75,000	77,400
Permanent Secretary of the Treasury) Secretary of the Cabinet (1) )	70,000	72,400
Grade 1	60,000	62,100
Grade 1A	55,000	56,800
Grade 2 UIPP(H)	48,500	50,150
Grade 2	42,000 40,000	43,500 41,500
Grade 3 UIPP(L)	37,000	38,425
Grade 3	34,000 32,500 31,000	35,350 33,850 32,350

## NOTES

- (1) If not also Head of the Home Civil Service
- (2) The rates from the dates stated are the operative ones for pension purposes.
- (3) The cost of these increases are to be absorbed within running cost limits set.
- (4) The rates of pay for these grades do not attract London Weighting.
- (5) It is proposed that additional discretionary increments beyond the normally obtainable maximum for Grades 2 and 3 should be introduced following consultation and the necessary preparatory work. The rates proposed are: Grade 2 £45,500, £47,825 and £50,150; Grade 3 £36,850, £38,425 and £40,000. At the same time the increments on the normal scales introduced last year would no longer be automatic for new entrants to these grades.
- (6) The recommended rates were: Head of the Home Civil Service £79,000; Permanent Secretary of the Treasury £74,000; Grade 1 £63,500; Grade 1A £58,000; Grade 2 £42,500, £44,500; Grade 3 £33,250, £34,750, £36,250.
- (7) Rates for Grade 4 will be promulgated as soon as possible.

Thursday 22nd May 1986

(Answered by the Prime Minister on Thursday 22nd May 1986)

UNSTARRED Mr Edward Leigh: To ask the Prime Minister, if she  
No. 237 will make a statement on the latest reports of the  
pay review bodies.

**THE PRIME MINISTER:**

The 1986 reports of the Review Bodies on the pay of Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicines, Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the Review Bodies for these reports and the time and care which they have put into their preparation.

2. The reports recommend pay increases from 1 April 1986 which it is estimated would increase the 1986-87 pay bill for nurses, midwives and health visitors by 7.8 per cent, that for the professions allied to medicine by 8.2 per cent, that for doctors and dentists by 7.6 per cent, that for the armed forces by 7.5 per cent, and that for senior grades of the higher Civil Service, senior officers in the armed forces and the judiciary by 6.5 per cent. These figures are all very substantially above the rate of inflation, and above the general level of current wage settlements.

3. The Government have nevertheless decided that the increases recommended by the Review Bodies, with the exception of those recommended by the Top Salaries Review Body, should be implemented in full; but having regard to the sums involved, with effect from 1 July 1986. The resulting increases in the pay bills concerned in 1986-87 will average a little under 6 per cent, and this year's costs will be generally met from within existing public expenditure plans.

4. This year the Hospital and Community Health Services (HCHS) programme will benefit from lower inflation, which has already fallen well below the 4.5 per cent expected when the planning total was agreed; and it will also have resources available from planned cost improvements. Nevertheless the Government recognise that implementation as proposed might adversely affect services to patients, and have therefore decided, exceptionally, to provide an extra £60 million for health authority cash limits from within the total of planned public expenditure this year.

5. The Top Salaries Review Body (TSRB) last year carried out a major review of the remuneration of those covered by their remit, as a result of which they recommended increases, some of them substantial, in the salaries of those concerned. The recommended salaries have been fully in effect since 1 March 1986. This year the Government have decided that the TSRB's recommendations should be scaled down to an average 4 per cent to take effect from 1 July 1986, thus keeping the effective increase in the pay of this group in 1986-87 in line with inflation, that is 3 per cent. In addition the Government have decided in principle to accept the recommendations, first put forward by the TSRB last year, for discretionary pay at Civil Service Grades 2 and 3, as part of the arrangements for strengthening the link between pay and performance at these levels. A fuller account of these proposals is being sent to staff interests, with whom there will be consultation.

6. Details are as follows:

	<u>Recommendation</u>		<u>Average Effective Percentage Increase in 1986-87</u>	<u>Estimated Cost (£m)*</u>	
	<u>Average</u>	<u>Range</u>		<u>Recommended</u>	<u>1986-87</u>
Nurses	7.8	5.4-8.0	5.9	326	244
PAMs	8.2	6.5-8.0	6.1	30	23
DDRB	7.6	6.8-9.6	5.7	179	134
AFPRB	7.5	5.5-9.5	5.6	234	175
TSRB	6.5	5.3-7.3	3.0	5	2½

\* Review Body figures, amended as necessary

Full year effects for groups other than TSRB are as recommended; for TSRB groups the full year average is 4.0 per cent and the range 3.2 per cent to 4.4 per cent.

7. The pay rates and scales resulting from the decisions will be promulgated as soon as possible for National Health Service and Armed Forces groups. Rates for TSRB groups are set out below. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my Written Answer of 13 April 1984 Col 383. The Government is considering separately certain points of detail in the recommendations.

	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
SENIOR GRADES OF THE HIGHER CIVIL SERVICE. £			
Head of the Civil Service (and Secretary of the Cabinet)	75,000	77,400	1
Permanent Secretary of the Treasury	70,000	72,400	1
Grade 1 (Permanent Secretary)	60,000	62,100	21
Grade 1A (Second Permanent Secretary)	55,000	56,800	14
Grade 2 (Deputy Secretary)			
- on promotion	40,000	41,500	) 140
- after 1 years service in the grade	42,000	43,500	)
		45,500	)
discretionary		47,825	)
		50,150	)
Grade 3 (Under Secretary)			
- on promotion	31,000	32,350	) 482
- after 1 years service in the grade	32,500	33,850	)
			)
- after 2 years service in the grade	34,000	35,350	)
			)
discretionary		36,850	)
		38,425	)
		40,000	)

	Salaries currently in payment	Salaries effective from 1 July	Staff in Post (note 1)
SENIOR OFFICERS IN THE ARMED FORCES			
Admiral of the Fleet	)		
Field Marshal	) 75,000	77,400	1
Marshal of the Royal Air Force	)		
Admiral	)		
General	) 60,000	62,100	19
Admiral Chief Marshal	)		
Vice-Admiral	)		
Lieutenant General	) 42,000	43,500	33
Air Marshal	)		
Rear Admiral	)		
Major General	) 34,000	35,350	154
Air Vice-Marshal	)		

	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
<b>JUDICIARY</b>			
Lord Chief Justice	75,000	77,400	1
Lords of Appeal	)		
Master of the Rolls	)		
Lord President of the Court of Session	) 69,000	71,400	12
Lord Chief Justice (N.Ireland)	)		
Lord Justice Clark	)		
Lords Justice of Appeal	)		
Lords Justices of Appeal (N.Ireland)	) 66,000	68,400	28
President of Family Division	)		
High Court Judges	)		
Judges of the Court of Session	) 60,000	62,100	102
Puisne Judges (N.Ireland)	)		
Chairman, Scottish Land Court and President, Lands Tribunal (Scotland)	)		
Sheriffs Principal	)		
Official Referees	)		
Vice-Chancellor of the County Palatine of Lancaster	)		
Senior Circuit Judges	)		
Recorder of Liverpool	)		
Recorder of Manchester	)		
Recorder of Belfast	)		
Chief Social Security Commissioners (England, Wales and Scotland and N.Ireland)	) 44,500	46,000	30
Presidents, Industrial Tribunals (England and Wales, Scotland and N.Ireland)	)		
Judge Advocate General	)		
President Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland)	)		
Chairman, Criminal Injuries Compensation Board.	)		

	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
Presidents, Lands Tribunal (England and Wales and N.Ireland)(note 2)	40,000	46,000	1
Circuit Judges )			
Sheriffs )			
County Court Judges (N.Ireland))			
Social Security Commissioners )			
(England, Wales and Scotland )			
and N.Ireland) )			
Registrar of Criminal Appeals )			
Chief Metropolitan Magistrate )			
Senior and Chief Masters and )			
Registrars )			
Master, Court of Protection )			
Chairman, Foreign Compensation )			
Commission )			
Regional Chairmen, Industrial ) 40,000		41,500	507
Tribunals (England and Wales )			
and Scotland) )			
Judge Advocate General )			
President Value-Added Tax )			
Tribunals )			
President Immigration Appeal )			
Tribunal )			
Presiding Special Commissioner )			
of Income Tax )			
President, Social Security )			
Appeals Tribunals and Medical )			
Appeals Tribunals (N.Ireland) )			
Regional Chairman, Social )			
Security Appeal Tribunals and )			
Medical Appeal Tribunals )			
Members, Land Tribunals (England) and Wales, Scotland and N.Ireland) (note 2)	30,500	41,500	9



	Salaries currently in payment £	Salaries effective from 1 July	Staff in post (note 1)
Chairmen, Industrial Tribunals (England and Wales and N.Ireland)			
Metropolitan Magistrates			
Provincial Stipendiary Magistrates			
Resident Magistrates (N.Ireland)			
Masters and Registrars of the Supreme Court			
Masters of the Supreme Court (N.Ireland)			
Registrar of Civil Appeals			
County Court Registrars and District Registrars of the High Court	30,500	31,850	395
Circuit Registrars (N.Ireland)			
President Pensions Appeal Tribunal			
Vice-Presidents, Immigration Appeal Tribunal			
Vice-President (Scotland) and Chairmen, Value-Added Tax Tribunals			
Chairmen, Social Security Appeal Tribunals and Medical Appeal Tribunals			
Special Commissioners of Income Tax			

NOTES

1. At latest available date
2. Post rebanded for salary purposes



H M Treasury

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E P Kemp  
Deputy Secretary

P D Jones Esq  
Secretary  
Council of Civil Service Unions  
St Andrews House  
40 Broadway  
London SW1H 0BU

22 May 1986

*DW Pals*

TSRB 1986

I attach a copy of the statement which the Prime Minister made in the House this afternoon on the Review Body Reports

You will note from the Prime Minister's statement that the Government has decided in principle to accept the recommendations of the TSRB for discretionary pay at Civil Service Grades 2 and 3, as part of the arrangements for strengthening the link between pay and performance. Specifically, it is proposed that additional increments beyond the normally attainable maximum of salary would be awarded to a limited proportion of people in Grades 2 and 3, within rigorously applied criteria for sustained high performance. We envisage that these additional increments above the normal scale would not be pensionable, and would be withdrawable if the recipient's performance ceased to merit them. The ability to award discretionary increments will also provide some flexibility for other purposes.

The discretionary points which it is proposed to introduce are shown in the Prime Minister's statement. Payments at these higher points would be introduced as soon as the detailed arrangements are completed, and we hope within the present financial year. Once the new arrangements are in operation, Grades 3 would normally cease to be eligible for performance bonuses.

We look forward to discussing these proposals with you.

*Yours sincerely*  
*E P Kemp*

E P KEMP

GRADES 2 AND 3 - STRENGTHENING THE LINK BETWEEN PAY AND PERFORMANCE -  
SOME NOTES

1. What are the proposals?

Outlined in Treasury letter to CCSU of 22 May. Additional increments proposed to be given beyond the normally attainable maximum; awarded to a limited number of people in these grades (the proportion still to be decided) for sustained high performance measured against demanding standards; and to provide some flexibility for other purposes.

2. Consultation with staff interests?

Yes. There will be consultation over the detailed arrangements before the scheme is implemented.

3. What is the target date for implementation?

Hope it can be introduced before the end of this financial year.

4. What are the discretionary rates proposed?

At Grade 2, £45,500, £47,825 and £50,150; at Grade 3 £36,850, £38,425 and £40,000. Derived from, but not precisely the same as, TSRB recommended rates as abated.

5. What will be the "rigorously applied criteria for sustained high performance"?

Discretionary pay will depend on performance assessed alongside a formal appraisal system. Details are under consideration.

6. What is "flexibility for other purposes"?

These additional incremental points could be used to tailor pay rates more specifically eg to market pressures for certain posts.

7. Future of UIPP(H) and UIPP(L)?

Remain for now. But proposed to be subsumed into new discretionary points. Note that rates for UIPP(H) and UIPP(L) as from 1 July 1986 each coincide with one of the proposed discretionary points at Grades 2 and 3.

8. Pensionability?

Where discretionary point is awarded for performance and is consequently withdrawable it would not be pensionable; if awarded for other purposes (eg to match the market or replace UIPP(H) and UIPP(L)) and was not withdrawable, it could be pensionable.

9. Future of Grades 3 in performance bonus experiment?

Once the new arrangements are in operation Grades 3 would normally cease to be eligible for performance bonuses. But they could still receive special bonuses exceptionally.

10. Cost of these proposals?

That depends on detailed decisions as to the size of the eligible population. Cost for these grades anyway offset by much lesser involvement of Grades 3 in the performance bonus scheme. "Guesstimates" are; first full year costs under £¼ million; eventual full year costs when mature under £1/3rd million.



DEPARTMENT OF EDUCATION AND SCIENCE  
 ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH  
 TELEPHONE 01-934 9000

**CONFIDENTIAL**

FROM THE SECRETARY OF STATE

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

*Prime Minister 2*

*DWS  
22/5.*

20 May 1986

*Dear Nigel*

*MS*

**CIVIL SERVICE PAY SETTLEMENT: IMPLICATIONS FOR THE RESEARCH COUNCILS**

1. In Cabinet on 1 May I said that I would be writing to you about the very grave consequences of the civil service pay settlement for the Research Councils.
2. We estimate that the total additional bill which the Councils are likely to face this year as a result of the settlement is well over £9m. Of this some £5m is attributable to the direct costs of the civil service settlements of 8% for scientists and 6% for the others. As Norman Fowler pointed out to you in his letter of 24 April, settlements in the NHS are most unlikely to be significantly below whatever level is conceded to the civil service; and the same is true of the universities. We must therefore assume about 6% this year for those university and NHS staff who are supported out of Science Budget funds costing a further £4m.
3. The Research Councils are already beginning to count the cost: neither they nor the wider scientific community and its supporters in Parliament and the media will be slow to point out that the addition of £9m to the salary bill wipes out two thirds of the £15m new money which we added to the 1986-87 Science Budget. The modest credit which we have gained for the £15m addition will be cancelled and our claims to have a policy for science discredited. The position is made even worse by the effect of the recent fall in the value of the £ against European currencies: this has added a further £5.5m to the cost in 1986-87 of the SERC's international subscriptions. Together these two unplanned effects wholly pre-empt the new money from last year's PES settlement.

**CONFIDENTIAL**

# CONFIDENTIAL

4. It is not good enough to say that the Science Budget will just have to absorb the extra costs - by cutting manpower for example. Jobs have already been cut, drastically in some cases, and substantial redundancy costs incurred. More cuts are planned, again involving redundancies. By 1990, two Councils alone will have shed 3000 posts during the current decade, representing 30% of their manpower. Non-staff related recurrent expenditure - on equipment and materials - has also been cut back in order to keep programmes going and scientists in post. Further savings here would only exacerbate the growing problem of equipment shortages.

5. We found new money last year for the Science Budget because of our concern that the science base was being run down by the cumulative effect of our expenditure policies - as evidenced notably by the brain drain - and because of the important opportunities that were being missed to build up research programmes especially in areas of economic potential. The Prime Minister herself said that "she is conscious of the difficulties" which I face in respect of the Science Budget and that "she believes that these difficulties will have to be taken into account in the survey next year". (I quote from her private secretary's letter of 13 December last about the arrangements for financing the UK contribution to the NATO Science Programme). As I said in Cabinet on 1 May, the need to find the costs of the settlement will have a devastating effect on the science base - not least on morale: the political cost to us will also be very considerable.

6. I shall be taking account of all this in my consideration of the scale of the additional bid that I should enter for the Science Budget in this year's Public Expenditure Survey. But we cannot wait for the outcome of the survey: the Councils will have to meet the full year costs of the settlement direct and indirect in the current year. It is of the utmost importance for science and for our own credibility that we should compensate the Research Councils for the 1986-87 costs of the pay settlement by means of a Supplementary Estimate. For political reasons, and also because of the morale factor, the sooner we give them that assurance in principle the better. I look forward to your early agreement.

7. I am sending a copy of this letter to the Prime Minister.

*Yours ever,*

*Keir*

# CONFIDENTIAL

1019/36

*ole*

**SECRET**

FROM: W G BRISTOW  
DATE: 20 May 1986

MR WIGGINS

cc Mr Kemp  
Mr Gilhooly  
Mr Hansford  
Mr Franklin

I attach a note on the pension implications as requested at this afternoon's meeting.

*W.G. Bristow*

W G BRISTOW

*NPM.*

*Mr ~~Nay~~grove*

*You may like to have this, in case the Prime Minister should want reassurance on the point.*

*JW*

*21/5*

**SECRET**

SECRET

PENSION ARRANGEMENTS

Civil Service and NHS

Pensions are normally based on salary in the year before retirement. It thus takes a year for a pay increase to work through fully into pension. Pensions are increased after retirement according to the individual dates of retirement. The next increase will be 1.1% payable in full from 28 July 1986 to those who retired before 25 November 1985. A proportion will be paid to those retiring between 25 November 1985 and 12 July 1986 reflecting the proportion of the period spent in retirement.

Judiciary

Pensions are based on salary on the day of retirement. There is, therefore, a much sharper effect for those retiring just one side or the other of a pay increase. Pensions are increased after retirement according to individual retiring age as per the Civil Service and the NHS.

Armed Forces

A new Pension Code is published each time there is a pay increase. It prescribes the same rates of pension for all those of equivalent rank retiring during the currency of a Code. Again, therefore, there is a sharper effect for those retiring just one side of a pay increase or the other.

Until the 31 March 1986 the Armed Forces also prescribed the same rate of post-retirement pension increase for all those retiring during the currency of a Code (they intended to change to the normal basis of individual retirement dates from 1 April 1986). For those retiring during the year ending 31 March 1986 the increase was 1%. Unless this is applied also to those retiring during the period 1 April to 30 June 1986 they will fare worse than those retiring during the currency of the previous Code. The lack of a pay increase from 1 April 1986 means that

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they gain no increase in basic pension and they would have to wait until July 1986 for a pensions increase which would be significantly less than for those who retired before 1 April 1986. This is a problem which is peculiar to the Armed Forces and would be solved by allowing the same pensions increase to those retiring during the period 1 April to 30 June 1986 as for those retiring during the previous Code.

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File M  
SLHALB

10 DOWNING STREET

*From the Principal Private Secretary*

1 May 1986

**TRAVELLING EXPENSES OF SPOUSES OF SENIOR CIVIL SERVANTS**

I have shown the Prime Minister your letter of 30 April in which you say that Sir Peter Middleton proposes to tell heads of departments that it will no longer be necessary to make returns of overseas travel at public expense by wives of senior civil servants. Sir Peter would emphasise once more the need for the greatest restraint in the use of such a facility, and he would reserve the right to make enquiries from time to time, and to reintroduce reporting if it looked as though the provision was being mis-used.

The Prime Minister agrees Sir Peter should proceed in the way he proposes in your letter.

N L WICKS

K. F. Murphy, Esq.,  
H M Treasury

ECL

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*Oddi wrth yr Is-Ysgrifennydd Seneddol*  
CT/5171/86

1 May 1986

*From The Parliamentary Under-Secretary*

*Dear Nigel,*

PAY OF NHS STAFF

I have seen the letter from Norman Fowler dated 24 April about the implications of the latest offer to the Civil Service on the National Health Service. This follows closely on the correspondence between Barney Hayhoe and John MacGregor and I must say that I entirely share Norman's view that we cannot expect to conclude settlements at much below the Civil Service level even if this means easing the financial constraints on the Health Service.

I am copying this letter to the Prime Minister, others members of MISC 66, the Secretaries of State for Scotland, Social Services, Education and Science, Environment and Home Office and to Sir Robert Armstrong.

*Tommy, ever,*  
*Mark*  
MARK ROBINSON

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

Civil Service Pay Pt 15.





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Sir Peter Middleton KCB  
Permanent Secretary

N L Wicks Esq CBE  
No.10 Downing Street  
LONDON  
SW1

Prime Minister  
Agree x?

N.L.W

30.4

Yes no 30 April 1986

Dear Nigel,

#### TRAVELLING EXPENSES OF SPOUSES OF SENIOR CIVIL SERVANTS

Sir Peter Middleton wrote to Heads of Departments on 30 April 1984 (copy attached) giving guidance on the question of allowing spouses of senior civil servants to accompany them on official trips abroad at public expense. Heads of Departments were given discretion to approve payment of such expenses in exceptional circumstances, and subject, as a minimum, to their satisfying the Inland Revenue criteria for deciding whether such payments should be free of tax. The Prime Minister saw, and was content with, a draft of the letter. (Douglas Board's letter of 9 April 1984 and Robin Butler's reply of 13 April 1984).

Sir Peter Middleton considered it important, at least for the first year or two, to monitor the use of this new provision. He accordingly asked Heads of Departments in his letter to provide a note each year of the occasions on which they had exercised their discretion. In the event, the numbers have, as expected, been very small: five occasions in 1984; and three in 1985. In view of this, there now seems little justification for continuing to monitor use of this provision and Sir Peter Middleton proposes to tell Heads of Departments that it will no longer be necessary to make returns while emphasising once more the need for the greatest restraint in the use of this provision. We would however reserve the right to make enquiries from time to time, and to re-introduce reporting if it looked as though the provision was being misused.

As the Prime Minister saw the terms of the original guidance on this sensitive subject, Sir Peter Middleton would be grateful to know whether she would be content with the proposed change.

Yours,

Kivan.  
K F MURPHY  
Private Secretary

PART  
14

X



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000  
Direct Dialling 01-233 3620

Sir Peter Middleton KCB  
Permanent Secretary

Sir Robert Armstrong GCB CVO  
Cabinet Office  
70 Whitehall  
LONDON  
SW1

30 April 1984

*Dear Robert,*

TRAVELLING EXPENSES - WIVES OF SENIOR CIVIL SERVANTS

It has been a longstanding rule that the expenses of a spouse who accompanies a civil servant to an official function can be reimbursed from public funds only in the most exceptional circumstances. This rule was introduced and has been upheld on the grounds of propriety. The widespread use of public funds for this purpose would be misunderstood and would attract adverse comment.

... In his letter of 7 February 1975 to Douglas Wass, a copy of which is enclosed, Ian Bancroft announced a minor easement of this very strict rule, giving Heads of Departments discretion in certain exceptional circumstances to allow the reimbursement of such expenses incurred in travel within the United Kingdom out of public funds.

This left the rule in respect of travel outside the United Kingdom unaltered. It has however been recently suggested that the distinction between travel within the United Kingdom and outside the United Kingdom is not logical. There could be rare circumstances where it would be acceptable to charge to public funds expenses of accompanying spouses on overseas trips. Ministers have accordingly agreed that the rules applying to domestic travel, set out in paragraph 3 of the letter of 7 February 1975, should be extended to embrace overseas travel also.

... It is impossible to lay down hard and fast rules as to the precise circumstances which warrant the reimbursement of a spouse's expenses. A useful test, however, is whether the Inland Revenue would deem the officer concerned to be liable to tax on the cost of the spouse's trip. I attach a copy of Chapter 9 of Inland Revenue's booklet, "Notes

on Expenses Payments and Benefits for Directors and Certain employees". Reimbursement of a spouse's expenses should never be authorised unless they satisfy the Revenue's "wholly, exclusively and necessarily in the performance of" test; and not of course always then. This is a necessary but not always sufficient condition.

Clearly Heads of Departments will exercise great care and restraint in using this discretion. For both overseas and domestic travel prior approval should always be the rule. The letter of 7 February 1975 talked of reimbursement of domestic travel expenses being restricted normally to spouses of officials of the rank of Assistant Secretary and above although some scope was given in respect of slightly more junior officers. for overseas travel reimbursement of expenses should be restricted normally to spouses of officials of the rank of Permanent Secretary and equivalent, although very exceptionally this could extend downwards to Deputy Secretary and equivalent.

Heads of Departments will want to ensure that in cases where they do exercise this discretion the travelling and subsistence costs are kept to the minimum. The journeys should be made in as economical manner as possible although it is accepted that the spouse may travel in the class appropriate to the official. As to subsistence, there will (I hope) be only a handful of cases a year at the most. Rather than pay the appropriate flat rate departments should reimburse the actual expenses of husband and wife for room and breakfast on top of which both might receive an average sum for meals and incidental expenses up to a maximum of one-third each of the appropriate rate of night subsistence allowance. This would apply both to the UK (and therefore supersedes paragraph 4 of Ian Bancroft's letter of 7 February 1975) and to overseas trips.

In order to maintain consistency and ensure that there is no "drift", I ask Heads of Departments to let me have a note every year detailing the occasions on which they have exercised discretion; I would ask that this note should also include details of the occasions on which they have exercised discretion in respect of reimbursement of travelling expenses within the United Kingdom. This is a difficult and potentially sensitive area, and it is very important to ensure that it remains very tightly controlled and monitored. Could I ask for the first such note to cover the period up to 30 September this year, and to reach me as soon as convenient after that date.

... I am copying this letter to Heads of Departments on the attached list who will want to keep it with their Personal Handbook. When we next revise that Handbook the sense of this letter can be incorporated into the text. I am also sending copies for information to Gordon Downey and Ewart Bell.

*Yours ever,*  
*Peter*

P E MIDDLETON



## **CHAPTER 9—Travelling and subsistence expenses of wives accompanying their husbands on business trips**

### **General**

9.1. Where an employer (or another person acting on behalf of the employer) bears the travelling and subsistence expenses of an employee's wife who accompanies her husband on a business trip, the employee is liable to tax on the cost of the trip except so far as the expenses of the wife's journey may be allowed under the ordinary expenses rule as having been incurred "wholly, exclusively and necessarily in the performance of" her husband's duties. Whether such an allowance can be made will depend upon the facts of the particular case.

9.2. An allowance for the wife's expenses might be admissible if she has some practical qualification directly associated with her husband's mission which she uses to assist him regularly during the tour. Alternatively her presence might be essential to act as hostess at a series of business entertaining occasions for overseas customers (see Chapter 20) which are a vital part of the mission. Her expenses might also be allowed where the husband's health is so poor that it would be unreasonable to expect him to travel alone.

9.3. Where, however, the part played by the wife is relatively unimportant (such as giving her husband occasional assistance with clerical duties or making the travel and hotel reservations), or the main reason for her travel is personal, e.g. to avoid the separation from her husband or to visit relatives abroad, her expenses would be regarded as inadmissible.

9.4. In some cases it may be necessary to apportion the total cost of the wife's travelling and subsistence between business expense and private expense. Further, the remarks at paragraph 8.6 above about sums spent by employees for personal reasons apply also to their wives.

### **Maintenance of records**

9.5. Where a claim is made that a wife's expenses are allowable for tax purposes it is important that the claim should be supported by records and the comments in paragraph 8.13 are of particular application. If it is claimed that the reason for the wife's journey was to act as hostess during the business entertaining of overseas customers it should be borne in mind that the inspector may ask for information about the occasions and the extent of any such entertaining.

### **Wife's expenses borne by the husband**

9.6. Where the wife's expenses are not borne by her husband's employer (or another person acting on behalf of the employer) no deduction for tax purposes under the expenses rule described in paragraph 7.1 can normally be allowed.

CIVIL SERVICE: Pay and Pensions: PE 15



PRIME MINISTER

CIVIL SERVICE PAY AND RUNNING COSTS

The Chancellor will report the Civil Service pay settlement to Cabinet tomorrow, emphasising the need for this to be contained within the running costs limit.

The Chancellor's inclination last week was that it would be a good idea for you then to reinforce the message on running costs. The Chancellor now thinks this could look like a put-up job and suggests that you should only join in if members of the Cabinet protest about the difficulties of containing the cost of the settlement.

If you do join in, I suggest that you make the following points:

i) Agree the Chancellor's views on the Civil Service pay agreement;

ii) Agree also his views on running costs;

iii) This is the first year of the scheme and the limits must hold;

iv) This year's early settlement means that departments have plenty of time to secure efficient savings and further reductions in Civil Service manpower.

*Duty Clerk*

*PP.*

David Norgrove  
30 April 1986

**SPEAKING NOTE ON CIVIL SERVICE PAY FOR PRIME MINISTER**

Agree Chancellor's views on civil service pay agreement.  
Important to get agreed settlement at modest rate.

Agree also his views on running costs. In first year of scheme control limits must hold. Important for departments to take offsetting action to live within limits. This provides powerful incentive to secure efficiency savings and continued downward movement in civil service manpower. This year's early settlement means they have plenty of time to do so.

David

we spoke for your own use,  
has yet approved by Chancellor.

Robert.

3074.

**SPEAKING NOTE ON CIVIL SERVICE PAY  
FOR CHANCELLOR**

On Monday, Treasury reached agreement with major civil service unions on an increase in basic pay of 6 per cent. Only exceptions are FDA (holding out for comparability) and Prison Officers (negotiations in baulk because of industrial action). Deal is a touch higher than hoped, but am sure was right in circumstances. Secures peaceful civil service settlement this year; gives useful anchor point for rest of public services this year (including Review Bodies); is lower than local authority manuals and teachers, <sup>and</sup> private sector settlements; improves chances of reasonable and peaceful settlement in 1987, when we should get the benefit of continuing fall in inflation.

[Recognise other additions to pay bill in last year. All worthwhile on recruitment and retention grounds. These add less than 1 per cent to pay bill and will generate partly offsetting savings.]

Hope to see no further changes in next 12 months which would add to pay rates for 1987-88 beyond what has already been agreed. If exceptionally we do agree increases, these must be included within main pay settlement for 1987.

Effect on running costs. We knew <sup>when</sup> we set limits for 1986-87 that pay increases might create pressure. Scarcely need to remind colleagues that we are committed to hold to limits set. This made very clear in Treasury announcement of pay agreement which was sent to departments. Limits can hold if departments take offsetting action now. If in the autumn a particular department finds offsetting action would create unacceptable difficulty, Chief Secretary will be prepared to consider the case. But colleagues will not of course expect him to be a soft touch.

**POINTS TO MAKE (IF NEEDED)**

Running Costs

- Pay increases agreed should generate some offsetting savings: eg lower training costs, less use of consultants and "temps".
- Other factors go the other way (eg: lower oil prices, inflation prospects.)
- Pay increase known early this year: plenty of time for offsetting action, where needed. Managerial increases generally known about for some time (in most cases before running costs limits were set in Estimates).

- Worth going to 6 per cent to obtain agreement. Costs of even sporadic industrial action could have been much greater (Newcastle dispute cost £170 million).
- running costs must reflect potential for improving productivity and efficiency, as in rest of economy (ie: we don't expect pay rises to be fully accommodated).

### Individual unions

- FDA Still seeking comparability, but know there is no more on offer.
- Prison Officers Pay discussions in baulk while dispute with Home Office over manning continues.
- IPCS and Scientists 6 per cent on pay bill includes provision for 2 per cent extra for Scientists. Discussions on long-term pay arrangements nearly exhausted, will consult colleagues on outcome soon.

(If Research Councils raised). Additional cost of deal for Scientists is £1 million out of budget of c. £600 million, if Research Councils chose to keep their link with civil service rates for Scientists. Cannot have Research Council determining Scientific pay for whole of Civil Service).

### Pay policy generally

- Not catching up or ratchetting up. 6 per cent below private sector average, well below local authority manuals and teachers.
- Most difficult public services pay round for several years. Agreement on 6 per cent should help (eg with Review Bodies) to moderate the pace local authorities have set.

NHS Pay (if raised)

Mr Fowler may say that he has to be allow his proposal to use potential savings on NHS employers' superannuation contributions to meet NHS pay pressures this year. If he does, you should say:

- complex technical and wider policy issues here which Mr Fowler is pursuing with the Chief Secretary.





## H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000  
Direct Dialling 01-233 3889

E P Kemp  
Deputy Secretary

PRINCIPAL ESTABLISHMENT OFFICERS

28 April 1986

Dear Establishment Officer

### 1986 NON-INDUSTRIAL CIVIL SERVICE PAY PAY

We have today reached agreements, first with the representatives of the CPSA, the CSU, the IRSF, the SCPS and NIPSA, and second with the representatives of the IPCS, on a revised and final pay offer. The General Secretaries of these unions will be recommending its formal acceptance, and we understand that most will be arranging for their members to be consulted.

Negotiations continue with the FDA.

Today's offer is worth 6 per cent. Details are set out in the enclosed message to staff which I should be grateful if you would arrange to have circulated in your Department as soon as possible.

Briefing notes for your information and use will follow very shortly.

A number of issues remain to be settled. These include London Weighting, possible changes in annual leave arrangements to correct some anomalies in Bands A and B, increases in proficiency, responsibility, etc allowances, and some sectional claims - as well as the position of the FDA and others. However we do not intend that these should delay implementation of today's offer, and we shall be authorising payment for individual grades as soon as we have formal agreement with the union or unions which has negotiating rights for those grades. I hope that it will be possible for staff to get their increases quickly.

The cost of this offer, and of the whole settlement when it is reached, will be met from within running costs limits set.

I am copying this letter to all members of EOM(Main) and EOM(SD). Enquiries should be addressed to myself, John Gilhooly (233 4180) or Steve Willis (233 7891).

*E P Kemp*  
E P KEMP

MESSAGE TO STAFF

1986 NON-INDUSTRIAL CIVIL SERVICE PAY

Agreements have been reached today with representatives of the CPSA, the CSU, the IRSF, the SCPS and NIPSA, and of the IPCS, on an improved pay offer to take effect from 1 April.

This offer is for an increase of 6 per cent or £4.50 per week, whichever is greater, for full-time adult staff; and £3 per week for full-time staff on 16-17 age points of scales.

The increases will be implemented for staff in individual grades as soon as formal agreement to the settlement has been received from the union or unions having negotiating rights for those grades. We hope very much that people will receive their increases quickly.

Negotiations continue with the FDA. Negotiations also continue with the CCSU generally over London Weighting, responsibility and certain other allowances, and a possible change in leave rules in Bands A and B to correct some existing anomalies; and with individual unions over some particular claims that have been submitted. Staff will be kept in touch with how these go.

H M Treasury  
28 April 1986

## CIVIL SERVICE PAY

### Factual

Agreements reached yesterday on revised pay offer with representatives of great majority of non-industrial civil service. Worth 6 per cent for adult full-time staff (or £4.50 a week if greater); and £3 a week for 16 and 17 year olds. (Details: see press notice attached).

FDA: holding out for increase which will give full comparability with "going rate" outside (6¼ per cent).

### Postive

- Greatly welcome agreement with major group of public servants, and that CSU [messengers, paper keepers, etc] has already formally accepted.
- 6 per cent on non-industrial pay bill costs £240 million. Will be contained within running costs set.
- Not return to comparability. Compares with 6¼ per cent settlements found by OME survey, CBI. Lower than major local authority settlements (8.14 per cent for manuals; end - loaded 8.5 per cent for teachers from April 1985).

### Defensive

- Agree higher than RPI increase. But lower than settlements outside, and in context of civil service settlements of 4.55 per cent in 1984 and 4.9 per cent in 1985.
- Not "catching up." Do not accept that pay of any group should be determined in relation to past history.
- Not sign of "slackening up on pay". Settlements should follow recruitment, retention, motivation needs, and what can be afforded. Exactly the position here.
- other increases for civil servants (CO/DP restructuring Scientists, etc) offered/agreed over two years. Separate

matters, giving worthwhile managerial benefit. Cost of all these initiatives still under 1 per cent of pay bill before allowing for offsetting savings they bring. Total still less than underlying increase in earnings in economy as a whole.

- Prison Officers. No pay discussions while industrial action continues.
  
- Review Bodies. Reports received. Decisions will be announced in due course.

[A full Q and A brief is attached below.]

#### **Important Health Warning**

Given situation with lawyers over legal aid, avoid describing civil service settlement as "fair" or "reasonable".



# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415  
Telex: 262405

28 April 1986

## NON-INDUSTRIAL CIVIL SERVICE - AGREEMENT ON PAY

Agreements have been reached today on a revised pay offer for non-industrial civil servants. The first is between the Treasury and representatives of the Civil and Public Service Association (CPSA), Civil Service Union (CSU), Inland Revenue Staff Federation (IRSF), the Society of Civil and Public Servants (SCPS), and the Northern Ireland Public Service Association (NIPSA); and the second is between the Treasury and the representatives of the Institution of Professional Civil Servants (IPCS).

This offer, which the General Secretaries of these unions will recommend to their Executives should be accepted, is worth 6 per cent for staff in the grades they represent, as follows; from 1 April 1986 a 6 per cent increase or £4.50 per week, whichever is greater, for full-time adult staff; and £3 per week increase for full-time staff on 16-17 age points of scales.

58/86

PRESS OFFICE  
H M TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG  
01 233 3415

### Notes for Editors

1. There are about 500,000 non-industrial civil servants. The vast majority are represented by unions recommending acceptance of today's offer.
2. Most of the unions have submitted claims worth about 17 per cent. Separate claims and negotiations have been carried out with the "Consortium" (CPSA, CSU, IRSF, SCPS and NIPSA); and the IPCS. Negotiations continue with the First Division Association (FDA).
3. The cost of the offer will be met from within Departmental running costs limits set.
4. Discussions continue with the CCSU generally over their claims in respect of London Weighting, proficiency, responsibility, etc allowances, and hours and leave. There are also certain individual claims submitted by separate unions still discussion.

1986 CIVIL SERVICE PAY

QUESTION AND ANSWER BRIEFING

Q. What is the offer?

A. See Press Notice for details. 6 per cent all round. Against claims from most unions of about 17 per cent.

Q. Who is the offer made to?

A. The consortium (CPSA, CSU, IRSF, SCPS and NIPSA). Also made to the IPCS.

Q. How much would it cost?

A. About £240 million in 1986-87.

Q. What were the claims?

A. This year the CPSA, CSU, IRSF, SCPS and NIPSA submitted a joint claim for 10 per cent plus £10 per week, worth about 17 per cent overall. The FDA submitted a claim for a 17 per cent increase. (The various unions have also submitted claims for increases in London Weighting, reductions in hours, increases in leave; and various sectional claims for individual groups. These are being considered separately and no formal response has yet been made to them.)

Q. Why 6 per cent?

A. Follows further discussions with the unions. Appropriate in the light of various factors including recruitment and retention, motivation and cost considerations, and falling inflation and OME report (see below).

Q. Previous years settlements?

A. In 1984 the settlement was worth about 4.55 per cent (basically 5 per cent for people on maxima and flat rate and 4 per cent for those on scales). In 1985 the settlement was worth about 4.9 per cent (again 5 per cent for people on maxima and flat rate but 4¾ per cent for those on scales) [plus some special increases].

Q. Low in light of "going rate" outside? [CBI says 6% on settlements; average earnings underlying 7½ per cent a year.]

A. That may be, but appropriate in light of all factors; outside movements in pay taken into account, but other factors important, including modest settlements in recent years, see above. But note no catching up.

Q. High compared with last year?

A. Appropriate in light of all factors. Must take each year and each group on its merits.

Q. High compared with other public service?

A. On the contrary, LA manuals got 8.14 per cent earlier in round; see teachers also. And Civil Service pay constrained by running cost limits set, and manpower reductions continue. Contrasts with local authorities generally where no comparable control of pay bill costs.

Q. Settlement conflicts with CBI call for lower settlements? [CBI has campaigned for a 2 per cent reduction in pay settlements compared with last pay round].

A. Employers have responsibility for determining pay in the light of their own recruitment, retention and affordability position. This offer reflects these criteria. Lower than recent public service settlements and lower than CBI members generally are achieving.

Q. Offer higher than 6 per cent because of restructuring, etc? CO/DP restructuring, etc?

A. Separate matters. A number of managerially desirable improvements agreed affecting 1986-87. ADP staff, secretaries and typists, lawyers, professional and technology etc. CPSA consulting members on a major restructuring of CO/DP associated with introduction of new technology.

Q. How much did these other additions cost?

A. Even if CO/DP restructuring included (it affects some 2/5ths of civil servants) cost of all these initiatives still under 1 per cent of pay bill before allowing for offsetting savings they bring. And the total still less than earnings growth in the economy as a whole.

Q. OME quartiles?

A. OME does not constrain a settlement, except in the case of the IPCC. But within the quartiles - 5½ and 7 per cent - and well above RPI increase in year to March. 4.2 per cent; forecast at 3½ per cent by end of year.

Q. Civil servants "falling behind"?

A. No "right" level for the pay of any group, whether in relation to others or to past history. No catching up involved - this is a concept we do not accept.

Q. Offer ignores recruitment, retention and motivation problem? (Civil Service Commission annual report of 17 April described problems in specialised areas of recruitment).

A. Not so. Generally recruitment and retention position not bad; special steps taken in some areas (eg Accountants, Lawyers, Professional and Technology staff, etc). Motivation inevitably a matter of judgment: in all the circumstances think the offer is appropriate.

Q. How will offer be financed?

A. Departments will have to absorb the cost of the eventual pay settlement into the running costs limit set. If pay, or any other element turns out to be greater than an individual Department expected, offsetting savings must be found from elsewhere within its running costs limits.

Q. Aggregate running cost increase in White Paper was about 6 per cent: obviously that was for pay?

A. No. Running costs cover a wide range of administrative expenses: pay, changes in manpower numbers, accommodation, contracted out services etc. The higher the pay settlement, the less there will be to be spent on those other services: jobs at risk.

Q. What is the effect of running costs on pay?

A. No slackening of Government policies on pay. Where Government is direct employer, will look for reasonable and moderate settlements. This agreement compares well with local authority negotiations in recent months. Departmental expenditure on pay will have to be contained within running costs limits. Excessive settlements will therefore, risk jobs. Continuing need for pay moderation in economy as a whole.



Q. What Departmental assumptions were made about settlement in running cost limits?

A. No central pay assumptions or directives on pay and no central record of what Departments assumed. Each Department will be working on its own assumptions about increases in costs (of which pay rates one factor) for a wide range of running costs elements - manpower numbers, grade mix, overtime, etc.

Q. Arbitration?

A. Agreement reached today so question has not arisen.

Q. Low pay/Government in breach of European Social Charter?

A. Offer favours the lower paid. Underpinning of £4.50 per week geared to such people - as is clerical restructuring - (see below).

Government not in breach of European Social Charter. Charter does not define low pay: figure suggested by "Committee of Experts" (68 per cent of national average earnings) as a minimum wage not agreed by any signatory of Charter. Government does not accept concept of a minimum wage: employers should not have to pay more than the rate for the job. Help to lower paid best given through tax and social security system.

Civil Service not in fact a "low paid" organisation. Compares favourably with the rest of the economy in terms of proportion of lower paid employees. Unions' figures suggest otherwise but only because they take no account of various adjustments which need to be made to basic pay to compare like with like (eg London Weighting and non-contributory pension scheme).

Q. Megaw etc?

A. Government remains ready to seek acceptable long-term arrangements for settling Civil Service pay. Its outline proposals of last November have been accepted by two unions (IPCS, POA) and remain on the table for the rest. (If asked about talks with IPCS about long-term pay arrangements: no comment.)

Q. Why not a Review Body for lower ranks of Civil Service?

A. Review Bodies are for groups where not sensible to negotiate, and where industrial action either illegal (eg Military) or abstained from in past (Nurses). Not appropriate for other groups, where pay is collectively bargained.

Q. Different treatment for senior Civil Service compared with the rest of Civil Service?

A. Different approaches for determining pay. Generality of civil servants pay determined through negotiation; TSRB makes recommendation on high Civil Service and Government reaches decision on those recommendations. Government decisions on Review Body recommendations take account of same factors as are taken into account in Civil Service pay negotiations, namely cost and what is needed to recruit, retain and motivate staff.

Q. TSRB (or other) Review Body reports received yet?

A. Yes. Government will announce decisions in due course.

Q. Will Review Body groups also get 6 per cent?

A. Wait and see.

Q. Civil Service industrials?

A. There are about 100,000 of these. Their settlement date is 1 July, and they were not involved in these negotiations.

Q. GCHQ?

A. Details of position for FCO: note Sir Geoffrey Howe's statement to unions of 18 March, and to House of 19 March. If asked: negotiations will be held with GCSF.

Q. What is the position with Prison Officers?

A. Civil Service pay increases normally feed into Prison Officer grades through operation of "Wynn Parry formula". But negotiations in jeopardy while current dispute over manning continues. (Details of dispute? - Ask Home Office.).

Q. FDA?

A. Negotiations continue. Would very much like settlement with them on same basis as today's.

Q. Separate deal with IPCS?

A. Basic increase same as others. Sectional claim on scientists agreed <sup>with</sup> about 2 per cent. Acute recruitment and retention problems, and on account of review MPO have in hand.

Q. Position of CCSU? (hours, leave, London Weighting, etc).

A. To be settled.

Q. Large percentage increase for some? (More than 6 per cent).

A. True, if restructuring etc taken with final settlement. But this is of the nature of restructurings, and additional amounts justified in terms of managerial benefit that accrue (eg clerical restructuring facilitates introduction of new technology) or recruitment and retention. Worthwhile financial savings can result which make the net additional cost very much less.

ILLUSTRATION OF SCALES RESULTING FROM 28 APRIL OFFER

GRADE	NUMBER OF STAFF	NEW PAY RATES £p.a with effect from 1 April 1986	
		Maximum	Minimum
<u>ADMINISTRATION GROUP</u>			
GRADE 5	2,100	27,065	22,222
GRADE 6	3,400	24,302	18,020
GRADE 7	9,500	19,465	14,318
SENIOR EXECUTIVE OFFICER	7,700	14,629	11,639
HIGHER EXECUTIVE OFFICER	24,500	11,941	9,430
EXECUTIVE OFFICER	44,300	9,452	5,250
CLERICAL OFFICER	81,500	6,671 <sup>1</sup>	3,306 <sup>3</sup>
CLERICAL ASSISTANT	60,500	5,357 <sup>2</sup>	3,055 <sup>4</sup>
<u>OTHER GRADES</u>			
TYPIST	18,000	6,063	4,664
MESSENGER	5,200	5,386	4,806

Notes

- 1 Rising to £6791 wef 1.1.87 and £6947 wef 1.7.87
- 2 Rising to £5499 wef 1.1.87
- 3 Rising to £3507 wef 1.1.87
- 4 Rising to £3157 wef 1.1.87

610

FROM: E P KEMP  
28 April 1986

MINISTER OF STATE

cc Principal Private Secretary  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
Sir Peter Middleton  
Mr F E R Butler  
Mr Anson  
Mr C D Butler  
Mr Culpin  
Mr Gilhooly  
Mr Hopkinson  
Mr S Willis  
Mr Lord

*Pamie Minister 2*

*mf*

*BN  
28/4.*

*Start copy in No. 10, 12 para 4.*

CIVIL SERVICE PAY 1986

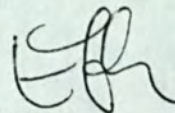
I sent you a minute yesterday (not copied to all) about our intention to proceed with our pay offer this morning. You agreed this way forward. In addition the Chief Secretary had let me have some comments which had resulted from a conversation he had had with the Chancellor.

2. We duly proceeded to make our offer. This was not easy. At one stage the unions we were facing showed a disinclination to recommend its acceptance, and we had to threaten to withdraw it completely. This concentrated the mind wonderfully and in the end we made the offer on the basis that it would be recommended to Executives. We also got the expected agreement on these lines from the IPCS. Within 2 hours of our making our offer, one of the unions (the CSU) indicated full and formal acceptance, and we are proceeding to put the increases into payment for their grades now.

3. Subsequently with the help of IDT we saw an assortment of members of the Press. Again this was not too easy, because of the need on the one hand to steer between arguments that the settlement is too high ("excessive and inflation busting") and on the other that it is too low ("below the going rate and below local authorities, teachers etc"); and second to distinguish between the flat 6 per cent we have now offered and the larger

figure that one can get if you add in the clerical restructuring and all the extras. We shall just have to see how tomorrow morning's Press comes out. We shall I think be helped by the fact that, unless they are much cleverer than I think, the unions themselves will be making a good deal of rather sulky noises about the unfairness of this very low offer and the way that they have been compelled to accept it under duress. These are certainly remarks they were making at the meeting I had with them this morning.

4. On the whole, my judgment is that although as I say we cannot tell how the Press will handle this, the situation is about as tidy as it can be when dealing with pay matters. The object of the exercise - a peaceful settlement albeit at a rate which may appear high in some eyes - looks, as though it will be produced. We will keep you in touch; and in the light of the Press tomorrow we shall be arranging to let No 10 have notes for Prime Minister's Question Time. Meanwhile we have let No 10 have a copy of the attached Press Notice and Question and Answer material.



E P KEMP



# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415  
Telex: 262405

28 April 1986

## NON-INDUSTRIAL CIVIL SERVICE - AGREEMENT ON PAY

Agreements have been reached today on a revised pay offer for non-industrial civil servants. The first is between the Treasury and representatives of the Civil and Public Service Association (CPSA), Civil Service Union (CSU), Inland Revenue Staff Federation (IRSF), the Society of Civil and Public Servants (SCPS), and the Northern Ireland Public Service Association (NIPSA); and the second is between the Treasury and the representatives of the Institution of Professional Civil Servants (IPCS).

This offer, which the General Secretaries of these unions will recommend to their Executives should be accepted, is worth 6 per cent for staff in the grades they represent, as follows; from 1 April 1986 a 6 per cent increase or £4.50 per week, whichever is greater, for full-time adult staff; and £3 per week increase for full-time staff on 16-17 age points of scales.

58/86

PRESS OFFICE  
H M TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG  
01 233 3415

### Notes for Editors

1. There are about 500,000 non-industrial civil servants. The vast majority are represented by unions recommending acceptance of today's offer.
2. Most of the unions have submitted claims worth about 17 per cent. Separate claims and negotiations have been carried out with the "Consortium" (CPSA, CSU, IRSF, SCPS and NIPSA); and the IPCS. Negotiations continue with the First Division Association (FDA).
3. The cost of the offer will be met from within Departmental running costs limits set.
4. Discussions continue with the CCSU generally over their claims in respect of London Weighting, proficiency, responsibility, etc allowances, and hours and leave. There are also certain individual claims submitted by separate unions still discussion.

## 1986 CIVIL SERVICE PAY

### QUESTION AND ANSWER BRIEFING

Q. What is the offer?

A. See Press Notice for details. 6 per cent all round. Against claims from most unions of about 17 per cent.

Q. Who is the offer made to?

A. The consortium (CPSA, CSU, IRSF, SCPS and NIPSA). Also made to the IPCS.

Q. How much would it cost?

A. About £240 million in 1986-87.

Q. What were the claims?

A. This year the CPSA, CSU, IRSF, SCPS and NIPSA submitted a joint claim for 10 per cent plus £10 per week, worth about 17 per cent overall. The FDA submitted a claim for a 17 per cent increase. (The various unions have also submitted claims for increases in London Weighting, reductions in hours, increases in leave; and various sectional claims for individual groups. These are being considered separately and no formal response has yet been made to them.)

Q. Why 6 per cent?

A. Follows further discussions with the unions. Appropriate in the light of various factors including recruitment and retention motivation and cost considerations, and falling inflation and OME report (see below).

Q. Previous years settlements?

A. In 1984 the settlement was worth about 4.55 per cent (basically 5 per cent for people on maxima and flat rate and 4 per cent for those on scales). In 1985 the settlement was worth about 4.9 per cent (again 5 per cent for people on maxima and flat rate but 4¾ per cent for those on scales) [plus some special increases].



Q. Low in light of "going rate" outside? [CBI says 6% on settlements; average earnings underlying 7½ per cent a year.]

A. That may be, but appropriate in light of all factors; outside movements in pay taken into account, but other factors important, including modest settlements in recent years, see above. But note no catching up.

Q. High compared with last year?

A. Appropriate in light of all factors. Must take each year and each group on its merits.

Q. High compared with other public service?

A. On the contrary, LA manuals got 8.14 per cent earlier in round; see teachers also. And Civil Service pay constrained by running cost limits set, and manpower reductions continue. Contrasts with local authorities generally where no comparable control of pay bill costs.

Q. Settlement conflicts with CBI call for lower settlements? [CBI has campaigned for a 2 per cent reduction in pay settlements compared with last pay round].

A. Employers have responsibility for determining pay in the light of their own recruitment, retention and affordability position. This offer reflects these criteria. Lower than recent public service settlements and lower than CBI members generally are achieving.

Q. Offer higher than 6 per cent because of restructuring, etc? CO/DP restructuring, etc?

A. Separate matters. A number of managerially desirable improvements agreed affecting 1986-87. ADP staff, secretaries and typists, lawyers, professional and technology etc. CPSA consulting members on a major restructuring of CO/DP associated with introduction of new technology.

Q. How much did these other additions cost?

A. Even if CO/DP restructuring included (it affects some 2/5ths of civil servants) cost of all these initiatives still under 1 per cent of pay bill before allowing for offsetting savings they bring. And the total still less than earnings growth in the economy as a whole.

Q. OME quartiles?

A. OME does not constrain a settlement, except in the case of the IPCS. But within the quartiles - 5½ and 7 per cent - and well above RPI increase in year to March. 4.2 per cent; forecast at 3½ per cent by end of year.

Q. Civil servants "falling behind"?

A. No "right" level for the pay of any group, whether in relation to others or to past history. No catching up involved - this is a concept we do not accept.

Q. Offer ignores recruitment, retention and motivation problem? (Civil Service Commission annual report of 17 April described problems in specialised areas of recruitment).

A. Not so. Generally recruitment and retention position not bad; special steps taken in some areas (eg Accountants, Lawyers, Professional and Technology staff, etc). Motivation inevitably a matter of judgment: in all the circumstances think the offer is appropriate.

Q. How will offer be financed?

A. Departments will have to absorb the cost of the eventual pay settlement into the running costs limit set. If pay, or any other element turns out to be greater than an individual Department expected, offsetting savings must be found from elsewhere within its running costs limits.

Q. Aggregate running cost increase in White Paper was about 6 per cent: obviously that was for pay?

A. No. Running costs cover a wide range of administrative expenses: pay, changes in manpower numbers, accommodation, contracted out services etc. The higher the pay settlement, the less there will be to be spent on those other services: jobs at risk.

Q. What is the effect of running costs on pay?

A. No slackening of Government policies on pay. Where Government is direct employer, will look for reasonable and moderate settlements. This agreement compares well with local authority negotiations in recent months. Departmental expenditure on pay will have to be contained within running costs limits. Excessive settlements will therefore, risk jobs. Continuing need for pay moderation in economy as a whole.

Q. What Departmental assumptions were made about settlement in running cost limits?

A. No central pay assumptions or directives on pay and no central record of what Departments assumed. Each Department will be working on its own assumptions about increases in costs (of which pay rates one factor) for a wide range of running costs elements - manpower numbers, grade mix, overtime, etc.

Q. Arbitration?

A. Agreement reached today so question has not arisen.

Q. Low pay/Government in breach of European Social Charter?

A. Offer favours the lower paid. Underpinning of £4.50 per week geared to such people - as is clerical restructuring - (see below).

Government not in breach of European Social Charter. Charter does not define low pay: figure suggested by "Committee of Experts" (68 per cent of national average earnings) as a minimum wage not agreed by any signatory of Charter. Government does not accept concept of a minimum wage: employers should not have to pay more than the rate for the job. Help to lower paid best given through tax and social security system.

Civil Service not in fact a "low paid" organisation. Compares favourably with the rest of the economy in terms of proportion of lower paid employees. Unions' figures suggest otherwise but only because they take no account of various adjustments which need to be made to basic pay to compare like with like (eg London Weighting and non-contributory pension scheme).

Q. Megaw etc?

A. Government remains ready to seek acceptable long-term arrangements for settling Civil Service pay. Its outline proposals of last November have been accepted by two unions (IPCS, POA) and remain on the table for the rest. (If asked about talks with IPCS about long-term pay arrangements: no comment.)

Q. Why not a Review Body for lower ranks of Civil Service?

A. Review Bodies are for groups where not sensible to negotiate, and where industrial action either illegal (eg Military) or abstained from in past (Nurses). Not appropriate for other groups, where pay is collectively bargained.



## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

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

Telephone 01-407 5522

*From the Secretary of State for Social Services*

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

*Mr*  
 Dear Nigel

*April 24*  
*Prime Minister 2*  
*JRS*  
*25/4*

CIVIL SERVICE PAY 1986

*File with ON*

I have seen your minute of 21 April to the Prime Minister. I can see the advantages of your latest proposal and, from the point of view of Departmental management I would support them. The financial position will be difficult and I may be having to seek help later in the year, particularly on account of the disproportionate effect on this Department of the clerical restructuring.

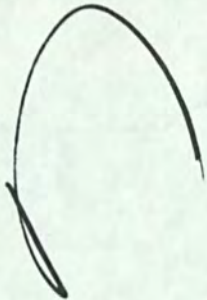
However, what concerns me is that the increased offer which you propose will have unavoidable and unwelcome implications for the NHS. As you will know, our 1986 Whitley negotiations are already difficult against the background of last year's Local Government settlements and the general level of current settlements to which you refer. The latest news that the Local Government employers are considering a further very generous, and early, offer to the manuals suggests that the difficulties could increase. Settlements in the NHS are most unlikely to be significantly below whatever level is conceded to the Civil Service. As you know, the amount available from this year's cash increase to English health authorities to fund pay and price increases is 4.5 per cent. In addition, some of the savings from the cost improvement programme could be diverted to fund pay increases. But even taking this into account, I consider that the most that health authorities can afford to fund from their own resources is 5½ per cent. Although that will be controversial and will be seen by authorities and the public as a substantial erosion of planned services.

E.R.

I recognise the pressures for a settlement with the Civil Service. But we shall lose all the benefits of that course of action if we provoke a NHS dispute or if we attempt to force the NHS to absorb higher pay costs within existing resources. Thus, while agreeing to your proposals for the Civil Service, I must register with you my own conviction that the financial constraints on the health service will need to be eased sufficiently to enable us to conclude settlements which are in line with those for the Civil Service. As you know, our officials have been in touch about ways in which this might be achieved without additions to cash limits by reducing employers' contributions to the NHS Superannuation Fund in accordance with the Government Actuary's latest valuation.

The presentation of your offer will be of some importance from a NHS point of view. I hope there may be further discussions between officials about that.

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

Yours  
  
Norman Fowler

NORMAN FOWLER

Civil Service : Pay  
PE-15



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Cabinet Office

**MANAGEMENT AND PERSONNEL OFFICE**

*WGB*

From the Minister of State  
Privy Council Office  
The Rt. Hon. Richard Luce MP

Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

David Norgrove Esq  
Private Secretary  
10 Downing Street

*NBP.*

23 April 1986

*Dear David -*

**CIVIL SERVICE PAY 1986**

The Chancellor of the Exchequer sent the Minister of State a copy of his minute of 21 April 1986 recommending agreement to the 6% pay settlement suggested by the major Civil Service unions.

Before he left for China, the Minister of State asked me to let you know that he saw considerable value in such a settlement, particularly if it could be agreed quickly, and that he strongly supports the Chancellor's proposal that the Government should go along with it. As regards the additional cost of managerial developments there are a number of exercises in train, as the Chancellor noted, which have either been agreed or will need to be brought to agreement, including the review of the structure of the Science Group. Beyond that it is clearly right that such developments should be kept to a minimum.

I am copying this letter to Private Secretaries to members of MISC 66, the Secretaries of State for Education and Science, Environment and the Home Office and to Sir Robert Armstrong.

*Yours ever  
John Fuller*

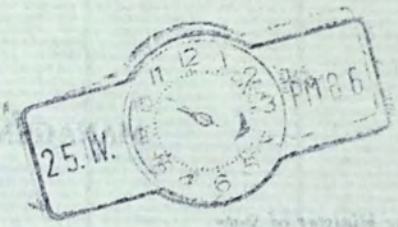
JOHN FULLER  
Assistant Private Secretary

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CIVIL SERVICE : pay : A15.



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COMMUNICATIONS

1966





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MO 20/17/6E

Ronnie Minister<sup>2</sup>

revised

The Kemp made the offer to the unions this morning. It was apparently quite well received.

*[Handwritten initials]*

PRIME MINISTER

DLS  
27/4.

CIVIL SERVICE PAY 1986

1. In his minute to you of 21st April 1986, the Chancellor of the Exchequer sought agreement to offer the Civil Service Unions a straight 6% plus a number of managerial developments which are already under discussion and which will add to the total pay bill.

2. I support this proposal. The offer will not be regarded as generous by the Civil Service but I believe that public opinion will generally regard it as fair, especially in view of the latest and prospective RPI figures. There is also a considerable advantage in achieving a quick and agreed settlement for the reasons that the Chancellor gives in his minute.

3. On a point of detail, I do not think that we should tie our hands in advance in relation to any new special pay arrangements we may find it necessary to introduce in the forthcoming year.



In the defence field we face some critical shortages in some particular skills and disciplines. Furthermore some of the best members of the middle grades in the Civil Service including Administrators, Scientists and Engineers are leaving our employment to receive salaries that are 30-50% higher than we can offer plus all the private sector trimmings. We must retain managerial freedom to deal with this kind of situation. For their part the Civil Service Unions would like to prevent such action as it tends to weaken the strength of their general pay claims.

4. I would like to give further thought to our long term pay proposals for the Civil Service after this year's arrangements have been settled. In my view our policy should be primarily dictated by what we consider to be best for the Civil Service, rather than what can be agreed with the Civil Service Unions, whose officials have a vested interest in maintaining free-collective bargaining because it gives them a bigger part to play. There is a fundamental and undesirable inconsistency about the present situation, in which some public sector employees are covered by review bodies and long term pay arrangements, and others, who may be doing the same work by their side, are not.



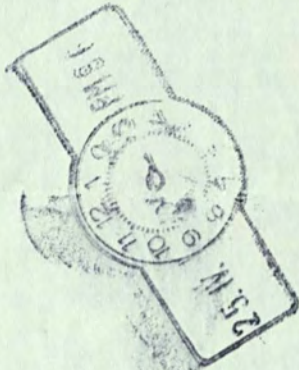
5. I am sending copies of this minute to other Members of MISC 66, to the Secretaries of State for the Home Department, Education and Science and Environment and to Sir Robert Armstrong.

*C.Y.*

Ministry of Defence

23rd April 1986

Civil Service: Pay PE15



CCB/G

PRIME MINISTER



NBPP.

CIVIL SERVICE PAY

I do not demur from the Chancellor's proposed offer on Civil Service pay. However we must be aware of its implication for local government pay.

The Chancellor refers to local authority settlements already made. But negotiations on the next pay round are now under way, and there must be the danger of repercussion there. There is, for example, a prospect that the employers will agree to a 6% offer for the local authority manuals as from 1 September when they meet on 13 May. I have in mind meeting representatives of the employers to express concern about that; but it seems doubtful whether this will achieve very much in the light of the Government offering 6% to its own employees. There is also the question of the local government APT&C claim, on which negotiations for this round are about to start.

I recognise that there are arguments for different treatment as between the Civil Service and local government. It is true that Civil Service increases have been relatively modest in recent years - though only marginally lower than those for local government APT&C staff. But the fact that the costs of Civil Service pay increases are constrained by running cost limits distinguishes our approach to pay costs sharply from that of local government. It will be important to make as much as we can of these arguments to try to justify the Civil Service pay increases and to distinguish between the situation of the Civil Service and local government staff.

I am copying this to members of MISC 66, to Keith Joseph, Douglas Hurd and Sir Robert Armstrong.

k.s.

K B

23 April 1986

Civil Service: Payroll



VC4 AGG

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Misc 66

CDL

D/M

FCO (Luce)

DTI

(HMT)

DES

MOD DHSS

*From the Private Secretary*



*bc Gutteridge*

10 DOWNING STREET

22 April, 1986.

CIVIL SERVICE PAY 1986

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 21 April about this year's Civil Service pay negotiations.

The Prime Minister agrees, subject to the views of colleagues, that an offer of 6% plus one-third of a per cent for restructuring, though higher than the Government would wish, is worth making in the interests of securing a quicker and relatively unacrimonious settlement.

I am copying this letter to the Private Secretaries to members of MISC 66, the Secretaries of State for Education and Science, Environment and the Home Office and to Sir Robert Armstrong.

DAVID NORGROVE

Mrs Rachel Lomax  
HM Treasury.

*RL*

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018  
CONFIDENTIAL

ccBG



Chancellor of the Duchy of Lancaster

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

Tel No: 233 3299  
7471

22 April 1986

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

NBLA

*D. Nigel*

CIVIL SERVICE PAY 1986

*In PM's Box*

Thank you for sending me a copy of your minute of 21 April to the Prime Minister.

I agree with the view you take of the proposal that we should move to a final offer of 6 per cent, in order to achieve a resolution to these negotiations without recourse to strike ballots or arbitration. Public sector pay settlements in this pay round are at a difficult stage. There is a worthwhile gain to be made, if we can now achieve a major pay settlement in the public sector, by agreement, which is much more in line with private sector settlements, rather than allow the benchmark for negotiations solely to be that of the local authority manual workers.

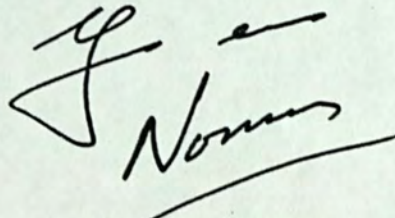
I am sure that the 6 per cent offer, set out in your paragraph 2, is as far as we should go, and we should be careful to make sure that a settlement is expressed in terms of that figure, not including the cost of clerical restructuring. It is, in my view, important that a settlement should be reached at a figure between the lower quartile of 5½ per cent, and the median at 6¼ per cent. It could be a damaging precedent for future years if the median figure were offered.

I am therefore in support of what you propose. It will be a refreshing change from previous years for an early settlement, relatively free from acrimony, to be reached, and for the increase to reach pay packets soon after the due settlement date. I would



expect it to ease somewhat our difficulties with motivation and morale in the Civil Service.

I am sending a copy of this letter to the Prime Minister, to other members of Misc 66, and to the Secretaries of State for the Home Department, and Environment, and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a large, stylized initial 'N' and a long horizontal flourish extending to the right.

NORMAN TEBBIT

CIVIL SERVICE

PAY

PT 15



P. E. S. G. G. G.



per Civil Service

Deputy Secretary to the Treasury

pay.

Mr D. D. D.

D. D. D.

There is a recent  
year but record,  
lying behind the  
record - see ch/102 note on  
today, that C-S - settle to  
have been "very modest".

D. D. D.

2/1/4

## CONFIDENTIAL

## COMPARISON OF CIVIL SERVICE AND PRIVATE SECTOR NON-MANUAL PAY SETTLEMENTS

PAY ROUND	PERCENTAGE INCREASE IN RPI April on previous April	PAY SETTLEMENT (PERCENTAGE)				
		NON-INDUSTRIAL CIVIL SERVICE (1 April)	PRIVATE SECTOR NON-MANUALS			SOURCE
			LOWER QUARTILE	MEDIAN	UPPER QUARTILE	
1982:1983	4.0	4.86	5	5 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>	Note 1
1983:1984	5.2	4.55	5	6	7	Note 2
1984:1985	6.9	4.9	5 <sup>1</sup> / <sub>2</sub>	6	6 <sup>1</sup> / <sub>2</sub>	Note 3
1985:1986	4.2	[6.0]	5 <sup>1</sup> / <sub>2</sub>	6 <sup>1</sup> / <sub>4</sub>	7	Note 4
CUMULATIVE TOTAL	21.9	21.9	22 <sup>3</sup> / <sub>4</sub>	26 <sup>1</sup> / <sub>4</sub>	30 <sup>1</sup> / <sub>4</sub>	

## NOTES

1. DE confidential analysis of settlements between 1.8.82 and 31.7.83; excluding Wage Councils: NOT TO BE RELEASED.
2. OME survey of settlements between 1.4.83 and 31.1.84.
3. DE confidential analysis of settlements between 1.4.84 and 31.3.85; excluding Wage Councils: NOT TO BE RELEASED.
4. OME survey of basic pay settlements between 1.4.85 and 31.1.86.
5. These are settlements rather than increases in earnings; earnings "drift" in the Civil Service tends in general to be less than that in the private sector.

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

PRIME MINISTER

**CIVIL SERVICE PAY 1986**

In my minute of 17<sup>at 11am</sup> March I set out a negotiating strategy for Civil Service pay in 1986. Your Private Secretary's letter of 19 March agreed to this way forward subject to the views of colleagues, who were content.

Most of the unions demanded about 17 per cent. We offered 5 per cent plus the clerical restructuring and one or two other extras making about  $5\frac{1}{3}$  per cent. This was rejected. Since then my officials have been in intensive and rather difficult negotiations within the umbrella of the overall service-wide 6 per cent increase discussed in my note of 17 March; broadly we were thinking about a core increase of  $5\frac{2}{3}$  per cent plus the cost of the restructuring and the other extras, making an overall 6 per cent. This itself is a little above the bare minimum that would meet our earlier decision to act - for this year only - as if our long term pay proposals were in place. This would require an offer worth at least a lower quartile of  $5\frac{1}{2}$  per cent; strictly we could seek to include the clerical restructuring in this, but for this year this would be very difficult. So the minimum in front of us is about 5.8 per cent, including the restructuring.

Informal soundings showed that this idea of 6 per cent ( $5\frac{2}{3}$  per cent +  $\frac{1}{3}$  per cent) would also be rejected. Somewhat surprisingly, however, five of the unions (the CPSA, CSU, IRSF, Society, and Northern Ireland Public Services Association) which include three of the biggest Civil service unions and between them represent over 400,000 non-industrial civil servants, have come forward and told us that if we could make the  $5\frac{2}{3}$  per cent up as far as 6 per cent, they were sure that their executives would



recommend acceptance. My officials were told that anything less than this would require them to go to strike ballot, even though few of them think they would get a majority for action; and they would also have to ask for arbitration, which they recognised would be turned down as in previous years but which they calculate would cause some embarrassment. They also see value in terms of employer-employee relationships, as indeed I think we do, in an acceptance rather than virtual imposition as in the last two years, and in helping to keep the long term pay initiative alive.

A full 6 per cent is higher than we could wish. But on balance I think that it is a proposal we should go along with. It will be seen as generous in some quarters, especially given the latest and prospective RPI figures. But this should be more than offset by the perception that Civil Service pay settlements have been very modest in recent years, by our determination to keep within running costs (which I discuss further below), by the fact that private sector settlements are still averaging in excess of 6 per cent, and in particular by the figures found by the study we commissioned from the Office of Manpower Economics (a lower quartile of 5½ per cent, a median of 6¼ per cent and an upper quartile of 7 per cent). It also has to be seen against the pace set by the recent local authority manual settlement (8 per cent) and the teachers (6.9 per cent end loaded to 8.5 per cent). For some forthcoming public service groups (eg Review Body groups) it could indeed be seen and used by us as a ceiling rather than a floor.

I have considered the public expenditure implications. I appreciate that the main Civil Service pay settlement we are now discussing is not the only additional pay cost which departments are facing for 1986/87. Over and above the 6 per cent I now propose there have been a number of managerial developments already agreed or in the course of agreement which have a cost - the clerical restructuring, the upshots of reviews of the secretarial and legal grades, improvement in ADP allowances, the restructuring of the



professional and technology class, and some special treatment for accountants and scientists. These are all well worth while in their own right and either bring about managerial benefits (eg the clerical restructuring will greatly help to introduce new technology to departments) or are for essential recruitment and retention reasons. Last year was an exceptional year for these sort of developments. And as part of any present proposal, I would hope to see none in the forthcoming 12 months which might add to 1987/88 running costs beyond what has already been agreed or committed. If for exceptional reasons we do agree to any such additions these must be included within the main pay settlement for 1987. We shall put the Civil Service unions on notice to this effect.

The additional costs we are talking about to achieve an agreed settlement are perhaps an extra £15m per annum over and above the 6 per cent proposal set out in paragraph 2 above, or perhaps £25 million over what is probably the realistic absolute minimum of 5.8 per cent, spread over all departments. Of themselves, these are not very material in total running costs of over £12 billion, but they add to existing pressures. We have all along acknowledged that such pressures might arise, but we have agreed that since the main purpose of moving to running costs control was to establish realistic but demanding limits for administrative costs, these limits should be made to hold. This means that I expect departments to take now any necessary steps to enable them to live within the total set in the Estimates. I believe that there is scope to do this, though it will be more difficult for some departments than others. If later in the year any particular department finds that the consequence of offsetting action would create unacceptable problems, John McGregor would be prepared to consider them. But I have to say that colleagues will find him taking a very tough line.

Against this background, my view, as I have already indicated, is that, on balance, the deal offered to us by these five unions,

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although dearer in immediate terms than we might wish, should not be turned down. An agreement would be worth having after years of strife. While there could still be some loose ends with the other unions, it would enable a swift and generally clean end to this year's negotiations. Strike ballots are chancy things and is is getting increasingly awkward to turn down arbitration year after year. Moreover, an agreed settlement this year puts us in a stronger position to get a peaceful and economical settlement next year. Events elsewhere - eg the position with the Prison Officers (who are civil servants but who are not directly involved in this deal), the fragile teachers' talks, and the question of the Review Body reports - point to a quick solution on the basis proposed, not only for its own sake but also as obviating the risk of a more costly outcome, one way or another, later on. Hence my feeling is that we should go forward on the basis proposed, and I hope that you and colleagues will agree. I would like to clinch this in the course of this week.

Whatever we decide it is clear that we should need to consider carefully the future of our long term pay proposals. This year shows that a half-way house - some unions in, some unions out, and our behaving as though we were bound - has problems. I think we shall have to make it clear when this year's negotiations are out of the way that for next year we either have a proper agreement with all the unions, or we are back to free collective bargaining, with no OME survey. It may be possible to have a separate agreement of a different kind with individual unions but I rather doubt it.

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

*Rachael Hornax*

N.L.  
(21 April 1986)

( approved by the Chancellor & signed in his absence )



CIVIL SERVICE Pay PTIS



Ref. A086/1199

MR WICKS

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Civil Service Pay

The Chancellor of the Exchequer was given authority to negotiate for this year's Civil Service pay settlement up to a total of 6 per cent overall; it was proposed that the general increase should be of the order of  $5\frac{2}{3}$  per cent, leaving the last one-third for special restructuring and other pay additions to deal with shortages in particular grades and skills (this last one-third being in addition to the costs of other management improvements which have been made during the year). At  $5\frac{2}{3}$  per cent the increase would have been between the lower quartile (5.5 per cent) and the median (6.25 per cent) in the survey conducted by the Office of Manpower Economics (OME).

2. I understand that the Chancellor is minuting the Prime Minister today on this. The position appears to be that the leaders of the four main Civil Service unions have told the Treasury privately that they would be obliged to reject that figure, and either go to arbitration (if the Government allowed that) or go out to a strike ballot. They would not necessarily win such a ballot; but they might, and the campaign would no doubt generate "days of action" and other forms of industrial disruption - and a deterioration in industrial relations and morale.

3. They have, however, said that they would accept the offer of a general increase of 6 per cent all round, and would not demand arbitration or go out to ballot on strike action. That figure would of course be around the OME median; and it would add about £15 million to running costs in 1986-87 (taking industrial staff into account).

4. The addition to running costs would of course be unwelcome; but would be marginal in relation to the total.

5. At 6 per cent the figure could be embarrassing in relation to negotiations in the National Health Service. But it would be less than figures for other groups which already constitute a worse embarrassment: for example, the settlements of 6.9 per cent (rising to 8.5 per cent) for teachers and 8 per cent for local authority manuals. It would also be less than the figures recommended by the Review Bodies (which are coming in at figures ranging from  $6\frac{1}{2}$  per cent (top salaries) to 8.2 per cent (professions allied to medicine), with armed forces at about  $7\frac{1}{2}$  per cent, nurses and midwives at 7.8 per cent and doctors and dentists at 7.6 per cent. As compared with  $5\frac{2}{3}$  per cent, therefore, it should not add significantly to the upward pressures.

6. As Head of the Civil Service, I should like to represent to the Prime Minister the considerable advantages in an agreed settlement at 6 per cent, as against a disagreed final offer of  $5\frac{2}{3}$  per cent (excluding the special pay additions). The cost to the Exchequer of a disagreed offer (in terms of loss of time in industrial action) could well be greater than the £15 million extra cost of settling at 6 per cent. The advantage of an offer which would be accepted as a settlement, after several years of disagreed and imposed settlements which civil servants have seen as leaving them progressively further behind other groups in pay levels, would in my view be very considerable in terms of the morale of the staff and their goodwill towards the Government; and might help to induce a more positive attitude to the idea of a long-term pay agreement on the lines proposed by the Government some weeks ago.

18 April 1986

MS  
for

ROBERT ARMSTRONG

CONFIDENTIAL

Prime Minister  
Agree the Chancellor's proposal for an offer of 6% + 1/3% for restructuring, subject to the views of colleagues?

PRIME MINISTER

17 April 1986

CIVIL SERVICE PAY

DLW  
21/4.

The Civil Service union leaders have indicated that they would resist 5 2/3% but accept an offer of 6%. Peter Kemp at the Treasury believes they can deliver their union executive committees and should get 6% through the membership. Ignoring any knock-on effects the extra bit would add some £15m to the annual wage bill.

The unions are unlikely to strike if we stuck at 5 2/3%, but morale would fall, anti-Government feeling rise, and next year's pay settlement be more difficult. A lower offer would cause delay and result in overlap with the Pay Review Body Reports. It would also give the opportunity for the prison officers to merge their industrial action over numbers with the pay issue.

A 6% offer would make life more difficult in the health service negotiations, but equally a lower offer leading to unrest in the Civil Service might encourage the health service unions to join forces in a more militant line.

Now is the best time to clinch a deal, an offer of 6% is psychologically much more acceptable than any offer starting with a 5. We recommend the Chancellor should offer the 6% conditional on the negotiators recommending acceptance.

*Peter Warry*  
PETER WARRY

CONFIDENTIAL

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these expectations.

7. A complication is that some of the unions have rejected our long-term pay proposals and others wish to negotiate on them. This means a distinction is necessary at least in negotiating terms, even if the end result is not very different.

8. The Annex to this note shows 3 packages. So far as opening offers go, we think A which so far as the basic element goes has a nicely simple "5 per cent all round" pattern about it is a reasonable position; anything lower would be difficult, while anything higher would apart from anything else leave little negotiating room; the overall figure (5.35 per cent) is pretty close to what the lower quartile will turn out to be. This offer would go to the "free bargaining" unions only (offers would only be made to the "pay agreement" unions at the next stage, when the OME report was available).

9. So far as a closing position goes, we would have to see how the negotiations went, and we would hope to get out at around 6 per cent overall as shown in Package C. This would be made up of  $5\frac{1}{2}$  per cent basic plus another  $\frac{1}{2}$  per cent for managerially desirable initiatives. This is within the letter of our long-term pay proposals, being worth overall more than the lower quartile, but we may have some difficulty nevertheless with those who feel that an increase of  $5\frac{1}{2}$  per cent basic - exactly the lower quartile - is too low. We shall need to explain the worth of the addition which takes the package up to 6 per cent.

10. In addition, we should bear in mind that some decisions have already been taken which will increase the 1986-87 pay bill, worth about 0.60 per cent overall. It will be important, when we consider the total value of pay increases, not to let these be overlooked.

Affordability

11. So far as affordability goes, course C would increase departments pay bills by about 6 per cent. To this must be added increases already agreed centrally, and a further amount for changes which occur at

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Departmental level (overtime, structural changes and allowances, etc). Our judgment is that Departments should be able to absorb the resulting increases. Some will say this is difficult, and a few may even have real grumbles. But we think that overall a figure of around this order should be tolerable.

Timing

12. We have now received a claim from the FDA for 17 per cent, and a consortium claim from the CPSA, CSU, Society and IRSF, for £10 per week plus 10 per cent, again worth about 17 per cent. There is also a substantive claim for improvements in hours and leave. We have discussed these claims with their sponsors. So far as the IPCS and the POA go, we have no claim at all yet, nor are we expecting one until we are ready and able to release the OME work. In one sense time is on our side in that the expected path of the RPI, showing falling figures month by month, should be helpful. Against that it is generally desirable, and this was certainly endorsed by MISC 66, to seek to get pay increases into pay packets as soon as possible after the effective date for the review, and the developments at GCHQ may point in the direction of speed also. We should however want to keep in close touch with other public service negotiations.

13. This points to an offer to the consortium of CPSA, Society, CSU and IRSF, in the week starting 17 March. Negotiation with IPCS/POA would follow when the OME report was available. The precise path cannot be foretold at this stage, but if things went well it should be possible to reach agreement, or at least acquiescence, before the end of April.

Summary and Conclusions

14. The OME quartiles give scope for relatively low opening and closing offers within the spirit of our long-term pay proposals. It is proposed to open with 5.0 per cent as the basic increase or under 5.5 per cent with management initiatives added in. We would hope to finish with something worth around 6 per cent overall, made up of 5.5 per cent basic plus about  $\frac{1}{2}$  per cent on top. An opening offer would be made in the

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week beginning 17 March, and negotiations etc thereafter taken forward in the light of developments, with the aim of concluding affairs before the end of April. We would maintain contact with other Departments mainly interested, and report to Ministers as need be.

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Cabinet Office

**MANAGEMENT AND PERSONNEL OFFICE**

*CBG*

*NB 2 letters*

*From the Minister of State  
Privy Council Office  
The Rt. Hon. Richard Luce MP*

**Great George Street  
London SW1P 3AL  
Telephone 01-233 8610**

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

25 March 1986

*NB fur*

CIVIL SERVICE PAY 1986

I was mistakenly omitted from the circulation of your minute of the 17 March to the Prime Minister.

I am writing to let you know that I agree generally with the tactical steps which it sets out.

As you know I visit the Civil Service as I tour round the regions. There is great strength of feeling about pay and we should not underestimate the potential problems if the negotiation is not successful on this occasion.

On arbitration, I agree that no undertaking should be given but we should bear in mind that the issue is something of a running sore with civil servants.

I shall be interested to see how reactions develop, but we will need to assess the potential cost of failing to reach a negotiated settlement.

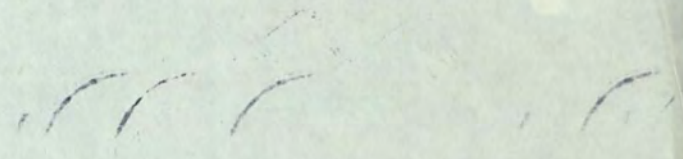
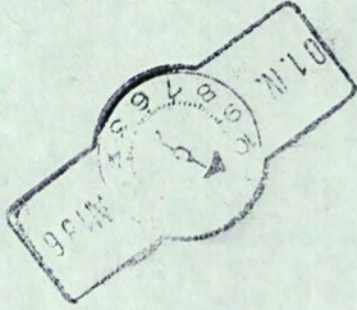
I am copying this to members of MISC 66.

RICHARD LUCE

CONFIDENTIAL



CIVIL SERVICE: Pay: PE15





CC 95

Cabinet Office

**MANAGEMENT AND PERSONNEL OFFICE**

From the Minister of State  
Privy Council Office  
The Rt. Hon. Richard Luce MP

Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

From: John Fuller

Date: 25 March 1986

RACHEL LOMAX  
PS/CHANCELLOR OF THE EXCHEQUER

*Dear Rachel,*  
CIVIL SERVICE PAY 1986

17/3 -

I am sorry to say that we were omitted from the circulation of the Chancellor's minute to the Prime Minister of 17 March, although my Minister is of course a member of MISC 66. The first we heard of the Chancellor's minute was the reference in David Norgrove's minute confirming the Prime Minister's agreement with the line proposed.

This has caused us considerable inconvenience and reduced the Minister's opportunity, as Civil Service Minister, to comment. In the event, we had further difficulties in securing a copy of the correct minute. The Minister is therefore anxious to avoid a recurrence and has asked me to send this minute which I am copying to Private Secretaries of members of MISC 66.

*Yours ever*  
*John Fuller*

JOHN FULLER  
APS/Minister, of State

CIVIL SERVICE : pay: PE15

CONFIDENTIAL



CUBG

**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*

Mrs Rachel Lomax  
Private Secretary to  
The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

NBM

24 March 1986

Dear Rachel,

CIVIL SERVICE PAY 1986

My Secretary of State has seen the Chancellor's minute of 17 March to the Prime Minister setting out his proposals for handling Civil Service pay in 1986. He agrees with the negotiating strategy. In particular, he agrees that no commitment should be given on arbitration in line with the position which has been adopted with NHS unions.

I should be grateful if you would let us know if there is any suggestion of a move away from the current proposals.

I am copying this letter to the Private Secretaries to the members of MISC 66, Rob Smith (Department of Education and Science), Robin Young (Department of the Environment), Stephen Boys Smith (Home Office) and Michael Stark (Cabinet Office).

Yours sincerely

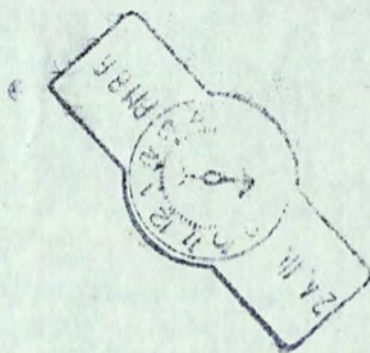
A Laurance  
Private Secretary

CONFIDENTIAL

CIVIL SERVICE

PAY

PT 15





CCBGF

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

CONFIDENTIAL

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

NBM

21 March 1986

Dear Nigel

I have seen a copy of your minute of 17 March to the Prime Minister about a negotiating strategy for Civil Service Pay in 1986.

I strongly agree with David Young that 6% must be seen as the absolute maximum limit and that even that outcome will prejudice the running costs regime. The latter point is more than just a grumble: there is no question of my being able to absorb that kind of increase within running costs and I shall expect full compensation.

I am copying this letter to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

Ernest  
Kear

CONFIDENTIAL

CIVIL SERVICE

PAY

PT 15



CONFIDENTIAL

From: James Harrison, Assistant Private Secretary

*JCHG*



**MINISTRY OF DEFENCE**

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 8621 (Direct Dialling)  
01-218 9000 (Switchboard)

Minister of State  
for Defence Procurement

D/MIN/NL/22/2

20th March 1986

*NBP*

*Dear Private Secretary,*

CIVIL SERVICE PAY 1986

Thank you for your letter of 17th March.

In the absence overseas of the Secretary of State, Mr Lamont has seen a copy of the Chancellor's minute of 17th March to the Prime Minister. He has also seen John Lambert's letter of 19th March expressing the views of the Secretary of State for Employment.

Generally, Mr Lamont agrees with the opening tactics proposed by the Chancellor. He shares the hope that it will be possible to achieve a settlement at around 6% although, as the Chancellor acknowledges, developments with the teachers and local authorities will not make the task easy. It is certainly important to keep down the level of settlement as low as is practicable. But it is important, as the Chancellor implies, not to adopt too rigid an attitude but to feel the way forward and to keep options open at this stage. For that reason, he does not believe that the Government should commit themselves at this stage absolutely, to a maximum of 6% or any other figure, or to exclude utterly the prospect of arbitration. Industrial action could be very expensive. The Newcastle strike cost £170m, at very little expense to the Unions. We should see how events develop.

On a more detailed point, Mr Lamont was very glad to see that it is hoped to do something special for the Science Group. Our problems in this area are becoming increasingly serious.

A copy of this letter goes to the Private Secretaries of members of MISC 66, and of the Secretaries of State for Education and Science and the Home Office and to Sir Robert Armstrong.

*Yours,*

*James Harrison*

Mrs J R Lomax  
HM Treasury

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CIVIL SERVICE

PAY

PT 15



CURF



Caxton House Tothill Street London SW1H 9NF

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

Switchboard 01-213 3000

NABM

Rachel Lomax  
Principal Private Secretary to the  
Chancellor of the Exchequer  
Treasury Chambers  
Great George Street  
LONDON SW1

19 March 1986

Dear Rachel

**CIVIL SERVICE PAY 1986**

My Secretary <sup>with DN</sup> of State has seen a copy of the Chancellor's minute of 17 March to the Prime Minister.

While he is broadly content with what is proposed, he wishes to make three points. Firstly, it should be recognised at the outset that 6 per cent should be the absolute maximum limit for a settlement. Second, it should be made clear in moving from a first offer to a second offer that arbitration will not be permitted.

Finally, it needs to be recognised that a settlement of the kind envisaged will clearly put at risk the running costs regime. This will particularly affect Departments, such as this one, with an especially high proportion of clerical staff.

I am copying this to Private Secretaries of members of MISC 66, of the Secretaries of State for Education and Science, the Environment and the Home Department, and to Sir Robert Armstrong.

JOHN LAMBERT  
Principal Private Secretary

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CIVIL SERVICE: Pay: PE 15.



File



CC: MISC 66

DTI

HMT

M/S, HMT  
(Brooke)

DES

MOD

DHSS

DIEMP

PGO

Chare/Duchy/L

M/S, P.C. Off

+ DOE

HO

CO

bc: Prof. Griffiths

10 DOWNING STREET

From the Private Secretary

19 March 1986

Dear Tony,

**CIVIL SERVICE PAY 1986**

The Chancellor's minute of 17 March to the Prime Minister set out a negotiating strategy for Civil Service pay in 1986.

The Prime Minister has noted that the figures are very much in line with those indicated to the last meeting of MISC 66, and is content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to members of MISC 66, Rob Smith (Department of Education and Science), Robin Young (Department of the Environment), Stephen Boys Smith (Home Office) and Michael Stark (Cabinet Office).

David

David

(David Norgrove)

Tony Kuczys, Esq.,  
H.M. Treasury.

088



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

D Norgrove Esq  
10 Downing Street

19 March 1986

Dear David

**CIVIL SERVICE PAY 1986**

With apologies, a typing error has crept into the minute from the Chancellor to the Prime Minister, circulated under cover of Rachel Lomax's letter to you of 17 March.

In the last substantive paragraph, "Package B" should read "Package C".

I have copied this letter to the recipients of Rachel's.

Yours ever,

Tony

A W KUCZYS

PRIME MINISTER

CIVIL SERVICE PAY 1986

The Chancellor's minute to you below invites you to agree an opening position in this year's negotiations on Civil Service pay.

It follows very closely the terms set out in the Treasury's paper for the last meeting of MISC 66. These were not formally agreed by MISC 66, though the sense of the meeting was in their favour. (It was, however, noted that some Departments might have difficulty in financing a settlement of the size the Chancellor had indicated.)

The Treasury would like to make the opening offer this week.

Agree the Chancellor's proposal, subject to the views of colleagues?

DNW

MT

DAVID NORGROVE

18 March 1986

SL2AGB

CONFIDENTIAL



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

PRIME MINISTER

**CIVIL SERVICE PAY 1986**

At the meeting you held on 19 February you asked me to consider and work up a negotiating strategy for Civil Service pay in 1986.

A note by Treasury officials is below. This year we have in effect two negotiations; one with the unions who rejected our long-term pay proposals and one with those who accepted them. At the end of the day we shall wish to reach outcomes not very different for either group, in accordance with the MISC 66 discussion. But the tactics will differ for each group.

For the unions who have rejected our proposals, who have put in claims worth about 17 per cent plus substantial improvements in hours and leave, we would propose to open negotiations on 20 or 21 March with an offer of 5 per cent all round plus something for managerially desirable developments, making a total offer of a little under 5½ per cent.

For the other groups we would wait until we have the OME report, which we understand will show a lower quartile of 5½ per cent and a median of 6¼ per cent. We would make an offer to them, probably just after Easter, worth a touch above the lower quartile, and at the same time improve our offer to the first group. Thereafter we would see how things go, but I would hope it would be possible to come to an end result worth around 6 per cent overall.

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One point not discussed in the note by officials is the question of arbitration. I understand that already the Civil Service unions have asked for an assurance that if there were disagreement on the pay negotiations arbitration would be available. We have said we can give no such undertaking. I think this must be right. We shall need to consider, perhaps at some later stage, what our attitude would be to the inevitably repeated demand for arbitration which we shall have before we are through, but I do not think the opening offer proposed would be affected by this. Without prejudging a decision here, my instinct will be that, as in previous years, we should refuse arbitration, on the grounds of public policy (public expenditure control) and having regard to the fact that our long-term pay proposals put to the unions in November made it clear that we regarded arbitration by joint agreement as the right approach. But this is a matter which we need not settle now.

Unless you or other colleagues see otherwise, I propose to authorise my officials to proceed to an opening offer on the lines of Package A in the paper below worth under 5½ per cent, and to negotiate thereafter so as not to emerge at more than 6 per cent as shown in Package ~~B~~<sup>C</sup>. This may not be easy, given what teachers and local authorities have recently settled at, and I will keep my colleagues in touch with how things go.

I am copying this minute to the other members of MISC 66, to the Secretaries of State for Education and Science, the Environment and the Home Department and to Sir Robert Armstrong.

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

N.L

17 March 1986



CONFIDENTIAL

CIVIL SERVICE 1986 PAY

NOTE BY TREASURY OFFICIALS

At its meeting on 19 February MISC 66 invited the Chancellor of the Exchequer to arrange for the OME to complete its analysis of the pay movements in the private sector and to report that work to the Group, and also invited the Chancellor to prepare proposals in the light of that analysis for an opening offer and negotiating tactics, for further consideration by the Group. Summing up the discussion, the Prime Minister said that the Government's long-term proposals, based on the Megaw Report, would have provided a fair framework for negotiating Civil Service pay and the Group therefore inclined towards giving those unions which had been prepared to accept it the benefit of the arrangements; as for the other unions the Government should negotiate 1986 with these principles in mind but should make no commitment about arrangements for subsequent years.

2. Against that background this note considers possible ways forward.

The OME work

3. The OME work has not been completed yet, but we know that the quartiles are going to be. The lower quartile emerges at  $5\frac{1}{2}$  per cent, the upper quartile 7 per cent and the median at  $6\frac{1}{4}$  per cent. These figures compare with, respectively, 5 per cent, 7 per cent and 6 per cent as found in 1984.

Elements in the 1986 negotiations

4. As usual there are basically two elements in the structure of the 1986 Civil Service pay negotiations, thus :-

- a. What might be described as the "basic" pay increase; thus so much per cent coupled with an underpinning for the adult

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lower paid (there is no economic sense for this, but it has minimal cost, and is presentationally helpful in negotiations.) In addition the "basic" increase must include provision for pay increases, usually a reflection of the basic increase, in ancillary elements such as overtime and allowances and whatever London Weighting is increased by.

b. Further increases relating to developments which are managerially desirable; this year we have the very large clerical officer restructuring, and an increase in pay for Accountants. In addition, also in accordance with MISC 66 indications, we look to do something for Scientists.

5. The two elements overlap. In particular, this year, again in accordance with MISC 66 indications, it is proposed to do something more than average for all three London Weighting zones, reflecting problems we have in recruitment and retention of staff in London; this could fall into either (a) or (b) above. On top of that there are the special problems relating to the IPCS and POA grades, who indicated an acceptance of our long-term pay proposals, and who therefore will be expecting at least the lower quartile, howsoever calculated, for the grades they represent.

A negotiating strategy

6. It is necessary to distinguish between an opening offer or offers and a final position; and to consider the path from the one to the other. Past patterns have been as follows; in 1984 we opened at 3 per cent, moved to 3.7 per cent and finally closed (after a very long and difficult pause) to 4.55 per cent; in 1985 we opened at 4 per cent, moved to 4.4 per cent and finally closed at 4.9 per cent. Civil Service unions are thus accustomed to seeing not very much movement (allowing for the somewhat artificial opening point in each of the two years) and not many moves; and they are also accustomed to noting that when the Government call an offer "final", that is precisely what it is. We need to build on

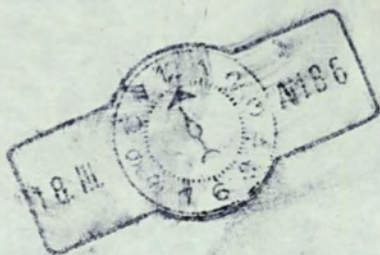
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ANNEX

	A	B	C
<b>Free Bargaining Unions</b> (CPSA, SPCS, IRSF, CSU, FDA)			
<u>Basic offer</u>			
Percentage increases	5	5.25	5.50
Underpinning (£pw)	4	4	4
	<hr/>	<hr/>	<hr/>
Average increase (%)	5.01	5.25	5.50
<u>Management initiatives</u>			
Clerical restructuring (%)	0.34	0.34	0.35
Additional London Weighting (%)	-	0.19	0.18
	<hr/>	<hr/>	<hr/>
Average value (%)	0.34	0.53	0.53
	<hr/>	<hr/>	<hr/>
<u>Total value of proposal (%)</u> for these groups	5.35	5.78	6.03
<b>Pay Agreement Unions</b> (IPCS, POA, SPOA) (See note)			
Percentage increase	-	5.25	5.50
Special increases (restructuring) (%)	-	0.26	0.27
Additional London Weighting (%)	-	0.12	0.12
	<hr/>	<hr/>	<hr/>
<u>Total value (%)</u> for these groups	-	5.63	5.89
	<hr/>	<hr/>	<hr/>
Overall Service-wide increase (%)	-	5.75	6.00
	<hr/>	<hr/>	<hr/>

Note: No offer made to this group at this stage.

CONFIDENTIAL





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

17 March 1986

David Norgrove Esq  
10 Downing Street  
LONDON  
SW1

*Dear David,*

**CIVIL SERVICE PAY 1986**

I attach a minute from the Chancellor to the Prime Minister about the Civil Service pay negotiations. Please could you, and Private Secretaries to the other recipients of the Chancellor's minute, note the sensitivity of the paper and its attachments, and treat them accordingly.

I am copying this to Private Secretaries of members of MISC 66, of the Secretaries of State for Education and Science, the Environment and the Home Department, and to Sir Robert Armstrong.

*Yours ever  
Rachel*

RACHEL LOMAX  
Principal Private Secretary

slw  
51



10 DOWNING STREET

*From the Principal Private Secretary*

Sir Robert Armstrong

**NORTHERN IRELAND CIVIL SERVICE: PERMANENT SECRETARIES**

I have shown the Prime Minister your minute of 24 February in which you propose that all six Permanent Secretaries of Northern Ireland departments and the Chief Executive of the Industrial Development Board for Northern Ireland should be graded and paid as the equivalent of Deputy Secretaries in the Home Civil Service.

The Prime Minister has asked me to say that she is of the firm view that this proposal should not be proceeded with. She does not think that six Deputy Secretaries are justified for a Province of just over one million people. She also recalls that the staff concerned would have received considerable benefit from the implementation of the last TSRB report.

(N. L. WICKS)  
25 February 1986

No - the more we pay - the more they want

Prime Minister Agree this

Ref. A086/629

MR WICKS

higher grades  
No, think  
Industrial Development Board  
Industrial Development Board  
people

proposed regrading?  
(It seems justified, though I don't like the argument in §5.)  
N.L.W 24.2

Northern Ireland Civil Service: Permanent Secretaries

The purpose of this submission is to seek the Prime Minister's agreement to a proposal by the Northern Ireland Office and the Head of the Northern Ireland Civil Service that all six Permanent Secretaries of Northern Ireland departments and the Chief Executive of the Industrial Development Board for Northern Ireland should be graded and paid (as three already are) as the equivalent of Deputy Secretaries in the Home Civil Service.

2. For many years until 1982 the Permanent Secretaries of all Northern Ireland departments (except the Head of the Northern Ireland Civil Service) and four other posts in the Northern Ireland Civil Service (Chief Executive, Industrial Development Board; Chief Medical Officer, DHSS; Head of Legal Services; and First Legislative Draftsman) were all paid at a rate which was half way between the Deputy Secretary and the Under Secretary in the Home Civil Service. In 1983, following a review of post responsibilities by Sir John Herbecq and after a reorganisation which had reduced the number of Northern Ireland departments from eight to six, three of the Permanent Secretaries (Finance and Personnel, Economic Development and Environment) were "upgraded" to the equivalent of full Deputy Secretary; the rest remained as they were. Although the pay differentiation was made, it was intended that all the Permanent Heads of the Northern Ireland departments should in other respects remain of equal status and continue to be described as Northern Ireland Permanent Secretaries. The arrangements were to be reviewed after three years.



3. Although Sir John Herbecq reached his decision on sound grading principles, he recognised that this could bring new problems of management and some loss of flexibility in posting. So indeed it has proved to be.

4. There has been one outstanding case of perceived (and felt) inequity as a result. The Permanent Secretary of the Department of Education is a very able and highly-respected officer who has served at that level since 1979 and who, in terms of personal qualities and experience fully merits the higher grading but has not got it because his is not one of the three "higher grade" departments. It would be silly to move him from his present job, which he does very well and to which he is well suited, but he has seen people junior to him, and certainly no more able, appointed to jobs which carry the higher rate. Each of the officers covered by this submission carries the heavy responsibilities of an Accounting Officer; in one case for the considerable sum of £2 billion annually.

5. More generally, the grading differentiation has tended to have a divisive effect among the small group of Permanent Secretaries, who need to be able to work together in the relatively small Northern Ireland context as harmoniously as possible. Loyalties in Northern Ireland are under strain in the wake of the Anglo-Irish Agreement, and the pressures upon those at the head of Northern Ireland departments are intense and different in kind from those commonly present at senior levels in the public service. It is, therefore, particularly important to foster and encourage a team spirit on the part of this small but key group of people who must provide the necessary leadership in the difficult period ahead.

6. As the Prime Minister will remember, the Top Salaries Review Body recommended a restructuring which would have produced two tiers of Permanent Secretaries in London (with the

*Not a  
good  
argument  
for this  
context*





Permanent Secretaries to the Ministry of Defence, the Home Office and the Department of Health and Social Security paid £65,000 and the rest £60,000). The Government decided against this proposal, which many people felt would be divisive. It has been felt in Northern Ireland that this argument has no less force there than in London.

7. I have discussed this question with the Permanent Secretary of the Northern Ireland Office and the Head of the Northern Ireland Civil Service as well as with the Treasury. I consider, and the Treasury agree, that there is a good case on management grounds for putting all the Northern Ireland Permanent Secretaries (and the Chief Executive of the Industrial Development Board, who has one of the most demanding jobs in the public sector in Northern Ireland and is responsible for about £138 million) on the same pay and grading level, and I accordingly recommend that from 1 March 1986 the three now paid at the midpoint between Deputy and Under Secretary (and the Chief Executive, IDB) should be upgraded to full Deputy Secretary level, along with the other three. The cost of this would be £12,000 in a full year (at the salary rates due to come into effect from 1 March 1986). The Permanent Secretary at the Northern Ireland Office and the Head of the Northern Ireland Civil Service have assured me that they will hold the line at that, and will not subsequently seek to argue for a similar upgrading for the Chief Medical Officer, DHSS, and the two legal posts.

8. For completeness, I should mention that there is a proposal from the Public Accounts Commission to upgrade the Northern Ireland C & AG to the equivalent of Deputy Secretary in the Home Civil Service. This is strictly speaking a separate issue, more akin to the similar pressure for upgrading Sir Gordon Downey



than to the management of the Northern Ireland Civil Service; but it will obviously become more difficult to argue that the Northern Ireland C & AG should be paid less than any of the Accounting Officers whose accounts are subject to his audit.

RA

ROBERT ARMSTRONG

24 February 1986

CONFIDENTIAL

CCBU

PRIME MINISTER

18 February 1986

CIVIL SERVICE PAY

Only two of the civil service unions have agreed to MEGAW: we have to decide whether to impose it unilaterally or let it fall. If we let it fall it will be more difficult to resurrect next year when the political pendulum will have swung back in favour of the unions.

For the moment, however, the Chancellor only wishes to decide whether to continue with the OME pay survey. This is likely to produce an interquartile range of roughly 5 1/2% to

7 1/2%  
7-7 1/2

5 1/2-6

*Forecast of course are rising faster than this.*

The going settlement rate this year is 6+%, and it is highly unlikely that a lower figure could be achieved in the civil service (with or without MEGAW) without incurring expensive industrial action. If the OME are allowed to complete their work then we would almost certainly be forced to publish the result which would further undercut the chances of a low settlement.

By completing the OME work the Chancellor is therefore conceding a higher settlement. However, he wishes to delay the decision on MEGAW itself to keep open the option of making an opening offer below the lower quartile, although he accepts this is unlikely to make much difference to the final settlement.

Unless the Chancellor is trying to avoid undermining his pay assumptions in advance of the March budget, we can see little advantage in equivocating. Signing up on MEGAW now will:

- 1 show that the Government is consistent in its aims and concern for the civil service;

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- legitimise a 6+% pay rise for the civil service in relation to pay restraint for the rest of the public sector.
- prepare the ground for the more difficult pay settlement in 1987.

We recommend that the OME work should be completed and MEGAW be unilaterally implemented.

*Janet Evison.*

pp. PETER WARRY



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cc BTUP

P 01917

PRIME MINISTER

MISC 66(86)1st Meeting: Civil Service Pay Negotiations 1986

(Reference: Minute of 17 February from the Chancellor of the Exchequer to the Prime Minister)

BACKGROUND

In September 1985 the Group gave the Chancellor of the Exchequer authority to seek to negotiate a long-term pay arrangement (LOPA) with the Civil Service trade unions representing non-industrial staff. The main features were to be that the annual increase in the total pay bill would not be below the lower quartile nor above the upper quartile of pay movements in the private sector. There would be no unilateral access to arbitration, and the Government would retain a power to override the system in the public interest. There would be also surveys of levels of pay in the private sector from time to time, the results of which would be taken into account in the annual negotiations.

2. Proposals on these lines were put to the unions. But despite support from a majority of the General Secretaries all the unions except the Institution of Professional Civil Servants (IPCS) and the Prison Officers' Association (POA) rejected them. The Chancellor now seeks decisions on what alternative approach should be adopted for the 1986 pay negotiations.

MAIN ISSUE

3. The main issues are:

(i) should the Government return to 'free collective bargaining', or should it bind itself unilaterally to the principles of LOPA;

(ii) should the work being undertaken by the Office of



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Manpower Economics (OME) to collect statistics on pay movements in the private sector proceed to a conclusion;

(iii) what negotiating objectives should be adopted for 1986.

The Government's Objectives

4. The Government has a number of objectives in settling Civil Service pay. As an employer, it needs to be able to recruit, retain and motivate sufficient staff of adequate calibre to carry out its work. It wishes to avoid so far as possible industrial action and retain the goodwill of staff. It wishes to minimise departmental running costs. And it wishes to give signals to the rest of the economy, and to avoid repercussions on negotiations for other public service groups (particularly the NHS).

5. These objectives bear both on the quantum of the 1986 settlement and on the negotiating machinery which the Government adopts. To the extent that this commands respect and is judged as fair by Civil Servants they are less likely, for example, to take industrial action.

The Current Position

6. There are broadly two alternatives open to the Government now that the unions have rejected LOPA. It can either (i) return to free collective bargaining, or (ii) state unilaterally that it will regard itself as bound by some of the principles underlying LOPA. The choice between these is finely balanced. (ii) might lead to a more orderly negotiating machinery and a greater sense of fairness among staff, so reducing the risk of industrial action. (i) might produce a marginally lower settlement. Under 'unilateral LOPA' the aggregate increase in Civil Service pay would have to be no lower than the lower quartile of movements elsewhere - probably about 6 per cent\*, which would have to be the opening offer and could be edged upwards.

It is unlikely, however, that a settlement much if anything below this level could be achieved by free collective bargaining, even with

\*As described in the note attached to the Chancellor's letter, 1% of any settlement will be used for a restructuring of the clerical pay scales, thus leaving 5% for the Civil Service generally.

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a lower opening offer. For the last three years Civil Servants have had increases below the lower quartile and have therefore slipped substantially in the pay league. The pressure for catching up can and must be resisted, but further ratchetting down is probably unrealistic - at least without costly industrial action.

7. The Group will therefore have to assess managerial advantages of accepting LOPA against the possibility that it could result in a higher settlement. The main employing Departments (at official level) favour giving it a try.

#### The OME Study

8. With your agreement, the Treasury commissioned OME to set in hand the collection of statistics on pay movements in the private sector so that if LOPA had been accepted the statistical evidence would have been available in time for 1986. OME now have the data, but have not carried out the analysis. The issue is whether they be asked to do this (which will take another week or so) and if so whether the Group should postpone a decision on the choice between LOPA and free collective bargaining until the results are available. The advantage of completing the analysis is that it would provide a firm figure for the lower quartile, which would help the group to decide between LOPA and free collective bargaining. But once the information is available the Government cannot realistically avoid publishing it, and the figure will then feature in negotiations whatever approach the Government adopt. On balance, it seems worth deferring a final decision until the information is available, as the Chancellor of the Exchequer recommends.

#### HANDLING

9. You will wish to invite the Chancellor of the Exchequer to introduce his minute. All members will wish to contribute, particularly the Paymaster General on the implications for pay policy, and



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Departmental Ministers on the current position on recruitment and retention, the implications for departmental running costs, and the implications for other public sector groups.

CONCLUSION

10. You will wish to reach decisions on:

(i) whether the OME should be asked to complete their analysis of data on pay movements;

(ii) if so, should a decision between free collective bargaining and unilateral LOPA be postponed until that is available;

(iii) if not, should the Government bind itself unilaterally to the principles of LOPA;

(iv) whether to ask the Treasury to prepare detailed proposals for a negotiating strategy and opening offer.

J B UNWIN

18 February 1986  
Cabinet Office



Non-industrial Civil Service <sup>increase</sup> and pay settlements in the wider economy

Pay round (1 August - 31 July)	Non-industrial Civil Service	Percentages			RA <sup>1</sup>
		Private Sector (note 1)	Public Sector (note 1)	Whole economy (note 1)	
1980-81	7.5	9.0	8½	8½	7
1981-82	5.9	7	6½	7	11.5
1982-83	4.9	5¾	5¼	5½	7.1
1983-84	4.5	5¼ - 5½	5¼	5¼	4.7
1984-85	4.9	6	5½	5¾	5.0

Andrews

Notes

1. Source: D Employment confidential monitoring of settlements



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

PRIME MINISTER

**CIVIL SERVICE PAY: MISC 66, 19 FEBRUARY**

I attach a note by Treasury officials about the forthcoming Civil Service pay negotiations.

There are some unusually difficult issues this year. Substantial sums of money are involved; 1 per cent of the pay bill is around £45 million a year. The pay of the Civil Service is seen as our direct responsibility and our attitude towards it as a signal of our approach to the pay of other public sector groups and pay generally.

We have not done at all badly since we abolished pay research in 1982; pay settlements and earnings growth in the Civil Service have been kept significantly below those in the private sector and pay levels have been ratcheted down relative to the private sector - perhaps too effectively in some scarce disciplines, on recruitment and retention grounds. These changes have been achieved without significant industrial disputes over pay; the public expenditure savings involved have been significant and so has the worth of the example we have set to other bargainers.

But - as we recognised last year - we cannot pursue this policy indefinitely. We must avoid the trap - which our predecessors fell into, and which local authorities now seem to have fallen into - of seeing these gains wiped out by a sudden about turn, whether in response to management imperatives or costly and damaging industrial action. That is why we offered the Civil Service unions a new more structured system for negotiating pay which limited - without preventing

*Pamie Minister*  
I strongly recommend  
you to read paragraphs  
10-12 of the paper attached,

*DLW*  
18/2

*CCB*  
*BLUP*



- further ratchetting down as well as having benefits for us in terms of arbitration, flexibility in the pay system, and, less quantifiably, morale and motivation throughout the Service.

Collectively - and with only two exceptions - the unions have rejected these proposals, at least for the time being. That leaves us with the options discussed in the paper below; either to revert to a system of free collective bargaining or to be guided unilaterally by the proposals put to the unions in the Autumn, less the arrangements for surveys of pay levels - at least for the year ahead.

I doubt if the end result this year would be very different whichever route we took, unless we were prepared to risk expensive industrial action by yet another substantial group of public employees. The advantage of the free collective bargaining approach lies more in tactics than substance, including the freedom it might leave us to make an opening offer lower than would otherwise be the case. But the other approach - of proceeding unilaterally with our proposals - has much to recommend it. We were prepared to go down this route in the Autumn, for what remain good management reasons. The unions response may not be a good guide to the attitude of rank and file civil servants; I note that officials from the main employing Departments take the view that many civil servants would welcome our carrying on. It would also bolster the position of those moderate Civil Service trade unionists, such as Alastair Graham of the CPSA, who have striven hard, even if unsuccessfully, to get our proposals adopted.

The risk in going for this latter option now is that we do not know what the OME work will show. It may (though I think it unlikely) indicate a figure for the lower quartile which is undesirably high, as an opening offer. One way round this is



to delay a substantive decision until the OME work is completed. I accept that if we complete the OME work we shall have to publish it, and this has some risk - though it may not be very great. It would give us a slightly less free hand than we had last year. But it would still leave us with two options: first, to accept the lower quartile as a real constraint on our bargaining in 1986, or second, as in 1984, to be "informed but not constrained" by the lower quartile.

I believe that this is the best way forward; we should complete the OME work and take decisions as to our next steps in the full knowledge of what this shows.

I am copying this to the other members of MISC 66 and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "N.L.", written in a cursive style.

N.L.

17 February 1986

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LONGER TERM PAY ARRANGEMENTS AND THE  
1986 REVIEW OF CIVIL SERVICE PAY

Note by the Treasury

This note which has been prepared by the Treasury after discussion with the main employing Departments, discusses the issues which will arise in the forthcoming round of pay negotiations for non-industrial civil servants. Ministerial decisions are now required.

Background

2. The 1986 negotiations will be conducted against an unhelpful background. On the one hand there are strong "catching-up" pressures both in the Civil Service and in the public services at large. The "going rate" in the economy as a whole (manual and non-manual alike) seems to have established itself at 6 per cent plus in this pay round, but some major public service groups are doing better; eg local authority manuals at 8 per cent and teachers, helped by industrial disruption, at 6.9 per cent end-loaded to 8½ per cent. After three years of modest settlements (4.9 per cent, 4.6 per cent and 4.9 per cent), there are real recruitment and retention problems affecting parts of the Civil Service, and motivation in places appears to be low, in part, it is said, due to recent pay settlements; the counterpart of this is that propensity to take industrial action (we avoided it only by a whisker in 1985) may be high.

3. Against this RPI inflation (5.7 per cent in December) is confidently expected, and not just by Treasury forecasts, to fall to 4 per cent or thereabouts towards the end of the year. Departmental provision for pay increases varies. A larger settlement than provided for could no doubt be absorbed by most Departments, but others would find it very difficult to achieve this within their overall running costs provision. And with the emphasis the Government is giving to the need for restrained

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pay settlements in the economy as a whole if unemployment is to come down, such restraint is clearly needed where the Government is the direct employer. And there is some risk of impact on the negotiations soon to begin with the NHS non-review body groups.

Long-term pay arrangements

4. With Ministerial approval proposals for new long-term pay arrangements (essentially based on the Government's broad endorsement of the Megaw Report of 1982) were put forward on 7 November. In the event, after some initial success, only two unions endorsed the proposals (the IPCS and the POA/SPOA) and the rest came down against. In the four biggest unions some 47,000 or 13 per cent voted in favour and about 238,000, or about 65 per cent, voted against. These results were not always achieved as a result of direct ballots of members, and as a consequence these figures may overstate the vote against and understate the opinion in favour. Nevertheless the vote in favour of our proposals is small indeed, and the formal position is that the proposals have not met with the required two-thirds majority in the Council of Civil Service unions (CCSU), and the CCSU have now formally rejected them. The CCSU express themselves ready, however, to continue to discuss possible long-term pay arrangements in the Civil Service, provided these address the areas in which they say the present proposals are deficient; thus absence of "explicit arrangements" to "restore the relative position of Civil Service pay" and to "remove the continuing scandal of low pay in the Civil Service"; limits on annual increases which inhibit these two aims; no unilateral access to arbitration; and override which (they claim) could be used to discriminate against the Civil Service compared with other groups. There is of course nothing to be conceded in these areas.

5. Meanwhile, the Office of Manpower Economics (OME) has completed the collection of data on outside non-manual private sector pay settlements in the period April 1985 to January 1986, which would provide the upper and lower quartiles for the 1986 negotiations had the long-term pay proposals been accepted. But OME are under instructions to carry out no analysis of the raw data unless we direct them to do so, and there

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is thus no commitment as yet to provide or publish the quartile figures. This is discussed further in paragraph 13 below.

6. Ministers now have two main ways forward, thus :-

a. The proposals having been rejected, to drop them entirely and go for free bargaining (coupled with a readiness to refuse arbitration) as in 1985 and 1984. The OME survey data could be scrapped without identifying or publishing the quartiles; or published without commitment (see paragraph 13). A variant on this would be to have the proposals still on the table and available to be picked up later if the unions want them.

b. Go forward unilaterally with parts of our proposals as a stated management practice either for 1986 or on a longer-term basis; these parts would include a willingness normally to be guided (a phrase intended to help avoid slavish precision) by the lower (and upper) quartile of movements outside as found by the OME, but no regular levels surveys, which would only take place as, if and when required on management grounds. There would also be a clear re-assertion of the Government's view that, as a matter of policy, arbitration should be on a joint basis, which would form the grounds on which the Secretary of State for Employment could reject arbitration should the unions ask for it.

A complication is that two of the unions (the IPCS and the POA/SPOA) have indicated a willingness to enter into a separate agreement with the Government, but this could be combined with (a), perhaps with difficulty, or (b) more easily.

7. Of these options, (a) is tempting. Ministers could argue that the unions had been offered a perfectly reasonable way forward and they had rejected it; let them take the consequences. This route would leave optional production of the across the board OME pay movements work, and

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would not prejudice other negotiating groups whether in the public services or more widely. And it could be argued that there would be no reason for the Government to underwrite a minimum overall average pay increase, represented by the lower quartile as shown by the OME, if the unions are not prepared to deliver their side of the bargain which is to respect the upper quartile as the normal maximum increase, and formally to recognise that arbitration had to be on a joint basis.

8. Against that, there are arguments in favour of (b). Sooner or later some kind of long-term pay apparatus for the Civil Service is going to be needed and Ministers having been prepared to go forward on the way proposed, they should now stick to this as managerially desirable. Although a relatively small proportion of civil servants have voted in favour of the arrangements, first this may be because of lack of understanding of them and the persuasiveness of their Executives, and second it may be because many of those voting against are not voting against the proposals as such but against their provenance. Not to proceed might seem to some civil servants and indeed to the public as being deterred by unreasonable argument on the part of the union bosses; while to the more moderate trade union leaders who have supported our proposals it would be a let down. This approach is also supported by management in the Departments consulted, who see advantages in terms of the benefits of long-term arrangements, morale and motivation of staff, and confidence amongst staff.

9. From the point of view of the Government as employer this unilateral approach (b) is probably best. But it is necessary to consider how either approach would affect the outcome of the 1986 negotiations as well as Civil Service pay in the longer-term; and of course the possible effect on pay settlements elsewhere, not so much of the outturn (which may be the same whatever happens) but of the negotiation and their timing.

The 1986 negotiations in detail

10. The unions are likely to be split. A consortium of the CPSA, Society and CSU are likely to ask for "10 + 10" (£10 per week plus 10 per cent



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on top, worth about 17 per cent overall) plus substantial improvements in hours and leave. The other unions are expected to make individual, probably less extravagant, claims. If the "unilateral" management route is adopted, then negotiations will, at any rate so far as the official side goes, take place within the quartiles shown by the OME survey. Our present best guess at what these might be are  $5\frac{1}{2}$ -6 per cent lower quartile and  $7-7\frac{1}{2}$  per cent upper quartile. If of course the free bargaining route is taken then there are no such limits. With the unilateral route, therefore, the overall opening offer might have to be as high as about 6 per cent, (though if the restructuring element was separated out it might be shown as less), while with the free bargaining route it might be lower. The end result however, may not be very different given the perception of the going rate elsewhere, and the past three years settlements well below this going rate (indeed below the lower quartile). It seems unlikely that a settlement below about 6 per cent can any way be achieved this year, at least not peacefully, unless the OME delivers a figure lower than we reasonably expect. And in terms of cost the savings of say  $\frac{1}{2}$  per cent, worth about £25 million over all Departments, have to be set against the potential cost of industrial action (Newcastle cost about £170 million).

11. Whichever route was adopted it would be the intention to put as much as possible of any settlement to areas where there are management difficulties. There are several of these involving relatively small numbers of staff where the effect on the Civil Service pay bill will be small, which may be most sensibly handled apart from the main pay negotiations. One very big - and potentially costly - problem area which remains, however, is that of clerical staff particularly in and out of London, coupled with the need to bring about changes which will facilitate the introduction over the next few years of new technology in the Civil Service. A scheme has been devised, which is summarised at Annex A, which achieves some of this, and it is proposed that a substantial part of this year's general pay settlement should be devoted to this area. (This would have the additional side benefit of reducing the risk of industrial action in the powerful CPSA). Another area is the Scientists,

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which may also demand special treatment, the more so as they are IPCS grades and we may anyway have to do something special for the IPCS/POA if only to seek to recognise the special position of the unions which signed up on our proposals.

12. The remainder would go to general increases. This would enable an overall settlement at say 6.1-6.3 per cent (assuming a lower quartile at say 6 per cent) to be presented as a "general" increase of perhaps 5.5 per cent and a restructuring of about 0.7 per cent. If the lower quartile were less than 6 per cent, lower figures might be achieved. Such a strategy would not be easy to negotiate, but it could be presented as within the letter of our long-term proposals unilaterally introduced, and to that extent less likely to attract industrial action. To seek a lower overall settlement which would follow an abandonment of our proposals and a return to free bargaining, would involve either dropping the clerical restructuring which is not desirable; or "fudging" it by way of introduction outside the main settlement; or going for a "general" increase of at or under 5 per cent. This last is unlikely to be achievable without expensive industrial action.

Immediate handling on the OME

13. As indicated in paragraph 5 the OME have now collected their raw data, but have not yet processed it. Decisions on handling the 1986 negotiations, and in particular whether or not to decide to be guided by the OME figures, would clearly be easier if we knew what those figures were. An immediate option, therefore, is to defer a final view on the options set out in paragraph 6 above, and ask the OME to complete their work. This might take a week or so. It should be clearly understood, of course, that if the OME are asked to complete their work then the upshot of that work would have to be published; it could not just be suppressed if it were inconvenient. If the lower quartile turned out to be unexpectedly high, therefore, completing the work could be an embarrassment. But the risk of this might be judged as less than the benefits would come from taking decisions on substance, and on possible tactics, in the full knowledge of what the figures showed.

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Running costs

14. However presented, Departments would have to meet the resulting overall cost out of running costs limits. There is now no specific provision for pay, but some Departments at least have indicated that they might have difficulty with an outcome of the order of 6 per cent. The Treasury view is that if the pay settlement proved higher than a Department has estimated because of its mix of grades, it would, in the first instance, be expected to find offsetting savings from within its overall running costs provision; if exceptionally a Department could not find offsetting savings, it could apply to the Treasury for permission either to switch programme expenditure to cover the extra costs or to log up a claim on the Reserve. Any such bids, if approved, would have to be reported to Parliament. The same rules would go, of course, for the costs of any industrial action.

Summary and Conclusion

15. The position is not a straightforward one. Essentially the choice is between continuing with free bargaining as in recent years, without necessarily producing the OME results (paragraph 6(a) above) or going for the unilateral introduction of the Government's proposals, at least so far as the overall average pay increase is concerned (paragraph 6(b) above). For the longer-term something on the lines of the latter is preferable, but the effects for 1986 need to be considered. The former would enable an opening offer at any level, but in practice it might be between 5-5½ per cent. The latter would involve an opening offer of at least the lower quartile, which might be nearer 6 per cent; though the effects of this might be mitigated if the restructuring amounts were somehow distanced. However either way there is unlikely to be acquiescence peacefully in any outcome at under something like 6-6½ per cent. The presentation effects of this (and of a relatively high opening offer) might however be mitigated if there were built into the negotiations desirable managerial changes and structural improvements which will almost certainly have to be introduced sooner or later anyway, and which are worth something of the order of ¾-1 per cent, thus leaving the "general" increase presented as somewhere around 5½ per cent. Such

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an approach is not easy, nor is it necessarily free of risk of industrial action, but on the whole it may be worth trying, and may be preferable to the alternatives. Ministers do not however have to take this decision now, and could await sight of the OME results, bearing in mind that if these are produced they would have to be published, with the risk that that might entail.

16. Ministers are invited :-

- a. To note the position and the main alternative ways forward discussed in paragraph 6 above.
- b. To decide whether (i) to go for one of these routes now, and if so which; or (ii) to defer a decision pending availability of the OME results (see paragraph 13).
- c. Depending on decisions at (b), to invite the Treasury in conjunction with other interested Departments, to work up details of the next steps, including a full negotiating strategy, for submission to Ministers.

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**STRUCTURAL REVIEW OF CLERICAL AND DATA PROCESSING GRADES**

In 1985 the Cabinet Office (MPO) completed a structural review of clerical and data processing grades and to recognise and facilitate the greater use by clerical staff of new technology recommended that the separate clerical and data processing structures should be merged into one. Discussions with the Trade Union concerned have produced a measure of understanding and pay and grading proposals must now be negotiated.

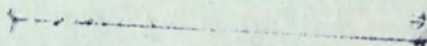
2. In devising the package we have been concerned not only to secure the smoother introduction of new technology through the removal of traditional demarcation lines, a desirable aim in its own right, but also to do as much as possible to improve the recruitment and retention of clerical staff, something which is causing departments considerable difficulty, particularly in the South Eastern region of the country.

3. With an eye both to the needs of departments and the aspirations of the union it is proposed as part of the restructuring of clerical and data processing grades to shorten the two clerical scales and to increase the maxima by about 2 per cent. The larger increments which the shorter scales would provide will be particularly beneficial in retaining the staff we are currently losing immediately the post-recruitment training period is completed. The smoother progression to the slightly higher maxima will also improve both recruitment and retention. The total pay of traditional data processors - which is both higher than traditional and proposed clerical pay - will be preserved.

4. These improvements will help to resolve many of the problems in recruiting and retaining staff in the area outside of London. However, it seems clear that the problem in the city itself is greater. This is so for other grades and it is proposed to increase

London weighting in the inner and intermediate zones by slightly more than the average salary increase. Additionally, because of the particularly severe problems for clerical staff, consideration will be given to the introduction of a special addition to pay of £250, but payable only after 12 months' satisfactory service.

5. Together these would cost about £32 million in the next financial year rising long-term to £37 million. These proposals are clear in outline but a good deal of detailed work remains to be done.



171-1111





file SKW  
cc Bg

10 DOWNING STREET

*From the Private Secretary*

18 November 1985

*Dear Tony,*

**CIVIL SERVICE LONG TERM PAY ARRANGEMENTS**

The Prime Minister has seen the Chancellor's minute to her of 15 November. She agrees that it would be right for the data collection exercise by the OME to be put in hand, on the basis set out in the Chancellor's minute.

I am copying this letter to Private Secretaries to members of MISC 66, the Secretary of State for the Environment and Education and Science, and to Michael Stark.

*Yours ever,  
David.*

(DAVID NORRGROVE)

Tony Kuczys, Esq.,  
HM Treasury.



Prime Minister

Agree the Chancellor's proposal  
to go ahead with the OME Survey?

MR NORCROVE

15 November 1985

DKV

15/11

CIVIL SERVICE PAY

Yes not

The Chancellor is right to press ahead with the OME survey.  
It keeps open the option of unilaterally implementing the  
MEGAW proposals and thereby introducing a framework of  
'legitimacy' into Civil Service pay bargaining.  
Arbitrary imposition of settlements well below the going  
rate is becoming counter-productive.

An OME survey keeps faith with the moderate union leaders,  
(who represent over half the Civil Service), and who have  
put their prestige behind the Government's proposals.

Peter Warry

PETER WARRY

CCB



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

PRIME MINISTER

**CIVIL SERVICE LONG-TERM PAY ARRANGEMENTS**

Following the meeting of MISC 66 which you held on 27 September, we have worked up and presented to the Civil Service unions outline proposals for a new long-term pay arrangement. The reaction from the unions has been mixed. They like the "lower quartile" floor for the value of pay settlements, and the admission of the relevance of pay levels for similar jobs elsewhere. But they do not like the refusal of a "catching-up" guarantee, access to arbitration by agreement only, and the Government's right of override - and these are matters on which we cannot shift.

All the unions are going to consult their members one way or another, but three (the CPSA, the IPCS and - tentatively - the POA) are doing this with a positive recommendation on the basis that what we offer is better than nothing; while four (the SCPS, the IRSF, the CSU and the FDA/AIT) are doing so with a negative recommendation. (The Northern Ireland Public Services Association, who represent staff who follow the home Civil Service pay arrangements by analogy, are also narrowly against). Thus we have about 255,000 home civil servants whose representatives have indicated a provisional acceptance of our proposals and about 180,000 who are provisionally against. This does not of course necessarily represent the final position; there are unions who may change sides as the consultation process proceeds (reports say that the CPSA may be vulnerable on this score).

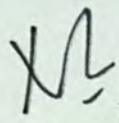
This consultation process will not be completed, however, for some time, and meanwhile we have to decide whether to allow



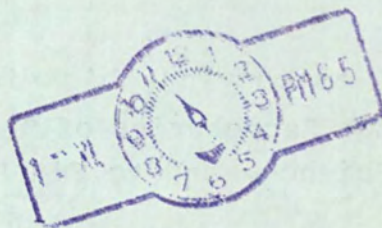
the data collection exercise by the OME, which of course underpins our proposals, to be put in hand. This has to be done quite quickly if it is to be of any use next year. If we begin it now there is certainly a risk that the work will be wasted. On the other hand there are good reasons why we should now go forward. We have a provisional majority for our proposals and I think it is too early to write them off completely, which is what not going forward with the OME now means. Not going forward would also be a blow to those unions and their General Secretaries (including Alistair Graham of the CPSA) who very much want an agreement and are working hard for this. Not going forward would rule out a separate agreement with individual unions or the unilateral imposition of an arrangement on the lines of our proposals, if an agreement with all the unions proves not possible. Finally not going forward now would deprive rank and file members of a say in this important proposal, and would in effect mean that we were being dictated to by union Executives.

I am therefore proposing to authorise the OME work, on the clearly stated and specific understanding that if a sufficient majority does not in the event endorse the proposals as presented, then all bets would be off and we should have to consider where we went next. This might mean simply putting a stop to the work and negotiating next year's pay in the same way as last year's. Alternatively it could mean some kind of separate agreement with those unions who want one, or a unilateral imposition of parts of our present ideas. I would not want to rule any of this out at this stage; and we do not have to take any decisions now.

I am copying this minute to the other members of MISC 66, to the Secretaries of State for the Environment and Education and Science, and to Sir Robert Armstrong.

  
N.L.

15 November 1985





CONFIDENTIAL

Reference No E0104

PRIME MINISTER

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CIVIL SERVICE PAY ARRANGEMENTS

FLAG B — MISC 66(85)3

BACKGROUND

You chaired a meeting of the Group in April which, in the context of the 1985 pay negotiations, agreed that the Treasury might reopen negotiations with the Civil Service unions on arrangements for settling non-industrial Civil Service pay in the longer term. The previous negotiations on the Megaw Report had broken down in 1984 following GCHQ. The Treasury have had several meetings with the trade union representatives, without commitment on either side. The Treasury now need a mandate from Ministers as to what final offer might be put to the unions to bring the negotiations to a conclusion - successful or otherwise.

MAIN ISSUES

2. The main issue is the extent to which the Government is prepared to move toward the unions' position on the points currently at issue: principally access to arbitration, and the extent and significance in bargaining of pay comparisons with levels outside.

Present Pay Arrangements

3. Since the Government abandoned the 'pay research' comparability system in 1980, non-industrial Civil Service pay has been determined by free collective bargaining. In practice, the Government has been able to secure settlements over the last three years at 4½-5 per cent - in each case less than the settlements secured by more than three-quarters of workers in the private sector - although last year it came



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close to industrial action. From the Government's point of view the system has therefore worked tolerably well. But it is now recognised that further 'ratcheting down' of civil service pay levels compared with those elsewhere is not likely to be achievable, both for management reasons (it is becoming increasingly difficult to recruit staff in some areas) and in terms of industrial relations. Moreover there is a desire, both in the Treasury and the unions, to see some more ordered framework for the annual negotiation.

The Negotiations so far

4. The Treasury have offered (without formal commitment) a system whereby the aggregate pay bill\* for the Civil Service would rise each year by no less than the lower quartile<sup>+</sup> and by no more than the upper quartile of pay movements in the private sector. This would represent a concession by Government- if such a system had applied in the last three years the annual settlement would have been roughly half per cent higher in each year - but Treasury regard it as unlikely that settlements below the lower quartile could be achieved peacefully next year. Even at that level, the civil service settlement would be below that achieved by three-quarters of the private sector.

5. There are three areas in which the unions want more than Treasury have so far offered:

(i) They want regular surveys of levels of pay in the private sector, with a commitment to 'catching up' even if over a period of time. (This is close to what Megaw recommended). The Treasury have offered levels surveys but only by agreement between the two sides and with no commitment to catching up.

---

\* for given civil service numbers, so ruling out productivity bargaining to provide larger across the board increases.

<sup>+</sup> by definition, 25 per cent of private sector employees get less than the 'lower quartile' percentage increase and 25 per cent get more than the upper quartile.

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(ii) Unilateral access to arbitration - they have been offered arbitration only by agreed access, and with the award constrained by the upper quartile rule. (Megaw recommended arbitration only by agreement).

(iii) They are prepared to accept that the Government might have power to override the normal mechanism on grounds of public policy, but only if this applies to the economy as a whole.

6. The Government cannot realistically meet all these points: to do so would place in the hands of a third party - an arbitrator - power to determine the most significant element of departmental running costs. No private sector organisation would do this.

7. The Treasury paper identifies two realistic options:

Option (c): to concede what the unions want on level surveys, although without any automatic right to catching up; or

Option (d): stick to the present offer, as outlined in paragraph 4 above.

Option (c) is essentially what Megaw recommended.\* It therefore has the presentational advantage that the Government could claim to be acting in good faith in implementing the recommendations of an independent report, and would allow the Government to rely on Megaw in refusing unilateral access to arbitration. There is a risk the levels surveys would expose lost ground between civil service pay rates and those in the private sector. But in practice this may not be great: the Government has to operate in the same labour market as the private sector, and therefore on managerial grounds cannot realistically allow its pay rates to fall too far below those elsewhere. Moreover the then Chancellor gave evidence to Megaw to the effect that the Government would not seek settlements

\*He contemplated that the speed of catching up would be constrained by the requirement to keep each year within the interquartile range. 3



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year after year below market rates.

#### Negotiating Tactics

8. Whether or not Option (c) is offered, there is a fair chance that the unions will not accept an agreement. No decisions need to be made now in how to respond in that event: one possibility would be a unilateral declaration by the Government that it will itself abide by the principles it has offered. This would have the advantage of demonstrating good faith, and of appealing to union members over the heads of their executive. It might thus achieve many of the objectives of negotiating agreement - i.e. improved industrial relations and a reduced likelihood of industrial action - even though the unions would not cooperate formally. The alternative would be simply to stick with the present 'uninformed free collective bargaining', which would leave open the possibility - obviously attractive in the context of public expenditure problems - of further ratcheting down civil service pay. However, it is doubtful whether such a settlement could be achieved in 1986, at any rate without damaging and costly industrial action; and the industrial relations climate between the Government and its employees could deteriorate sharply if the Government were seen to withdraw what has already been put on the table - albeit without commitment. It is possible that circumstances could arise in which the Government could reasonably withdraw the offer, but this could only be done without damage after an extended process of negotiation in which their good faith had been amply demonstrated.

#### Repercussions

9. There is the possibility that whatever arrangements are agreed for the Civil Service might be sought by other negotiating groups. The counter-argument would be that Civil Service pay has always been determined by systems different from those elsewhere: the Megaw Report was concerned only with the non-industrial Civil Service. In practice it seems likely that similar arrangements would have to be extended to the other 'freely bargained' groups directly employed by central Government, i.e. industrial civil servants and the NHS non-Review Body groups.





CONFIDENTIAL

To open this  
up too far  
tomorrow  
could result  
in a major  
diversion of the  
meeting's  
running costs  
controls.

FLAG A

10. A further dimension which will need exploring is the implications of a structured system of pay negotiation for the operation of public expenditure control. In recent years there has been an explicit pay factor of 3 per cent taken into account in determining the totals for public expenditure programmes, with the excess above this figure in the annual pay settlements offset by reductions in numbers employed, etc. The Treasury have proposed that in future control should be over 'running costs' with no explicitly stated pay factor; the Scottish Secretary in his minute of 16 September has called attention to some of the difficulties which might result from this. Plainly the promise of an increase at least in line with the lower quartile of private sector settlements would not be consistent with a 3 per cent pay factor; but equally the announcement now of a higher number than in recent years could prove a very undesirable signal for the Government to give. The treatment of running costs is a question which will need to be covered in the Chief Secretary's paper on public expenditure for Cabinet on 3 October. It would not seem sensible to allow a presentational issue to determine what is done about an increasingly difficult management problem; but care is likely to be needed in the timing of discussions with the Staff Side, in relation to progress with the public expenditure round. At any rate it would be better to wait until after 3 October before fixing any meeting with the Staff Side.

HANDLING

11. You will wish to invite the Chancellor of the Exchequer to introduce the paper. All Ministers will have views, particularly the Secretary of State for Employment (who at present is responsible for responding to requests for arbitration), and the Minister of State, Privy Council Office. Mr Kemp (Treasury), who has been conducting the negotiations with the unions, will be present to give an assessment of their likely reaction to any proposals.

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**CONCLUSIONS**

12. You will wish to reach decisions on the following points:

- (i) whether the informal offer that the aggregate increase in Civil Service pay should fall between the lower and upper quartiles of movements in the private sector should become a formal proposal;
- (ii) whether or not the Government should concede regular surveys of levels in the private sector (Option (c));
- (iii) if there were regular levels surveys, whether the Government should refuse any commitment to automatic catching up;
- (iv) whether the Staff Side should be allowed unilateral access to arbitration;
- (v) whether the Government should insist on a right of an override specific to the circumstances of the Civil Service;
- (vi) the timing of any formal offer to the Staff Side, in relation to progress with the current public expenditure round.

If it proves impossible to conclude an agreement on whatever basis the Group authorises, in due course it will be necessary to decide whether the Government should declare their intention to introduce unilaterally a system of pay determination based on the interquartile range of private sector pay settlements, or whether the present 'uninformed free collective bargaining' situation should be maintained.

JW

A J WIGGINS

Cabinet Office.

26 September, 1985

Prime Minister

Mr Tebbit's comments on the issues  
being taken at Disc 66 are below.

DS 26/9,

MR NORGROVE

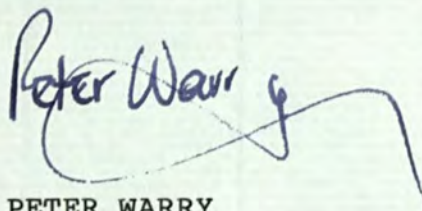
25 September 1985

CIVIL SERVICE PAY

If civil service pay is to continue to be controlled yet industrial action be avoided, then the Government will increasingly need a Megaw type framework to legitimise its stance. Such a framework would be a positive gesture towards civil service morale. But more importantly Megaw will help constrain pay in 1987 (and 1988) when the advantage of 'free collective bargaining' will swing against the Government.

Megaw would only determine the range for the increase in the total pay bill: individual groups may get higher or lower settlements. Special payments to meet recruitment and retention needs will continue but ought to be expanded further, ultimately perhaps to permit larger individual merit payments.

We recommend that Megaw be offered. If it is rejected, as seems likely, then Government should operate it unilaterally (which the unions may well secretly welcome). Such a response would leave it open to Government to fix the survey of pay levels (which under Megaw has to take place every four years) for 1990 rather than 1987 as the unions would want.



PETER WARRY

CONFIDENTIAL

CF  
for file now p.c.  
DHR

①

Caroline  
To note, could you  
tell the Cabinet Oppose?  
David  
Dore CR  
10/19, Ros

PRIME MINISTER

**MISC 66: MINISTERIAL GROUP ON CIVIL SERVICE PAY NEGOTIATIONS**

Treasury and Cabinet Office are keen that you should chair a meeting of Misc 66 which has been fixed for Friday, 27 September, at 0930.

There are two items on the agenda:

- prospects for the 1985-86 pay round;
- longer term pay arrangements for the civil service.

The first of these items would look at the prospects generally, for both the private and the public sectors. (One or two Ministers who are not normally members of Misc 66 would be invited to attend.) The second item speaks for itself.

I recommend you to chair this meeting. Public service pay may well be particularly tricky in this pay round. Control of pay is central to the control of running costs, and to the success of the new system which is being worked out if possible to avoid the need for a pay factor. The meeting will be useful preparation for the public expenditure Cabinet on 3 October, and keeping consideration of civil service pay in the longer term on the right track is of course important for itself.

Content to chair the meeting?

DHR

Yes not

DN

6 September, 1985.

CONFIDENTIAL

CC10

NAPM

AT 4/6



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

10 June 1985

Dear Chancellor

CIVIL SERVICE INDUSTRIAL PAY NEGOTIATIONS, 1985

You sent me a copy of your letter of 4 June to Michael Heseltine about this years' industrial pay negotiations.

I agree your proposal to seek a settlement for increases in pay and allowances from 1 July within a total additional cost of 4.9 per cent. I am content for there to be a general statement of intent on overtime and further discussions on pay restructuring.

I confirm that the cost of a settlement on these lines would be contained within cash limits.

I am copying this letter to the Prime Minister, to other members of E(PSP) and to Sir Robert Armstrong.

*Yours sincerely*  
*P. Jenkin*  
PATRICK JENKIN

*Approved by the Secretary of State*

The Rt Hon Nigel Lawson *and signed in his name.*



WBM  
BT  
11/2

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALING 01-218 2111/3

MO 20/17/6

7th June 1985

Thank you for your letter dated 4th June.

As you say, my officials have been associated with yours and those of Patrick Jenkin in exploratory talks with the unions. It would be unrealistic to expect to achieve a settlement quietly at less than the percentage increase for non-industrials, particularly given the recent figures for inflation. The cost of the settlement can be accommodated within existing provisions. I agree that officials should try to agree suitable wording on restructuring and overtime.

I am sending copies of this letter to the Prime Minister, to the other members of E(PSP) and to Sir Robert Armstrong.

Michael Heseltine

The Rt Hon Nigel Lawson MP

CIVIL SERVICE; Pay: PE15.



NBPM  
AS  
10/2

# CABINET OFFICE

*From the Chancellor of the  
Duchy of Lancaster  
Lord Gowrie*

**MANAGEMENT AND PERSONNEL OFFICE  
Great George Street  
London SW1P 3AL  
Telephone 01-233 8610**

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

7 June 1985

*Am Nigel,*

## CIVIL SERVICE INDUSTRIAL PAY NEGOTIATIONS 1985

You wrote to Michael Heseltine on 4 June about the forthcoming pay negotiations for Civil Service industrial staff.

Although rising trends in settlements elsewhere may make these negotiations more difficult, it is important that, for the time being at least, the level of pay increases for industrials should remain commensurate with those for the non-industrials who settle before them.

In the circumstances, I accept your proposal that officials should aim to move directly to a 4.9% settlement at the negotiating meeting on 10 June.

I am copying this letter to the Prime Minister, to the other members of E(PSP) and to Sir Robert Armstrong.

*Lu,*  
*TJM*

GOWRIE



CML SERVICE : Pay

E6 JUN 1985

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88



NORM

MT 4/6

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

4 June 1985

The Rt. Hon. Michael Heseltine MP  
Secretary of State for Defence

*John Major*

#### CIVIL SERVICE INDUSTRIAL PAY NEGOTIATIONS 1985

As you will be aware, the Government received a pay claim from the industrial unions on 11 March. Their pay review date is 1 July. Your officials and mine together with Patrick Jenkin's have had some informal exploratory meetings with the unions and we now need to decide on an offer.

The claim was for a "substantial increase" in pay and allowances, without figures, and for unquantified improvements in hours, leave, holiday pay and overtime rates. It included a request for restructuring and for an agreement on excessive overtime, and a change in the pay settlement date from 1 July to 1 April. I think we should try to get a settlement based on increases in pay and allowances alone. There are signs that we might be able to achieve this reasonably peacefully if we agree to continue discussions on restructuring and to make a general statement of intent that we shall avoid, where possible, excessive overtime working by individuals. Officials on the Joint Consultative Committee are discussing possible wording which would leave us the necessary freedom of action.

I think we must seek to contain the cost of the settlement within the figure of 4.9 per cent that we achieved with the non-industrials but I doubt if we should try for anything less. As you know, we have secured settlements of a similar size for industrials and non-industrials each year since we gave up pay research and I do not think it will be easy to break this pattern until we have a different way of dealing with Civil Service pay. The unions are likely to resist any attempt to enforce a lower settlement, in the belief that we would eventually be prepared to move to the non-industrial figure, and I doubt if it would be worthwhile provoking a confrontation with them.

If you and other colleagues agree, I will therefore authorise officials to make an offer to the unions, on the lines I have suggested, at the full Joint Consultative Committee meeting which is scheduled for 10 June, asking them to attempt to secure as quick a settlement as they can. An offer and settlement, if we can get it, at this level would not be unhelpful to negotiations with other public service groups.

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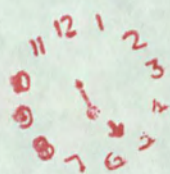
Meanwhile, I should be grateful if you and Patrick Jenkin, as the other employer of significant numbers of industrials, could confirm that you will absorb the additional cost of a settlement at this level within your existing cash and running cost provisions. I assume that there will be no difficulty over this in other departments employing much smaller numbers of industrial staff.

I am copying this letter to the Prime Minister, to the other members of E(PSP) and to Sir Robert Armstrong.

NIGEL LAWSON

A large, stylized handwritten signature in black ink, appearing to read "Lawson".

4 JUN 1985





CABINET OFFICE

*From the Chancellor of the  
Duchy of Lancaster*

Lord Gowrie

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade and  
Industry  
Department of Trade and Industry  
1-9 Victoria Street  
London SW1H 0ET

MANAGEMENT AND PERSONNEL OFFICE

Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

31 May 1985

*RBPM*

*Lord Gowrie*

CIVIL SERVICE RETIREMENT AND RE-EMPLOYMENT POLICY

Thank you for your letter of 24 April. I fully share your view that the sooner we can extend the policy of withdrawing the option of formal retirement and re-employment in the same grade throughout the Service the better, and this remains our objective. The steady and continuing decrease in the overall number of staff being re-employed in this way is encouraging, but a substantial problem still remains.

I am therefore very pleased to see that the review of age retirement policy which your officials are at present carrying out may provide an early opportunity to implement the new policy in your Department. In the first instance, removal of the option by negotiation may, as you suggest, be possible as part of a general package of retirement measures. Even if this cannot be achieved however, changes in age retirement practices, particularly where these involve a move away from a policy of maximum retention, can in practice greatly reduce the incidence of formal retirement and re-employment, which only applies when a department wishes to retain an officer in service beyond the minimum pensionable age. And, as you may be aware, the ability of management to vary age retirement expectations, if necessary without the agreement of the trade unions, has recently been confirmed by a ruling of the Law Lords. So reviewing age retirement practice and policy in your department at this stage could potentially be of considerable benefit in helping to eliminate the option of formal retirement and re-employment.

Finally, you asked whether it might be possible to exclude the option for new entrants to the Department; my officials are seeking legal advice on this point and will be in touch with yours as soon as this is available. In most cases however, many years must inevitably elapse before such new entrants reach the minimum pensionable age and it may well be that tackling the option through the review of age retirement policies - which will affect existing and future staff alike - will provide a simpler and more practical solution.

I am copying this letter to the Prime Minister, other Ministers in charge of departments, to Patrick Mayhew and to Sir Robert Armstrong.

*Y  
Lm,  
T/m  
L2*

GOWRIE

Civil Service

PT 15

pay

E4 JUN 1985

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



*ce NO att.  
+ pps please*

**CABINET OFFICE**

*From the Chancellor of the  
Duchy of Lancaster*

**Lord Gowrie**

**MANAGEMENT AND PERSONNEL OFFICE  
Great George Street  
London SW1P 3AL  
Telephone 01-233 8610**

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

*NBPM*

22 May 1985

*L. N. 74*

**REVIEW OF EARLY RETIREMENT ARRANGEMENTS**

I was grateful for Barney Hayhoe's letter of 22 March giving Treasury support for the proposals in this review, which has now also been endorsed by the Prime Minister as a suitable basis for new early retirement arrangements in the Civil Service.

*with request  
reg'd*

As you know, my officials have discussed the review in detail with yours and those of other departments; and they are about to set up an inter departmental working group to ensure close co-operation in the process of refining the review's general proposals into specific measures for implementation. I thought, however, that other colleagues might be interested to have an idea at this stage of the thinking behind the review, so I enclose for their information a synopsis of the review's main proposals which I first sent to Patrick Jenkin and yourself earlier this year. It has been slightly revised to take account of subsequent developments, particularly in the proposed arrangements for financial control.

I am copying this letter and its enclosures to all Ministers in charge of departments, to Sir Robert Armstrong and to Sir Robin Ibbs.

*Lawson  
T. J. 2*

GOWRIE



SYNOPSIS OF THE REVIEW OF EARLY RETIREMENT ARRANGEMENTS

Background

1. The review examines the existing arrangements for early retirement. It concludes that they no longer fully meet management's current or future needs and recommends the introduction of a new, more coherent regime, which offers greater flexibility and better value for money.

Existing Arrangements

2. The existing arrangements fall into four main groups:-
- a. ill-health retirement;
  - b. premature retirement on inefficiency grounds;
  - c. compulsory premature retirement in the public interest;
  - d. voluntary early retirement (VER).

The ill-health arrangements have operated well and no changes are proposed to them. The review concentrates on the relationship between the compulsory and voluntary arrangements for early retirement where the main difficulties have occurred. It also considers the inefficiency arrangements which were heavily criticised by the Review of Personnel Work (RPW).

3. The "public interest" terms were originally devised to deal with compulsory premature retirements, and there is a sharp distinction between the terms available for these and those applicable to VER especially as regards staff in mobile grades (EO level and above). The compulsory terms may include a lump sum compensation payment of up to 6 months pay, together with what essentially amounts to the early payment of enhanced superannuation benefits, possibly over a period of up to 20 years. The VER terms, on the other hand, involve only the early payment of unenhanced superannuation benefits over at most a period of 5 years. A similar disparity exists between the terms available for mobile and non-mobile officers.

The Need for Change

4. Many of the situations which make early retirement desirable in the management interest would not warrant compulsory retirement under the law, so there is necessarily reliance on persuasion. Therefore the terms need to contain an element of inducement. Except where VER is applicable, this means offering the more expensive inducement of compulsory terms. The current Special Early Retirement Scheme which the Prime Minister authorised last year is a prime example. This tendency to extend and develop the original criteria for compulsory retirement in response to changing management needs has now resulted in a complicated collection of arrangements and criteria which are difficult for the centre and departments to operate with confidence.

5. At the same time, while accepting the need for an inducement, it is not easy to justify paying the same terms to someone who agrees to go as those paid to those who have no choice in the matter, eg because they are redundant. (This difficulty is perhaps less acute in a period of rapid rundown, when premature retirement costs can be more than offset by salary savings.) Nor is the present disparity in the treatment of senior (mobile) and junior (non-mobile) staff easily justifiable. Looking to the future, our problems are likely to be related less to achieving numbers, targets as such, and more to coping with the effects of the rundown on age and grade structures particularly at middle and senior management levels and with the effects of technological change on the demand for particular skills. We shall need early retirement to help adjust the shape and character of the Service as well as its dimensions. If premature retirement costs are therefore unlikely to be directly offset by salary savings there is a need to ensure that we have a set of arrangements in which the terms, as well as the criteria, will offer value for money.

#### New Arrangements

6. The review proposes a new regime of early retirement arrangements consisting of a multiple and graded system which relates levels of compensation to the extent to which the individual is responsible for and disadvantaged by his departure, and to the extent to which the respective interests of management and the individual are served. It recommends four main types of early retirement:-

- a. Compulsory - where management has compulsorily to retire someone prematurely through no fault of the individual's. In these circumstances the existing "public interest" terms would apply to staff at all levels.
- b. Flexible - where management invites specific individuals to leave. New terms, less than the existing compulsory ones but better than VER, would apply which should still provide a sufficient inducement to persuade people to leave.
- c. Approved - where individuals whose age and reckonable service add up to a specific figure, eg at least 90 years, can seek management's permission to retire. Terms equivalent to the current VER terms would apply.
- d. Standard - where individuals exercise a right (without management veto) to retire early on an actuarially reduced pension at no additional long term cost to the Government.

So far as the inefficient are concerned, it is recommended that only those who become inefficient through no fault of their own deserve compensation; the culpably inefficient should be dismissed without compensation and a code of practice should be drawn up for dealing with poor performers.

7. In some respects the above proposals worsen, in some respects they improve the existing terms. These categories and terms would apply equally to mobile and non-mobile staff, since there seems little logical justification for the present distinctions. But there would be a new distinction based on age. Staff below the age of 50 who leave under the new arrangements (as they could under (a) and (b) above) would do so on the basis of an immediate compensation payment of up to 3 years pay depending on length of service, but their pension would be preserved until age 60. Staff aged 50 and over would have compensation and pension paid immediately. While these arrangements have been designed to meet the needs of the Civil Service, the review has had regard to practice outside. The proposals, especially in relation to age limits, seem generally more consistent with the practice of other major employers than is the case with our existing arrangements.

#### Financial Control

8. At present the cost of early retirements is borne as a charge on the Superannuation Vote expenditure from which it is accounted for centrally, but there are varying degrees of delegated authority to departments to incur expenditure, and some of the difficulties of operating the arrangements stem from this separation of management and financial responsibility. The review therefore proposes that employing departments should bear the additional costs of early retirement so that the costs and benefits in particular cases can be more directly compared and assessed. (This recommendation, which is in line with FMI developments and is equally applicable to either the existing or the proposed criteria and terms, is now being implemented by Treasury and will come into effect for all major departments from 1 April 1986. A corresponding transfer of managerial authority will be made by MPO so that departments will be able to instigate most early retirements without seeking prior approval from the Centre.)

23 MAY 1995





Prime Minister (2)

To note, with approval,  
the outcome of this year's  
civil service pay.

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

BT  
17/5

PRIME MINISTER

**NON-INDUSTRIAL CIVIL SERVICE PAY 1985**

You will want to know where we now stand on these negotiations.

2. With your agreement, my officials made a final pay offer worth about 4.9 per cent on 22 April. The CSU immediately accepted this but four other unions (the CPSA, IRSF, FDA and IPCS) met the Secretary of State for Employment on 30 April to press him to refer the main pay claims to the Civil Service Arbitration Tribunal. The Secretary of State wrote to these unions on 2 May saying he was unable to do this, on grounds of public expenditure policy.

3. Since then, the CPSA have decided to settle on the terms of the offer; the Society, FDA and IPCS have signified their acquiescence with varying degrees of reluctance, and the remaining unions are expected to do the same shortly. My officials are instructing Departments to put the new pay rates into operation for particular grades as and when the union with negotiating rights for those grades indicates acceptance or agreement. Some people should get their increases by the end of May, but most will have to wait until the end of June. Payment has also been authorised for GCHQ staff who should get their increases by the end of May.

4. This pay review is therefore effectively at an end and I think that we can regard the outcome as satisfactory. We experienced virtually no industrial action and were also able to show other employers how to use the balloting provisions of the Trade Union Act 1984 to good effect.

5. As agreed at the meeting of MISC 66 on 16 April, we have offered to resume negotiations with the Civil Service unions over a possible new long-term pay agreement, after an 18 month gap. These negotiations will build on, but not necessarily follow exactly, the report of the Megaw Committee which we endorsed generally as long ago as 1982. I shall shortly be meeting the Civil Service unions myself. I expect the question of long-term arrangements to arise



then and I shall ask my officials to carry forward discussions, so that I can make a progress report to you and our other colleagues before the Summer Recess.

6. I am copying this minute to the other members of MISC 66, to the Secretaries of State for Education and Science and for the Environment, and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'N.L.' with a small flourish at the end.

N.L.

15 May 1985

CIVIL SERVICE: pay + pensions Pt 15



17 MAY 1985

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



## CABINET OFFICE

*From the Chancellor of the  
Duchy of Lancaster*  
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE  
Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

M Addison Esq  
Private Secretary  
10 Downing Street

30 April 1985

*NSPM*  
*Dear Mark,*

### REVIEW OF EARLY RETIREMENT ARRANGEMENTS

Thank you for your letter of 22 April to Paul Thomas.

Lord Gowrie is grateful for the Prime Minister's agreement to the early introduction of the measures outlined in the Review, and has noted her comment on the proposed terms for flexible early retirement.

Further work remains to be done in turning the Report's general recommendations into precise terms applicable in the various different circumstances where early retirement may be sought either by management or by individual staff. The point which the Prime Minister has raised in this context will be kept clearly in mind.

I am copy this letter to Margaret O'Mara (Treasury), John Ballard (DoE), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs.

*Yours,*

*Sonia*  
—

MISS S C PHIPPARD



CIVIL SERVICE: Pay & pensions: PE15.

CABINET OFFICE

MANAGEMENT AND PERSONNEL OFFICE  
Great George Street  
London SW1P 3AJ  
Telephone 01-237 8810

From the Chancellor of the  
Exchequer  
London

-1 MAY 1985

12



NBR AT 25/4

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

24 April 1985

Lord Gowrie  
Chancellor of the Duchy of  
Lancaster  
Cabinet Office  
Management and Personnel Office  
Great George Street  
London SW1P 3AL

D. Grey,

CIVIL SERVICE RETIREMENT AND RE-EMPLOYMENT POLICY

Thank you for sending me a copy of your letter to Nigel Lawson of 1 April about the above.

2 As you know, I am very much opposed to the practice of civil servants notionally retiring at 60, collecting their lump sums and being immediately re-employed. It is only with reluctance, given Patrick Mayhew's advice, that I am prepared to accept your present proposals as there appears to be no immediate alternative.

3 However, I do not think we should allow this policy to drift on indefinitely and I very much agree, therefore, with your proposal in (b) of your penultimate paragraph. My officials are currently conducting a review of our Departmental retirement policy and I have asked them to give urgent attention to negotiating the exclusion of this option at the earliest possible time.

4 I should also be grateful for your advice on whether it is possible to exclude the option for new entrants and, if so, how soon that change can be introduced, and by what means.

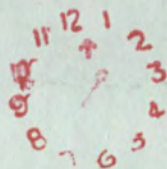
5 I am copying this letter to recipients of yours.

NORMAN TEBBIT

JH5AXH

Carl Service: Pay + Pensions: A 15

25 APR 1985





file JB  
cc Nick Dwen

10 DOWNING STREET

*From the Private Secretary*

22 April 1985

REVIEW OF EARLY RETIREMENT ARRANGEMENTS

The Prime Minister has seen Lord Gowrie's minute of 15 April. She is content in general terms with the recommendations contained in the Review Report. She thinks, however, that the financial terms proposed for flexible early retirement may need further consideration. If they are too advantageous, relative to the terms proposed for those who volunteer, this may discourage volunteers from coming forward.

I am copying this letter to Margaret O'Mara (H.M. Treasury), John Ballard (Department of the Environment), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs

MARK ADDISON

Paul Thomas, Esq.,  
Lord Gowrie's Office.

6

CONFIDENTIAL



10 DOWNING STREET

file 66  
MISC 66  
HMT DHSS M/S HMT (Hayhoe)  
MOD DTI  
EMP  
CDL

From the Private Secretary

22 April 1985

Dear Mike,

The Prime Minister has seen the Minister of State's minute of 19 April recommending that, following the failure last week to reach a settlement with the NHS ancillaries, the Treasury should revert to the offer of 4.9 per cent which had been proposed to MISC 66. She has noted the view of the Chancellor of the Duchy of Lancaster supporting this and the minute from the Secretary of State for Social Services recommending sticking to the 4.8 per cent offer which had been agreed at the meeting of MISC 66. On balance, the Prime Minister favours an offer of 4.9 per cent.

I am copying this letter to Private Secretaries to Members of MISC 66, Elizabeth Hodgkinson (Department of Education and Science), John Ballard (Department of the Environment, and Richard Hatfield (Cabinet Office).

Your sincerely  
Andrew Turnbull

ANDREW TURNBULL

Michael Norgrove, Esq.,  
H M Treasury

CONFIDENTIAL

PRIME MINISTER

REVIEW OF EARLY RETIREMENT ARRANGEMENTS

Lord Gowrie has submitted for your approval proposals for revamped early retirement arrangements in the Civil Service. His covering minute is at Flag A, and the review report at Flag B.

Policy Unit advice is at Flag C. They propose that you should endorse the recommendations in general terms, while noting that the arrangements proposed for those leaving early at management's invitation may be too generous, relative to those retiring early, voluntarily.

Content with Policy Unit advice?

Yes mb

USA

Mark Addison  
19 April 1985



Secretary of State

NBEN AT cc P. Wainy  
22/4  
Northern Ireland Office  
Stormont Castle  
Belfast BT4 3ST

The Rt Hon the Earl of Gowrie  
Cabinet Office  
MPO  
Great George Street  
LONDON  
SW1P 3AL

19 April 1985

Dear Grey,

Thank you for sending me a copy of your letter of 1 April to Nigel Lawson.

So far as the Home Civil Service is concerned, the Northern Ireland Office withdrew with effect from 1 January 1984 the option enabling staff to take their lump sum at age 60 without actual retirement. There has been no complaint about the option being withdrawn, but then there has been only a single case of retention in the same grade arising since January 1984. Although we are fairly certain that the existing staff rules cannot be construed as conferring a legal right to retire formally and be re-employed in the same grade, my officials will check this with our legal advisers. If legal advice confirms that there is no entitlement, we shall take steps to ensure that the Trade Union Side understand the position. If there is an entitlement, we shall proceed as you propose.

As it has never been in practice in the Northern Ireland Civil Service or the Northern Ireland Prison Service to allow retirement at 60 with a right to re-employment in the same or, indeed, a lower grade, no similar problem arises for those Services.

Like you, I see no merit in reverting to the old practice and agree that the best way forward is to seek to maintain the present position with the objective of extending the new policy service-wide.

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

Yours,  
Douglas

CIVIL SERVICE: pay & pensions : REIS.

22 APR 1985

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PRIME MINISTER

We now have comments from Lord Gowrie and Mr. Fowler - the former supports switching back to the proposal originally put to MISC 66. Mr. Fowler, however, urges staying with conclusions of MISC 66. He argues that the higher offer will serve to ratchet up the going rate and make the NHS settlement, when it is finally achieved, more expensive. The Treasury supported by Lord Gowrie think that Mr. Fowler is now unlikely to achieve a settlement as low as 4.7%. Furthermore the NHS negotiations will not reconvene until June and if a Civil Service settlement is achieved quickly, the link between the two will be lessened.

In the light of these views, do you opt for

- i) 4.8%
- or
- ii) 4.9%?

4.9%

mt

Andrew Turnbull  
19 April 1985



PRIME MINISTER

CIVIL SERVICE PAY

I have seen Barney Hayhoe's minute to you of today's date. Let me at once say that I fully accept the desirability of an early settlement below 5 per cent and I have no objection to a revised offer being made on Monday.

As Barney says, the NHS ancillaries' negotiations stand adjourned and there is now small likelihood of a settlement with any NHS group within the next few weeks. I do not accept, however, that that effectively disconnects the Civil Service and NHS negotiations. Whenever our negotiations resume we shall still be seeking to settle no higher than 4.7 per cent. Even on the most favourable assumption about the Review Body outcome, any higher figure would eat unacceptably into the margin available for service growth. The NHS includes some staff groups, including the large administrative and clerical group, who have traditionally looked to the Civil Service as their analogue. More generally, the level achieved in the Civil Service will be seen by the unions as an indication of how far the Government is prepared to go in the services which it directly funds.

My judgement remains, therefore, that the higher the Civil Service settlement, the more difficult our task in the NHS will become. I must therefore press for the MISC 66 decision on the level of the offer to stand.

I am copying this minute to Barney Hayhoe, the other members of MISC 66, the Secretaries of State for Education and Science and the Environment and to Sir Robert Armstrong.

19 April 1985

  
N F



Chancellor of the Duchy of Lancaster

PRIME MINISTER

MISC 66 - NON INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

I fully support a reversion to the 4.9 per cent package offer proposed in the Minister of State (Treasury)'s minute of 19 April.

As it is now likely to be some time before the negotiations with the NHS ancillaries produce any results, a quick and agreed settlement in the Civil Service of less than 5.0 per cent would be even more valuable. A structured offer based on 4.9 per cent of the pay bill stands a better chance of achieving this than one based on 4.8 per cent, and I accept the Treasury's judgement that it should be made immediately.

I am copying this minute to other members of MISC 66, the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

gg

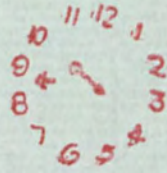
GOWRIE

19 April 1985



Government of Karnataka

19 APR 1985



GOVERNMENT OF KARNATAKA

SECRET

Prime Minister ①

Agree subject to agreement by the former to waive his original objection?

AT  
19/4

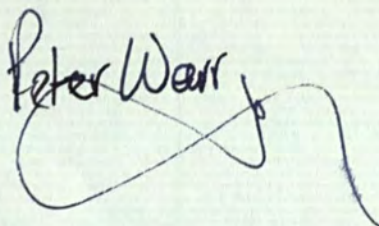
Yes not.

MR TURNBULL19 April 1985CIVIL SERVICE PAY

MISC 66 trimmed the 4.9% proposal for the Civil Service to 4.8% so as not to compromise the 4.7% offer to NHS ancillaries. The NHS negotiations have now foundered. The need to establish a marker for the public sector below 5% is now therefore more urgent.

As civil servants on the top of scales are to get 5%, cutting the total sum available from 4.9% to 4.8% reduced the offer for the one third part way up scales from 4.75% to 4.5%. This could be all important.

We strongly support the Treasury request to reinstate the 4.9% offer.



PETER WARRY

SECRET



FROM: Minister of State

DATE: 19 April 1985

PRIME MINISTER

## MISC 66 - NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

I am minuting you in the Chancellor's continued absence abroad.

In your summing up of the meeting of MISC 66 on Tuesday you said that the Civil Service offer should not be pitched at a level which would seriously prejudice the prospect of securing a settlement in the case of the NHS ancillary workers at around 4.7 per cent. On this basis a package worth about 4.8 per cent was indicated and in the letter from my office to yours, later that day, a possible structure was set out.

I understand that the negotiations about the ancillaries yesterday were adjourned without any agreement; that the unions' attitude appeared to have hardened; and that the next firm meeting is not fixed before 12 June. Other NHS staff groups may now want to pursue their separate negotiations but no group is likely to act before 8 May.

It seems to me therefore that now the two immediate sets of negotiations (the Civil Service and the NHS ancillaries) have become effectively disconnected we should revert to the Chancellor's original 4.9 per cent proposal for the Civil Service. The cost difference between this and an offer of 4.8 per cent is some £5 million but it increases the chance of a speedy and satisfactory outcome. And a settlement below 5 per cent would be very helpful at this time.

I am anxious that we should make our position known to the Civil Service unions as soon as possible. Delay simply goes against us. I would like to ask my officials to move on Monday afternoon, and I very much hope that you and the Secretary of State for

SECRET

Social Services will agree that in the light of developments since Tuesday we should move back to the Chancellor's original position.

I am copying this minute to the other members of MISC 66, the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

BH.

BARNEY HAYHOE

SECRET

CONFIDENTIAL

PRIME MINISTER

18 April 1985

REVIEW OF EARLY RETIREMENT ARRANGEMENTS

Grey Gowrie has produced a sensible set of proposals which should give management a better and more rational sensitive set of instruments for negotiating early retirement.

The report makes a basic distinction of principle between compulsory retirement - a legal step, whose terms are well-established - and various forms of voluntary early retirement. The trick is to avoid compulsory redundancy - the option which is most expensive and damaging to employee relations - and to devise voluntary arrangements designed to ease out gently those whom management would like to see leave, at least cost.

The report tackles the problem by orientating the incentives to retire early towards those who are close to retirement. There will be a number in this age bracket who may have lost some of their zest and who would respond to early retirement terms which need not be expensive because the number of years of service to be compensated are small. Conversely, the report proposes discouraging terms to the under-50s to avoid incurring expensive compensation for many years' earnings foregone.

The most ticklish problem is: how should management set the financial terms for what is called "flexible early retirement" - ie retirement on the invitation of management?

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CONFIDENTIAL

- 2 -

On the one hand, the terms cannot fall too far short of the compulsory terms if they are to persuade the more reluctant staff to go quietly. On the other hand, there is no advantage from management's point of view in making unnecessarily generous offers to those who might volunteer to retire early. A comparison of the terms proposed for an Under Secretary retiring at 57, with 35 years' service, working in London, on £29,000 pa, is set out below:

	<u>Normal</u> <u>retirement</u> <u>at 60</u>	<u>Compulsory</u> <u>retirement</u> <u>at 57</u>	<u>Early</u> <u>retirement</u> <u>at management's</u> <u>invitation</u> <u>("flexible early</u> <u>retirement")</u>	<u>Voluntary</u> <u>early</u> <u>retirement</u> <u>("approved</u> <u>early</u> <u>retirement")</u>
Annual Pension	£13,800	£13,800	£12,700	£12,700
Lump Sum	£38,100	£56,800	£59,800	£38,100

It is proposed that the flexible terms should offer a marginally lower pension than the compulsory terms (£12,700, compared to £13,800), but a marginally greater lump sum (£59,800 compared to £56,800). But, in going so far towards the compulsory terms, they mean that someone in this position would receive £21,000 extra as a lump sum for being invited to retire over what he would receive if he volunteered.

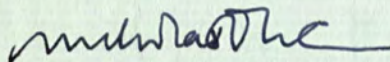
CONFIDENTIAL

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- 3 -

Conclusion

The recommendations deserve your endorsement. You could make the observation that the financial terms proposed for flexible early retirement may need further consideration. If they are too advantageous, relative to the terms proposed for those who volunteer, we may discourage volunteers. The situations in which Departments would offer such terms need to be clarified.



NICHOLAS OWEN

CONFIDENTIAL

FLY

SECRET

SLW.



cc CDL  
d/emp  
dti  
dhss  
mod  
hmt

148

10 DOWNING STREET

*From the Principal Private Secretary*

18 April 1985

**NON-INDUSTRIAL CIVIL SERVICE  
PAY NEGOTIATIONS**

Thank you for your letter of 16 April about the revised offer to be put to the Civil Service unions on Monday, 22 April following the meeting of MISC 66. The Prime Minister has read and noted the contents of your letter.

I am copying this letter to the Private Secretaries of other members of MISC 66, to Elizabeth Hodkinson (Department of Education and Science), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

Michael Norgrove Esq  
HM Treasury

SECRET



Treasury Chambers, Parliament Street, SW1P 3AG

Robin Butler Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON SW1

16 April 1985

*Dear Mr Butler,*

**NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS**

In the Chancellor's absence abroad the Minister of State has asked me to let you know the results of the further work following the meeting which the Prime Minister held this morning.

We find that within a revised offer worth 4.8 per cent on the pay bill, it would be possible to give 4.5 per cent for those on scale points and 5 per cent for others, all plus £4 per week underpinning for adults and £3 per week for those on 16 and 17 year age points, and taking account of the other minor proposals that were already on the table. The Minister of State proposes that we should adopt this now as our position. It would be accompanied by an indication that Ministers were not minded to agree to arbitration on the main pay claims, but would accept arbitration on the London Weighting claim should the unions so ask; and by an offer of constructive talks about longer term pay arrangements, picking up from where we left off the discussions following Megaw.

On timing, the Minister proposes that Treasury officials should stay closely in touch with DHSS officials, but that subject to any unforeseen developments our position on the Civil Service pay negotiations would be made known to the Civil Service unions next Monday, 22 April. In accordance with the request of the Secretary of State for Social Services, however, no meeting will even be set up until after Thursday next, 19 April.

I am copying this letter to the Private Secretaries of other members of MISC 66, to Elizabeth Hodgkinson in Sir Keith Joseph's office, to John Ballard in Mr Jenkin's office, and to Richard Hatfield in the Cabinet Office.

*Yours sincerely,*  
*M W Norgrove*

M W NORGROVE  
Private Secretary



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17 APR 1985

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cc NO  
(without report)  
A

Chancellor of the Duchy of Lancaster

PRIME MINISTER

REVIEW OF EARLY RETIREMENT ARRANGEMENTS

I mentioned to you in October (à propos promotion blockages) that we were close to the end of a major review of retirement policy (excluding the Special Early Retirement Scheme on which we corresponded recently). We have now completed the review and I enclose a copy of the report. I recommend we should adopt its conclusions and recommendations (summarised in chapter 8) as speedily as practicable. I shall be writing to you shortly on the wider problem of promotion blockages and alternative solutions.

2. The review team concluded that our present retirement arrangements no longer fully meet management's current and future needs. We have put together a wide-ranging package of measures, taking into account outside practice: there need to be fundamental revisions of existing terms and conditions of service; overall I judge the package provides a more coherent regime, with much greater flexibility and better value for money, with benefits for both management and staff.

3. We propose a graded system of early retirement measures for different circumstances, with the amount of compensation related to the extent to which the individual is responsible for and disadvantaged by his departure, and the extent to which the respective interests of management and the individual are served. There would be a clear distinction between premature retirement (age 50 and over) and early severance (under 50) and arrangements would be included for both compulsory and voluntary departures in both categories. Provision will be introduced to allow early retirement to be initiated, in certain tightly controlled circumstances, by the individual rather than by management.

4. We propose radical changes in the system of financial accountability and control of early retirement. Arrangements for early retirement costs would be borne directly by departments, to bring financial and managerial accountability into line, in accordance with the principles of the FMI, and to enable departments to weigh the relative cost-effectiveness of early retirement against other solutions to management problems of structure, grading, promotion blockages etc.

5. The review dealt specifically with the question of abolishing the payment of compensation in inefficiency cases. We propose to distinguish between non-culpable inefficiency, caused by factors outside an individual's control, eg temporary but long-term health problems or domestic worries; and culpable inefficiency arising from problems within an individual's control, eg attitude, motivation and effort. Retirement on the grounds of non-culpable inefficiency (hardship cases) would continue to attract some compensation; culpable inefficiency would warrant dismissal without compensation.

6. I am confident that the package of measures proposed by the review will in general be favourably received throughout the service, and will not cause undue problems for other public service pension schemes. The aim is that costs in relation to numbers of retirements should not increase.

7. The Treasury aim to introduce the delegation of financial responsibility to departments at the start of the 1986/87 financial year. I propose we should implement the new arrangements for early retirement at the same time. If discussions with the unions run into difficulties, I would not be prepared to allow the introduction of this useful and necessary package of reforms to be indefinitely delayed, and would seek to implement administratively the non-financial aspects of the package, leaving the financial arrangements to a later date.

### Conclusions

8. We have many real problems arising from our reductions in manpower, eg imbalance in grading structures, mismatch of available and required skills, and promotion blockages. Early retirement cannot provide a full solution to these problems but it can, if we use it widely and flexibly, play a major part. I would wish therefore to ensure that a more flexible scheme for early retirement is introduced as soon as possible, as a tool for those managing current and future change in the civil service. Thus I would like my officials, in consultation with other departments and where appropriate the unions, to pursue the implementation of the proposals made by the review with all possible speed.

9. In the meantime, as this is an undertaking with service-wide implications I believe colleagues should have an opportunity to consider the report and its recommendations, and would propose to circulate it to them. Patrick Jenkin and Nigel Lawson have already seen the proposals, because of possible consequences for the GLC/Metropolitan Counties abolition exercise. They are content for me to proceed as proposed.

10. I would be grateful for your authority to proceed with the implementation of the report's recommendations.

11. Copies of this minute go to Nigel Lawson, Patrick Jenkin and to Sir Robert Armstrong and Sir Robin Ibbs.



GOWRIE  
15 April 1985

MANAGEMENT-in-CONFIDENCE

B Front Page  
Mrs. Miller  
Box Number 13 35  
.....

**REVIEW OF EARLY RETIREMENT ARRANGEMENTS IN THE CIVIL SERVICE**

MANAGEMENT-in-CONFIDENCE



MANAGEMENT-in-CONFIDENCE

REVIEW OF EARLY RETIREMENT ARRANGEMENTS IN THE CIVIL SERVICE

Draft Report

3 December 1984

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- b. Aim of the Review
- c. Conduct of the Review
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VIII. Concept of 'One Service'

d. Summary

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II. Employment Trends

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I. Size and Structure of the Civil Service

II. Age Retirement

III. The Career Principle

IV. Improved Efficiency

V. Value for Money

VI. Increased Accountability

VII. Concept of One Service

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- b. Categories of, and Criteria Governing Early Retirement
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- A - List of outside bodies and organisations consulted in the course of the review.
- B - 1971 Agreement Between the Official Side and the National Staff Side Arrangements and Compensation for Premature Retirement From the Home Civil Service and the Diplomatic Service.
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- D - VER: General Circulars.
- E - Criteria for FPR.
- F - Summary of current financial terms for premature retirement.
- G - Examples of new 'Approved Early Retirement' Terms.
- H - Examples of new 'Flexible Early Retirement' Terms.
- I - Examples of new 'Compulsory Premature Retirement' Terms.
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- K - Examples of new 'Compulsory Early Severance' Terms.
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- M - Comparison of new 'Flexible Early Retirement' and existing 'Flexible Premature Retirement' Terms.
- N - Comparison of proposed new and existing 'Compulsory Premature Retirement' Terms.
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- 2 - MANDATE'S figures on Early Retirements
- 3 - PM4's figures on VER and FPR
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- 1 - Changing Grade Structure in the Administration Group
- 2 - Changing Age Structure at EO level and above in the Administration Group
- 3 - Changing Age Structure by Grade at EO level and above in the Administration Group

## CHAPTER 1: INTRODUCTION

### a. Terms of Reference

1.1 In March 1983 Mr J S Cassels, then Second Permanent Secretary in the Management and Personnel Office (MPO) presented a report to the Prime Minister reviewing "Personnel Work in the Civil Service". Recommendation 41 of that report said:

" In Autumn 1983, the MPO should review the full range of early retirement arrangements and take into account experience of the new arrangements introduced in April 1983, practice in outside organisations in the UK and practice in other countries".

The recommendation was endorsed by the Prime Minister.

### b. Aim of the Review

1.2 The aim of the review has been to devise a coherent package of early retirement measures which, while being sufficiently flexible to meet and adapt to the Service's current and perceived needs over the next 10-20 years, offer value for money and are broadly acceptable to the staff.

### c. Conduct of the Review

1.3 The review was carried out as part of the day to day work of the responsible Cabinet Office (MPO) policy branch - the Retirement and Redundancy (R&R) Branch of Personnel Management 4(PM4) Division. In line with the review's terms of reference a number of outside organisations in the UK, and public services of other countries were consulted about their practices. The information they provided has proved useful in formulating the recommendations in this report and we are extremely grateful for the time and trouble they spared. A list of those consulted is at Annex A.

1.4 Much of the background information necessary to analyse the effectiveness of the existing arrangements and the changing needs of the Service had been collected in connection with 3 previous studies:

- i. the MPO's report on "Civil Service Management Development in the 1980s" (January 1983);
- ii. the main "Review of Personnel Work in the Civil Service" (March 1983);
- iii. the report of the "Interdepartmental Committee on Promotion Blockages in the Civil Service" (January 1984).

This report has sought not to repeat the data and conclusions contained in these reports although it has drawn on them.

1.5 In addition to the information provided in these reports the main Government Departments and a number of the smaller departments were consulted, particularly in relation to identifying the Service's needs, and the Treasury was consulted in connection with the financial considerations. The Trade Union Side were also told of the review and invited to offer their views on the existing early retirement arrangements and the need for change.

d. **Cost of the Review**

1.6 No additional resources were allocated to PM4 Division to cover the review; the cost was therefore absorbed within the Division's existing budget.

e. **Outline of the Report**

1.7 The Report considers the issues in 6 main steps:

- i. Chapter 2 outlines the development, nature, use and cost of the existing early retirement arrangements;
- ii. Chapter 3 discusses the major changes that have occurred both inside and outside the Civil Service since the arrangements were introduced;
- iii. Chapter 4 considers the implications of these changes for any new measures;
- iv. Chapter 5 considers what is meant by 'premature retirement', looks in detail at the circumstances where it is useful, and then recommends new categories of early retirement and the criteria which should cover them.

v. Chapter 6 discusses the financial terms relating to the existing arrangements and recommends new terms which could relate to the new categories recommended in Chapter 5.

vi. Chapter 7 considers the deficiencies in the present control system relating to early retirement and suggests a new regime which would relate to the new system recommended in the 2 previous chapters.

1.8 Chapter 8 summarises the Report's main recommendations and Chapter 9 outlines a proposed Action Programme for Implementation.

## CHAPTER 2: THE EXISTING ARRANGEMENTS

### a. Development of the Existing Arrangements

#### I Compulsory Premature Retirement Arrangements

2.1 The existing arrangements for early retirement from the Civil Service were introduced in 1972 following a fundamental and wide-ranging review of the circumstances, other than ill-health, but including redundancy, in which civil servants could be retired before the minimum retiring age and the compensation which could be paid in such circumstances. The review followed a recommendation from the Fulton Committee that premature retirement in the public interest (as provided for in respect of the Diplomatic Service in Section 45 of the Superannuation Act 1965) should be extended to the Home Civil Service. The new arrangements were embodied in an agreement between the Official Side and National Staff Side, a copy of which is at Annex B. The new arrangements:

- i. improved the compensation terms existing at that time;
- ii. drew a distinction between staff at Executive Officer level and above (mobile grades), who would continue to have a mobility obligation to accept a posting anywhere, and those below this level (non-mobile grades), who would only have an obligation to transfer to posts within daily travelling distance of their home;
- iii. introduced the arrangements under which staff in mobile grades could be prematurely retired in the public interest on grounds of limited efficiency or structure;
- iv. made provision for an independent Appeal Board to consider the case of those to be prematurely retired if they so wished.

2.2 The revised arrangements are currently embodied in paragraphs 8761-8820, 10510-10667 and 10120-10189, of the Civil Service Pay and Conditions of Service Code, CSDIM(73)20 and CSDIM(75)10. Guidance to management on how to implement these provisions is outlined in paragraphs 8820-8922, 8990-9069 and 4980-4999, of the Establishment Officers' Guide. (Copies of all these documents may be found at



Annex C). Under the revised arrangements staff in mobile grades prematurely retired in the public interest are entitled to receive preserved superannuation benefits, or short service payments, and lump sum compensation payments. In addition those over 40 may have their reckonable service enhanced, are entitled to annual compensation payments equal to the preserved pension, and may have their superannuation lump sum benefit, or a proportion of it, paid immediately. Those in non-mobile grades receive preserved superannuation benefits and lump sum compensation payments. Their reckonable service is not enhanced, nor are they entitled to annual compensation payments, although those aged 55 and over can opt to have their accrued superannuation benefits paid immediately rather than receiving compensation. All payments are made from the Principal Civil Service Pension Scheme (PCSPS).

## **II Premature Retirement on Inefficiency Grounds**

2.3 The arrangements introduced in 1972 included provisions for prematurely retiring civil servants on inefficiency grounds. Those retired on these grounds, whatever their grade, are entitled to receive preserved superannuation benefits, or short service payments, and lump sum compensation payments. Those aged 55 and over may opt for the immediate payment of the preserved benefits rather than compensation. Recommendations 34-40 of the report of the "Review of Personnel Work in the Civil Service" (RPW) indicated that the procedures for dealing with inefficient staff should be amended and the compensation payments abolished. The Prime Minister, in endorsing the report, said that special attention should be given to these recommendations. The central procedures have now been revised in line with RPW's recommendations and departments are streamlining their internal arrangements. The compensation question, and the implications of its abolition for early retirement arrangements more generally is, however, to be addressed by this review.

## **III Voluntary Early Retirement (VER)**

2.4 In July 1977 a new early retirement provision was introduced. The new measure, which was introduced initially to help reduce staff surpluses arising in 1977/78, permitted departments, in certain circumstances, to declare a programme of Voluntary Early Retirement in the Public Interest (VER). Under this new arrangement departments could invite eligible staff to be considered for retirement before the minimum retirement age with immediate payment of accrued pension and associated lump sum benefits. No compensation was payable. 4 time-limited VER schemes have

been introduced in 1977/78, 1980/81, 1983 and 1984. On each occasion the schemes have been specifically directed at reducing staff surpluses and have been limited to those aged 55 and over. Copies of the relevant General Circulars announcing the schemes may be found at Annex D.

#### **IV Flexible Premature Retirement (FPR)**

2.5 In April 1981 the existing criteria for premature retirement on limited efficiency and structural grounds were widened in order that departments could shed staff, particularly the weaker ones, more easily. This was felt necessary in order to ensure a more balanced and efficient Civil Service and to help achieve a more orderly rundown to the Government's 1 April 1984 manpower targets. The structural criteria were further relaxed in 1982 and 1983 and the arrangements extended to non-mobile staff in 1983. In 1984 a special structural scheme was introduced for senior staff. This scheme, which is currently in operation, is primarily aimed at opening up promotion opportunities for talented younger staff. These relaxations did not involve any fundamental alterations to the agreed conditions of service as regards premature retirement since they did not involve compulsion. The compensation terms remained the same as for compulsory retirements although, since those approached had to agree to go early, it was not necessary for the department to give them 6 months notice. This, together with the fact that such FPRs were normally confined to those within 5 years of retirement, meant that FPRs were, on the whole, cheaper than compulsory retirements. The revised criteria are outlined at Annex E.

#### **V. Ill-health Retirement**

2.6 The existing arrangements for ill-health retirement, which were not subject to review in the early 1970s, provide for civil servants to be retired early on medical grounds only if the Civil Service Medical Adviser is satisfied that the breakdown in health is such that it prevents the civil servant from carrying out his or her duties and that the ill-health is likely to be permanent. Paragraphs 10577-10639 of the Civil Service Pay and Conditions of Service Code and paragraphs 8897-8932 of the Establishment Officers Guide (see Annex C) set out the arrangements for medical retirement, which can take place at either the department's or the individual's request, and include provisions for an appeal against retirement, or against refusal to allow retirement, on medical grounds.

**b. Number of Early Retirements**

2.7 Figures for the number of staff retired under the arrangements are available from a number of sources including departmental records, the central personnel computer system MANDATE, the Treasury's Superannuation Division, and data held by the Paymaster General's Office (PGO) in connection with the payments made from the PCSPS - Tables 1, 2, 3 and 4 outline the figures available from these sources. As can be seen there are a number of data problems, particularly in relation to correlating the figures from different sources. These problems stem mainly from classification decisions. The figures do, however, give a good indication of the scale of the different categories of early retirement.

**c. Cost of Early Retirement**

2.8 The cost of premature retirement varies depending on an individual's grade, pensionable pay, age and length of service. The current financial terms are summarised at Annex F. Table 4 shows the payments made from the PCSPS since April 1981 in respect of compensation for premature retirement, and early payment of pension and lump sums under the FPR, VPR and VER arrangements. First year expenditure can appear to be considerable in that in addition to lump sum compensation payments the superannuation benefits, including the lump sum element due at retirement, may also be brought into early payment. These payments do, however, consist essentially of the bringing forward of liabilities the Government would, in any case, have had to have paid at the time of normal retirement. The real additional cost of early retirement consists of the additional years of pension (subject to enhanced service), and the compensation payment, but not the lump sum. Thus the cost is in fact much smaller than might at first appear.

2.9 These figures, together with those available from the FPR and VER schemes show:

i. the average cost in the first year of prematurely retiring a civil servant under the FPR, VPR and VER arrangements has been approximately £16,500;

ii. the average cost in the first year of prematurely retiring a mobile civil servant in the public interest (redundancy, structure and limited efficiency) has been approximately £21,000;

iii. the average cost in the first year of a VER has been approximately £9,600.

These costs do, of course, include the one-off lump sum compensation payments which would not be paid in subsequent years. In addition 60% of the cost is accounted for by the early payment of the lump-sum superannuation cost. The average annual pension cost would be approximately 20% of the figures outlined above, 25% for VER.

## CHAPTER 3: THE MAIN SIGNIFICANT CHANGES AFFECTING THE EFFECTIVENESS OF THE EXISTING ARRANGEMENTS

### a. Introduction

3.1 The existing arrangements have now been in operation for 12 years. They have had to be modified significantly to adapt to the changes the Civil Service has undergone during that period. Although these modifications, for example the introduction of the Flexible Premature Retirement (FPR) arrangements, have not led to any fundamental change in the basic terms and conditions, they have tended to blur the distinctions between the various arrangements. They have also raised questions as to whether all of the general assumptions on which the original arrangements were based are still valid. This chapter examines the main significant changes which have occurred both outside and inside the Service over the last 12 years.

### b. External Changes

#### I. Fair Treatment and the Law

3.2 Premature retirement is essentially a form of dismissal, albeit compensated dismissal. Although the Crown retains a prerogative right to dismiss at pleasure it does not in practice exercise this right. The Service has always been concerned to ensure that its staff are treated fairly and this is reflected in the existing early retirement arrangements. Since 1972 a wide range of legislative measures related to employment protection have been introduced. These have made it necessary for management not only to be satisfied that it is treating staff fairly but also to be able to demonstrate that it has done so to an independent industrial tribunal.

3.3 The Employment Protection (Consolidation) Act 1978 outlines 5 'fair' reasons for dismissal:

- i. Incapability or unqualified - assessed by reference to skill, aptitude, health, or any other physical or mental quality, and academic, technical or professional qualifications.
- ii. Misconduct - related to the employee's behaviour.

iii. Redundancy - where the employer's need for employees to do work of a particular kind has ceased, or diminished, or is expected to cease or diminish.

iv. Legal reasons - where the continued employment of the employee in his position would result in either him or his employer contravening a duty or restriction imposed by law.

v. Another 'substantial' reason - where the onus is on the employer to show the reason is of a kind which would justify dismissal from the position which the employee held.

3.4 In prematurely retiring a person compulsorily a department needs to demonstrate not only one of these fair reasons for dismissal, but also that it was reasonable to dismiss the particular individual, and that it had treated the individual fairly. Compensation is for loss of employment; it is not an alternative to fair treatment. That said the total compensation a civil servant might receive from the PCSPS in such circumstances could far exceed the maximum compensation that could be awarded by an Industrial Tribunal.

## II. Employment Trends

3.5 Current unemployment levels greatly exceed those of the early seventies. Perhaps as a result resignation levels are dropping but economic pressures are forcing managers to dispense with the services of many of their employees before the normal retirement age. Good employers are attempting to do this in a way which causes least distress to individuals. In this context early retirement, in the sense of the cessation of full-time employment but with the immediate payment of superannuation benefits, has played a significant part. Those retired within 10 years of the state retirement age often have little prospect of future employment and are genuinely retiring early. Below this age early severance is more common.

3.6 Concern about youth employment has also led to a number of measures to encourage other employees to retire early. Most notably the Government runs the Job Release Scheme under which both men and women may retire before the state retirement age and receive a tax free weekly allowance provided their employer replaces them with someone on the unemployment register.

3.7 Retirement ages generally appear to be coming down or, at least, are becoming more flexible. Indeed there is considerable pressure, both domestically and within the European Community, to lower state retirement ages. In its Third Report of the 1981/82 session, the Social Services Select Committee proposed gradual progress to a common qualifying age of 63 for full state pension, coupled with a facility eventually for early retirement on a reduced pension from age 60 for both men and women (as well as the chance to earn a higher pension by staying in work until age 65). In responding to this report the Government said that it had a good deal of sympathy with the principles of flexibility and equal treatment, but that the costs involved with such measures were significant and raised wider issues. In the light of these considerations, and other major questions in the pension field the Government has recently set up a major inquiry to look at pension provision in the United Kingdom, taking account of the Select Committee's recommendations.

c. **Internal Changes**

I. **Size of the Civil Service**

3.8 In the early and mid 1970s the Civil Service was expanding and early retirement arrangements were rarely used to reduce numbers, but the contractions in manpower, particularly since 1979 have put more demands on them in recent times. Although the rundown in manpower has, as the Government intended, been achieved mainly through natural wastage, the proportion of civil servants retiring on VER, redundancy, and limited efficiency has increased. Since 1979 early retirement has in fact removed approximately 20,000 people from the Service. Not all of these will have contributed directly to the overall reduction of 102,000 posts (or 14% of the Service) since many, including for example those leaving on ill-health, may have needed to be replaced however, the contribution made by early retirement has not been insignificant.

II. **Personnel Structure**

3.9 The reliance on natural wastage to help cut Civil Service manpower, while offering a relatively cheap method of cutting staff numbers, has distorted the management structure, not only in terms of the proportions of staff at different grade levels, but also in terms of the relative quality of the staff, the age structure of grades and the distribution of skills and specialisms. Diagram 1 shows the change in grade structure which has occurred in the five years since 1 January 1979 in the

Administration Group (including generalists in the Senior Open Structure). The sizes of all grades have been reduced but there are marked differences. The lowest and the highest grades have been reduced proportionately twice as much as the group as a whole and the middle to low grades of HEO and EO have been relatively unchanged. One of the results of the more severe cuts at senior levels, as the recent report on Promotion Blockages in the Civil Service has demonstrated, is that more demanding work is now being done at less senior levels and there are serious promotion blockage problems at most levels in the Service. These blockages have an adverse effect on morale which in turn can affect efficiency.

3.10 The current promotion blockages are made worse, and are likely to become more severe as a consequence of the present and projected age structure of the service. Diagram 2 illustrates the changing age structure at Executive Officer level and above in the Administration Group. It will be seen that in 1975 the Service was facing a retirement bulge. Given the severe reductions in staff numbers this was fortunate in that it meant that much of the run-down could be achieved by natural wastage. This bulge has, however, now passed and the bulk of Administration Group staff at these levels are in their 30-40s. Diagram 3 illustrates the changing age structure at each grade level. It can be seen that since 1975 larger numbers of relatively young staff have been promoted to the HEO, SEO, Principal and Grade 5 (Assistant Secretary) posts. This will necessarily entail them spending longer in the grade and thereby exacerbating the current promotion blockage problems. Moreover, despite the promotion of these younger people, the increase in the quality of the work at middle management levels (as a result in the reduction of more senior posts) has meant there is a shortage of good quality people, mainly at Principal level, to carry out the work. The current promotion difficulties are likely to exacerbate this problem in that if the good people at these levels cannot be offered the prospect of relatively rapid promotion there is the risk that they will become disenchanted and leave.

3.11 In addition to the changes in the grade and age structure, the Service, in common with many other organisations, has been affected by the changing need for skills, particularly in relation to new technology. Technological changes, in addition to helping reduce manpower and improve efficiency, have a direct impact on the type and quality of staff required by the Service. Some existing specialisms and activities become redundant whilst new ones flourish. There has for example, in the Scientific and Technological areas in the Service recently been a change in the balance between non-professional and professional staff. Such changes are likely to continue for some time.



### III. Age Retirement Patterns

3.12 The minimum retirement age has been 60 for civil servants for over 100 years. Despite this many opt to stay on beyond that age. There are currently more than 40,000 civil servants over age 60, 6% of the Service. The formal policy on age retirement, as described in the Establishment Officers' Guide, is still one of maximum retention beyond this age. However, in the light of changing management needs and the Government's desire to reduce manpower, relatively fewer staff are being kept on beyond 60. In 1977 it was agreed that staff should only be kept on beyond age 65 if this were demanded by the overriding needs of the Service. Since that time most departments have had to modify their age retirement practice, particularly as regards staff in mobile grades, and it is now relatively rare for such staff to be kept on beyond 60 unless they have scarce specialisms or short service. The problem is not, of course, confined to the Civil Service.

### IV. The Career Principle

3.13 The Civil Service, like most other large organisations in both the public and private sector, recruits on the basis of retaining staff in the Service until they retire. This system is inherent to the principle of a politically impartial Civil Service. However, there is considerable pressure to improve the flow of ideas and people into and out of the Service at a variety of levels. This pressure is likely to increase as successive Governments continue to strive to create a more dynamic Service. This in time will add to the need for more staff to leave the Service in mid-career or at least earlier than they would have in the past.

### V. Improved Efficiency

3.14 The Government's drive for improved overall efficiency throughout the Service has increased the pressure to remove both the genuinely inefficient and the less efficient. Indeed, some departments have argued that it is not possible both to achieve fairness of treatment all round and a fully efficient Civil Service. The removal of the inefficient has never been easy and it was hoped that the existing arrangements for premature retirement on inefficiency grounds, which replaced a much more rigid regime, would ease the task. Despite this the number of those leaving on these grounds has remained relatively low. The Service's rigorous recruitment procedures, and the requirement of staff successfully to complete a period of probation at the beginning of their careers, means that inefficient staff

are normally weeded out and dismissed at an early stage. The problem of inefficiency in the Service tends therefore to be one of staff who become, rather than always have been, inefficient. A number of factors can cause this - ill health, loss of interest, lack of moral fibre to give of their best, lack of ability and versatility to cope with the work at the level they have managed to achieve in the past, or simply laziness or 'skiving'. Good management can often result in the required improvement but where the individual cannot or will not improve, and downgrading is inappropriate, dismissal is often the only answer. In the Civil Service this currently takes the form of premature retirement on inefficiency grounds but the Review of Personnel Work (RPW) recommended that dismissal without compensation was more appropriate.

3.15 The removal of inefficient staff presents a problem for most employers. The RPW Report suggested that one of the main reasons for this was that "line managers are reluctant to identify, monitor and report on inefficient staff". This is a problem which the Civil Service has in common with other employers. A major part of the answer, at least as far as the genuinely inefficient are concerned, must lie in overcoming this reluctance and ensuring that line management bears the consequences of not reporting accurately. The problem of dealing with less efficient, rather than the inefficient is, however, more difficult.

3.16 As a large employer the Civil Service must expect to have its share of staff who are only performing some of their duties moderately well. Such staff are not incapable of doing their jobs and cannot therefore be dismissed fairly on these grounds. Where there is no likelihood of improvement it is often in management's interests for the individual to retire early and be replaced by more efficient, more motivated promotees. Although the provisions for premature retirement on limited efficiency grounds were originally introduced to deal with the exceptional case, normally at Grade 6 level and above, where an individual became less efficient through no fault of his or her own, for example, where the nature of the job changed fundamentally, the drive for improved efficiency has led to management wishing to offer early retirement on these terms to those whose overall performance has become mediocre rather than unsatisfactory. This has resulted in the present procedures appearing to 'reward' the less efficient in that management has been prepared to retire them early on relatively generous terms, whereas the loyal, hardworking and efficient officer, who would perhaps like to retire early for personal reasons, can only resign with a preserved pension.

**VI. Value for Money**

3.17 When the existing early retirement arrangements were introduced it was assumed that the more generous terms relating to premature retirement in the public interest would only be used exceptionally in compulsory cases. In recent years, as a result of many of the changes discussed earlier in this chapter, not least the legislative changes, the use made of them, particularly on a 'willing-victim' basis, has increased significantly. The wide disparity between the premature retirement and the Voluntary Early Retirement (VER) terms has always been justified on the basis that the former were compulsory, and the latter voluntary. With the advent of FPR this distinction has become difficult to maintain, although there is still clearly a difference between 'willing-victims' and volunteers. There does, however, appear to be a need to re-adjust the balance between the differing terms to ensure the taxpayer is getting value for money.

3.18 More generally, where premature retirement has been used as a means of reducing manpower the premature retirement costs have been more than offset by salary savings and have therefore offered value for money. As, however, the problem changes from one of surplus to structure there is an increasing likelihood of those retiring being replaced and salary savings will not offset the costs. This calls into question the overall cost-effectiveness of the present terms in relation to the problems that have to be tackled.

**VII. Increased Accountability**

3.19 In recent years there has been considerable pressure to make officials more accountable for the resources they control - this pressure is exemplified in the introduction of the Financial Management Initiative (FMI). The overall aim has been to bring together management and financial control. Responsibility in relation to early retirement decisions is, however, diffused and unclear. All expenditure for early retirements comes from the Civil Superannuation Vote, for which the Paymaster General's Office (PGO) is accountable. Superannuation Division in the Treasury is responsible for the administration of the Principal Civil Service Pension Scheme (PCSPS) which governs payments from the Vote. Responsibility for early retirement policy rests with the Cabinet Office, which largely acts as the Treasury's agency in approving early retirements. Some decisions on individual retirements are delegated by the Cabinet Office to the operating departments subject to specific criteria being met. The Cabinet Office does, however, retain direct control over all

premature retirements on ill-health (through the Medical Advisory Service) and structural grounds, redundancy grounds for mobile staff, and all FPRs which occur in small departments.

### **VIII. Concept of 'One Service'**

3.20 Prior to 1972 when the existing early retirement arrangements were introduced, all civil servants had an obligation to accept a posting anywhere in the UK or abroad. With the introduction of the new arrangements a distinction was drawn between staff in mobile grades, normally Executive Officers and equivalent level and above, who retained the obligation, and those in non-mobile grades who did not. This distinction is very important in relation to the existing early retirement arrangements in that those relating to premature retirement on limited efficiency and structural grounds are limited only to mobile staff, and the terms for mobile and non-mobile are different in relation to redundancy. The terms relating to premature retirement on grounds of ill-health and inefficiency are the same for both groups.

3.21 The mobility obligation exists because management regards it as essential to the efficient running of the Service that it can compel staff at middle and senior levels to move to a posting anywhere in the Service at home or abroad; its retention was recommended by the Review of Personnel Work. The existence of the obligation is important in the context of redundancy in that it means that surplus staff in one location can be moved to another. This limits the likelihood of redundancy and partly accounts for the mobile redundancy terms being significantly better than the non-mobile ones. But in practice, although some departments enforce the obligation for internal moves unconnected with redundancy, the compulsory transfer of mobile officers, particularly between departments, has not been common. Certainly for officers nearing retirement age, a more cost effective solution to redundancy problems often lies in offering premature retirement rather than a transfer.

In addition, because the public interest terms applicable to early retirement on grounds of redundancy are also used in other cases (promotion blockages, limited efficiency etc.) early retirement terms are often considerably more favourable for mobile staff in situations where there is no real likelihood of the mobility obligation being enforced. The obligation does not affect the calculation of superannuation benefits for any retirements other than those made prematurely on public interest

terms. A mobile officer retiring under say FPR arrangements would therefore receive terms calculated on a significantly more generous basis than either a non-mobile colleague, or another mobile officer retiring in the normal way, whether or not the mobility obligation had ever been invoked. All this tends to call into question the continuing relevance of the mobility obligation to arrangements for early retirement.

d. **Summary**

3.22 The main significant changes which have occurred both outside and inside the Service during the last decade and which have implications for the existing early retirement arrangements are:-

- i. the legislative protection now afforded to employees, particularly in relation to dismissal.
- ii. the change in general employment trends in the last decade.
- iii. the recent drastic reductions in the size of the Civil Service and the continuing pressure on manpower numbers.
- iv. the changing staffing structure, particularly the current and impending severe promotion blockages.
- v. recent, and possible future, changes in the age retirement patterns of different groups of civil servants.
- vi. increasing pressures of the need to improve the flow of ideas and people into and out of the Civil Service.
- vii. the Government's drive for improved efficiency, accountability and value for money within the Service.
- viii. changing staff mobility patterns within the Service and the increased independence of departments.

## **CHAPTER 4: IMPLICATIONS OF RECENT CHANGES FOR FUTURE EARLY RETIREMENT ARRANGEMENTS**

### **a. Introduction**

4.1 Many of the changes described in Chapter 3 are of considerable significance in that they change the framework within which early retirement measures have to operate. Moreover, the implications of the different changes often appear to be contradictory. However, the aim of this review is to try to devise a coherent set of early retirement measures which, as far as possible, bring these conflicting pressures together.

### **b. Implications of External Changes**

#### **I. Employment Protection Legislation**

4.2 The legislative protection now afforded to employees changes the environment within which the early retirement arrangements operate. While the onus quite rightly remains on management to ensure fair treatment regardless of the law, the law does provide a safeguard against unfair treatment. Where a dismissal is fair and justified, and management has behaved efficiently, the law is helpful and has, to some extent, made dismissal easier. Increasingly however, the circumstances in which management needs to reduce or reorganise manpower, or indeed wishes particular individuals to leave, are such that their dismissal would clearly not be fair. It is therefore essential for management to find ways of persuading staff to leave willingly. Early retirement on a voluntary/willing basis is therefore likely in the future to have an increasing role to play.

#### **II. Employment Trends**

4.3 The continuing high level of unemployment especially amongst the young is likely to increase the pressure for those in employment to retire earlier in order to create more job opportunities. The signs are that in such circumstances people will not be forced to retire earlier. It is therefore likely that employers will in future need to adopt a more flexible approach to retirement, with employees having more say over the date of their retirement provided they are prepared to accept the appropriate financial penalties or benefits.

c. **Implications of Internal Changes**

I. **Size and Structure of the Civil Service**

4.4 Under the Government's current proposals Civil Service manpower will not be reduced as drastically in the future as in the recent past, but the trend continues downwards and the pressure to reduce staff numbers will be maintained. There will still be a role for early retirement arrangements to provide for the removal of staff without their replacement. There is, however, likely to be increased emphasis on the role of early retirement in helping management meet one of its most serious challenges over the next few years, that of adapting to the changing grade, age and skill structure. It has already had a valuable role to play particularly in relation to opening up senior posts to talented younger staff. By its very nature, however, early retirement can only have a significant impact on older age groups of staff who are approaching the end of their careers.

4.5 While early retirement of a group of staff can have an immediate effect on the promotion prospects of that group, this effect is short-lived and may, in due course, exacerbate the promotion blockages problem. If staff are promoted younger they will be occupying the posts for a longer period, and thus block the career progression of their successors in turn. A number of larger employers in both the public and private sectors who have, in recent years, sought to reduce their manpower mainly by the relative wholesale earlier retirement of staff, particularly senior staff, have discovered this to their cost. The role of early retirement in solving promotion blockages is therefore limited. It is useful if it can be operated selectively at management discretion in such a way as to help tackle current problems without creating future ones.

4.6 Nor does early retirement provide a panacea to the current problem of a shortage of high quality staff at middle management levels. It may have a role to play in removing older, less motivated staff at these levels but the overall quality can only be improved if there are sufficient numbers of more able, junior staff to promote in their place and, even if there are, the promotion blockage difficulties at more senior levels may mean that the Service will not be able to retain such staff once promoted - the quality problem may therefore remain. If this turns out to be the case the answer may lie more in devising an attractive remuneration package which persuades people to stay or, perhaps, attracts high quality people from outside the Service on short-term contracts. Such proposals are, of course, outside the scope of this review.

4.7 The flexible use of early retirement arrangements can therefore have a valuable role to play in improving the structure of the Service, but its contribution should not be exaggerated and it will be important in operating it to take account of the long term effects.

## II. Age Retirement

4.8 The external and internal pressures to lower the normal age of retirement of civil servants will continue but it is difficult to judge whether the Service can reasonably go much further in this respect. Some 75% of staff over 60 are in the non-mobile grades (Clerical Officer and equivalent and below). If such staff were compelled to retire early their occupational pensions would be comparatively small and, unless they could find work, would need to be supplemented by unemployment or social security benefits until they reached the state retirement age.

4.9 When the existing premature retirement arrangements were introduced the view was that premature retirement, in terms of the PCSPS, should only relate to retirement before the minimum pensionable age. Beyond that age the quid pro quo of staff having a right to opt to retire on their full occupational benefits was that management had an unfettered right to retire them on age grounds compulsorily. However, recent legal judgements have established that some staff can have an entitlement to remain after the minimum retirement age. Even if in theory the normal retirement age for non-mobile staff could be lowered to 60, in practice, given the considerations mentioned earlier it is unlikely that management would wish to do so.

4.10 Management might wish to consider lowering the normal retirement age for middle-ranking and senior civil servants below the current one of 60. If this were done generally it would be extremely expensive and would not improve promotion prospects commensurately. There might be scope for having different normal retirement ages for staff at different levels. The Service's structural problems might, for example, benefit from a system directly the reverse of that which operates in the Armed Forces, so that the more senior a civil servant the earlier he or she retired. But such a system too would be expensive and would reduce the degree of management control over the age at which senior staff retire. Such a policy would militate against, rather than in favour of, flexibility and would give senior staff more say over the date of their retirement. There would no doubt be many cases where the Service would wish to retain the services of an able, and



comparatively young senior officer, beyond his or her normal retiring age, but he or she might refuse to stay on preferring to take up a more lucrative appointment outside the Service. A system of selective and controlled early retirement would seem, from both a managerial and financial point of view, to be preferable.

4.11 There is some attraction in the idea of 'phased' retirement where, after a certain age, staff could volunteer to move to part-time employment in preparation for retirement. Such a system would have a number of advantages in that

- it might open up career opportunities for developing younger, more able staff
- it would help individuals to be better prepared for retirement
- it might help create employment opportunities.

Against this there are a number of significant disadvantages, not least the additional managerial resources needed to prevent such a system causing untoward disruption and the additional costs deriving from part-time employment. In France, where the public services have experimented with such a system, it has been found necessary to pay those concerned on more than a pro-rata basis to persuade them to move to part-time employment. Under the French scheme staff are paid a replacement income equal to 80% of the amount they received while working full time, the payments taking the form of pay rather than pension. The scheme, which is aimed primarily at promoting part-time working, rather than encouraging early retirement has proved attractive to staff but very costly and there are currently no plans to continue it beyond the end of 1984.

4.12 So far as the Civil Service is concerned the direct managerial benefits of 'phased' retirement are probably outweighed by the disadvantages and may be provided more efficiently through a system of selective early retirement. If there was to be a movement in this direction it would need to be justified on wider grounds of social or employment policy.

4.13 Future changes in age retirement patterns in the Service are therefore unlikely to ease the need for early retirement measures, particularly at middle and senior management levels, although in considering early retirement measures account needs to be taken of age retirement practices.

### III. The Career Principle

4.14 If there is to be increased movement into and out of the Civil Service in mid-career, it is questionable whether mid-career departure should take the form of early retirement with annual compensation payment equivalent to pension since it would be expected that those leaving would pursue their careers elsewhere. In such circumstances some form of early severance, with lump sum compensation payments, rather than the early payment of pension might be more appropriate. Unless the employees concerned were on limited period appointments it would be difficult to effect departures on a compulsory basis since management has to be able to demonstrate one of the fair reasons for dismissal mentioned in paragraph 3.3. Staff would therefore need to be 'persuaded' to leave, the compensation payment providing the inducement.

4.15 Future arrangements for early retirement may therefore need to distinguish more clearly between early retirement and early severance, with new arrangements in respect of the latter.

### IV. Improved Efficiency

4.16 With continuing emphasis on improved efficiency, the need for management to be able to dismiss or retire the inefficient and less efficient will continue and grow. In the case of culpable inefficiency dismissal seems the more appropriate ultimate remedy than early retirement. But it is important that dismissal is not seen as the only or necessary remedy. The procedures for dealing with poor performance should therefore be separated from the retirement code. At the same time inefficiency should be dealt with more rigorously and with less inhibition about dismissing people on such grounds where that is appropriate. In the case of the less efficient\_ - those who are performing only moderately well but whose retirement would benefit management\_ - the balance needs to be set to avoid the appearance of such people benefitting unfairly from their inadequacies, while at the same time treating them with reasonable consideration.

### V. Value for Money

4.17 Any new early retirement arrangements will need to meet management's needs in the most cost-effective way. To do this they will need to re-adjust the balance between compulsory and voluntary retirements, and take account of the fact that in future salary savings will less frequently offset early retirement costs.

**VI. Increased Accountability**

4.18 Any new early retirement arrangements will, in line with the FMI, need to bring the managerial and financial responsibility for early retirements closer together so that the managerial benefits of such retirements can be more directly related to the financial costs.

**VII. Concept of 'One Service'**

4.19 New early retirement arrangements will need to consider the relevance of the practical operation of the mobility obligation to the differing categories of and financial terms relating to premature retirement. For example non-mobile staff were originally excluded from the arrangements for premature retirement on structural and limited efficiency grounds because these were intended to apply only at senior levels ie not lower than Grade 6 (Senior Principal) level. But experience has shown that 'structural' retirements have a valuable role to play in helping to bring about re-organisations cost effectively at lower levels and FPR has been used for that purpose. Similarly, in the case of limited efficiency, whereas in 1971 it was thought unlikely that a junior officer's efficiency would be impaired through no fault of his own, but because the nature of his work had changed, the advent of new technology has thrown doubt on this assumption. Moreover the mobility obligation has little relevance in practice to the management of a redundancy situation, though it continues to have a significant effect on the terms which are available to different groups of staff.

**d. Conclusion**

4.20 Early retirement cannot provide a complete answer to the range of management difficulties facing the Service now and in the future. For example, in relation to the changing managerial and age structure it can provide some short-term easement of a difficult promotion blockage problem but there is the danger that the younger promotees themselves form a new blockage in due course. A much wider range of measures may be needed, such as greater use of short-term contracts. Such matters are outside the scope of the review. It is clear, however, that early retirement schemes will have to be a component of the Service's personnel armoury if it is to address itself successfully to the staffing rundown and structural changes required of it over the next few years, and that selective early retirement schemes, within management control, offer a more efficient way of

dealing with some managerial problems than the lowering of normal retirement ages for specific grades or a system of 'phased' retirement.

4.21 The existing early retirement arrangements do not however, meet management's current and prospective needs effectively. They need to be revised to take account of the implications of major changes both within and outside the Service in the last 10-12 years. These revisions need to clarify the meaning of premature retirement and provide more certain definitions of the circumstances where compensated premature retirement, either on a compulsory or voluntary basis, is justified. Where staff have to be dismissed compulsorily such action taken must be fair and consistent with the law. Where the legal justification for dismissal does not exist management needs to be able to persuade staff to leave and to provide a sufficient inducement to achieve this. In such cases account will need to be taken not only of the extent to which such retirements would improve efficiency but also the extent to which management, rather than the individual, retains the authority to initiate and approve such retirements.

4.22 If the categories and criteria governing early retirement are revised then this in turn may necessitate some adjustment to the current financial terms and a new system, related to the revised early retirement categories, being devised. Account will need to be taken of overall costs and any offsetting savings that are involved. A balance also needs to be struck between the terms available to those who are retired compulsorily through no fault of their own and those who leave voluntarily. In the latter case the objective should be to offer to staff, who cannot be removed compulsorily, terms which are sufficiently attractive to secure either a particular individual's, or a required number of individuals', agreement to retire.

4.23 The pressure for increased accountability also means that a more flexible, but still effective control system needs to be introduced both in relation to decisions about the circumstances in which early retirements are appropriate and the expenditure implications of those proposals. Departments need to be free to analyse for themselves their chief structural, promotion and efficiency problems so as to take such action as they deem necessary by way of retiring staff. Ideally departments should bear all the costs themselves, as this would enable them to weigh the desirability of early retirements against the costs of other administrative priorities, for example, buying more microcomputers.

4.24 These 3 areas - categories and criteria, financial terms and control systems are analysed in detail in the following 3 chapters.

**CHAPTER 5: CATEGORIES AND CRITERIA GOVERNING EARLY RETIREMENT**

5.1 This chapter considers what 'premature retirement' should mean in the Civil Service, looks in detail at the circumstances in which it is useful and makes proposals on the categories and criteria which should operate in future.

a. **'Premature Retirement'**

5.2 From our discussions both within and outside the Civil Service it is clear that the concept of 'premature retirement' is relatively ill-defined. To most people it probably means the cessation of full-time employment before the normal retirement age but in circumstances where the individual receives his or her pension benefits early. In this respect civil servants, or at least male civil servants, can all be considered to have the ability to retire prematurely in that the minimum pensionable age under the Principal Civil Service Pension Scheme (PCSPS) is 60\*. At this age civil servants can opt to retire, if they wish to do so, with immediate payment of accrued superannuation benefits. Although the state retirement age for men is 65 such an arrangement is not unusual and the minimum pensionable age in other occupational pension schemes, both in the public and private sector, is frequently below 65.

5.3 As discussed in the previous chapter, although 60 is the minimum pensionable age for civil servants many, particularly in the lower grades, stay on beyond 60; and, given the level of their occupational pensions there are not likely to be any moves to lower the normal retirement ages for junior staff. This difference between normal retirement ages and minimum pensionable ages causes a number of practical problems not least that the concept of premature retirement for pension purposes may be different from that for personnel purposes. A non-mobile officer who is compulsorily retired before the age at which he expected to leave might well consider himself to have retired early, although for the purposes of the pension scheme he may well be a late retiree. This suggests that there is a need for normal retirement ages and minimum pensionable ages to be brought more into line. However, for the purpose of this review premature retirement is considered as retirement before the minimum pensionable age.

5.4 If premature retirement is 'retirement' before the minimum pensionable age then logically it should be accompanied by the immediate payment of superannuation

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\*The minimum pensionable age for Prison Officers is 55, and a number of civil servants have personal minimum pensionable ages below 60 in recognition of having served in particularly arduous posts overseas.

benefits. The present arrangements are somewhat confused in this respect - while pension benefits are paid immediately to those who leave on ill-health grounds or VER, and redundant non-mobile officers aged 55 and over can opt for immediate payment of pension, in all other circumstances compensation payments (either lump-sum, or annual, or both) are made; usually accompanied by the early payment of the lump-sum superannuation payment. In cases where annual compensation payments are made (mobile officers age 40 and over who are prematurely retired in the public interest) these are equivalent to the preserved pension and for all practical purposes are equivalent to the early payment of superannuation benefits. It would seem sensible for a clearer system to be established whereby 'premature retirement' was precisely what the term implies ie the early cessation of employment from the Civil Service, prior to the minimum pensionable age, but with the immediate payment of superannuation benefits, where the circumstances or age of the individual would generally preclude him or her from further employment.

5.5 This is not to say that there will not be a need for arrangements in respect of younger staff who are compelled or persuaded to leave but a clear distinction should be drawn between premature retirement and early severance. In general early severance arrangements could parallel those for premature retirement.

**b. Circumstances where Premature Retirement or Early Severance is Appropriate**

5.6 There are currently 6 main grounds for premature retirement:

- i. Ill-health - when, in the opinion of the Medical Advisory Service, an officer is prevented by ill-health from discharging his or her duties and his or her ill-health is likely to be permanent.
- ii. Redundancy - for mobile staff, where there is no suitable post available elsewhere in the Service; for non-mobile staff, where there is no suitable post in the Service available within reasonable daily travelling distance of home.
- iii. Structure - for mobile staff only where there is, for example, a very bad age distribution in a particular group of staff leading to serious promotion blockage and consequent difficulty with the management of that part of the Service.

iv. Limited efficiency - for mobile staff only, where an officer's performance no longer adequately measures up to the requirements of his or her post or who fails to carry out his or her full duties satisfactorily.

v. Inefficiency - where an officer has been judged no longer able to discharge his or her duties because:

- his or her work performance has deteriorated to an unacceptable standard;
- his or her frequent absences from work adversely affect the efficient running of the office.

vi. Voluntary Early Retirement - special schemes introduced from time to time to help departments meet their cash and manpower planning targets.

5.7 All of these categories, apart from VER, can be applied compulsorily, although structure can only be so applied at Grade 6 (Senior Principal) level and above. Where they are applied compulsorily, and where therefore staff are in fact being dismissed, there are agreed procedures for ensuring that individuals are treated fairly. Where the difficulty is related to the organisation rather than the individual, for example in the case of redundancy and structure, the agreed arrangements include seeking volunteers for early retirement at the same grade level before compelling others to leave against their will. In practice, except on medical grounds, relatively few staff have been compulsorily retired over the last few years. Inefficiency retirements have tended to be on a compulsory basis as were limited efficiency ones up to 1981. However, since the introduction of the FPR arrangements retirements on limited efficiency grounds have almost always involved "willing victims". There have been no compulsory structural retirements and relatively few compulsory redundancies, especially amongst mobile staff. The original arrangements and terms were specifically designed to deal with, and compensate, those forced to retire early. Given the way the procedures have been applied in practice there seems to be a clear need to draw a much firmer distinction between compulsory and voluntary retirements.



**I. Compulsory Retirements**

5.8 The existing arrangements for compulsory premature retirement were introduced prior to the enactment of much of current employment protection legislation. As explained in the previous Chapter there are 5 'fair' reasons for dismissal and it would seem sensible for any future compulsory retirement arrangements to take account of these 5 broad areas:

**i. Incapability**

5.9 There are many reasons why a person may not be capable of doing the job for which he or she is employed. Some of these are evident at the recruitment stage, for example, a lack of appropriate qualifications, others become apparent during the first few months of employment. Before civil servants can be confirmed in their appointments they have to pass successfully a period of probation. In this way most inefficient staff are identified early in their careers and their employment terminated during or at the end of their period of probation. The more difficult cases relate to those whose performance deteriorates during the course of their careers.

5.10 At the moment staff whose performance deteriorates and who become incapable of doing their jobs can be treated in a number of ways. Those whose incapability results from a breakdown in health which is likely to be permanent are retired early on ill-health grounds. Those whose performance deteriorates to an unsatisfactory level for other reasons are normally prematurely retired, with compensation, on inefficiency grounds. The "Review of Personnel Work in the Civil Service" recommended the abolition of compensation for premature retirement on inefficiency grounds

5.11 The current arrangements for compulsory premature retirement on inefficiency grounds were essentially designed for those who became incapable of doing their jobs as a result of factors outside their control, for example, absences caused by genuine non-recurrent ailments, domestic distress etc. In practice, however the boundary between such circumstances and those, such as culpable inefficiency or laziness, which are within the individual's control has become blurred. Where the factors are within the individual's control then, provided he or she has been treated reasonably - warned of their deficiencies, given an opportunity to improve etc - there is no reason why they should receive any compensation if they are dismissed. Management

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should ensure that the individual is treated fairly but at the end of the day, if it does not, the law provides adequate safeguards to ensure the individual is fairly compensated for any unfair treatment. In future therefore it is recommended that those who become incapable of doing their jobs, for reasons within their control, and whose performance fails to improve after appropriate warnings, should have appropriate action taken against them which may include dismissal without compensation. A new procedural code for dealing with poor performers outlining a variety of penalties, for example, reversion, withholding and withdrawal of pay increments, and dismissal without compensation, should therefore be drawn up and replace the existing arrangements for premature retirement on inefficiency grounds, which should be abolished.

5.12 Where the incapability is not within the individual's control, compensation may be justified. Such an incapability may be of two kinds:

- a temporary incapability, where there is a prospect of the individual returning to full efficiency.
- a permanent incapability, such as an illness, where there is no prospect of the individual recovering;

5.13 In the case of a temporary incapability the appropriate action to be taken by management would depend on the length of time the person was unable to do his or her work satisfactorily. While management should not act hastily it cannot afford to employ and pay people for extensive lengths of time when they are not, in fact, working. The law recognises this and, provided an individual has been treated reasonably, dismissal in such circumstances can be fair. However, since the factors leading to the deterioration in performance are outside the individual's control some form of compensation may be justified. If the individual is not prepared to accept the compensation offered compulsory dismissal without compensation may be appropriate.

5.14 It is difficult to judge the length of time during which an employer should be prepared to 'carry' an employee who is temporarily incapable of doing his or her job. However, the Service's current sick leave rules do perhaps provide a guideline in that staff may receive such pay at full salary rate for 6 months, at half salary rate for a further 6 months and at pension rate thereafter. The fact that the pension rate is thought appropriate at the end of a year suggests that if the

'problem' has not been resolved by this time, for example through ill-health retirement in the case of a permanent illness, then early retirement for those not likely to return to full efficiency before the normal retirement age, or the termination of their appointment for others, perhaps with compensation, would be appropriate. It is recommended therefore that provision should be made to allow departments to pay compensation to those who are retired early, or whose appointments are terminated, due to a temporary, but long-term incapability. The compensation should be less than that paid to those with a permanent incapability and if the individual refuses to accept compensation, dismissal on incapability grounds, without compensation should follow.

5.15 Permanent incapability, outside the individual's control is likely to arise almost exclusively from ill-health. Currently in such circumstances the individual or management can apply for ill-health retirement. Provided the Medical Adviser is satisfied that the breakdown in health is such that it prevents the civil servant from carrying out his or her duties and that the ill-health is likely to be permanent, early retirement on ill-health grounds follows. In these circumstances a civil servant who has completed at least 5 years service is granted a pension and lump sum, which may be based on enhanced reckonable service, and is payable immediately, whatever the age. Enhancement of reckonable service can take place even when a civil servant has passed the minimum pensionable age but has not reached the normal retirement age. This would not, of course, be possible if these two ages were to be brought in line as suggested earlier in paragraph 5.3. Apart from this aspect, these arrangements seem to be inherently justifiable and defensible and in the circumstances it is recommended that there should be no change to the existing arrangements for ill-health retirement. Should, however, normal retirement ages be brought more into line with minimum pensionable ages, enhancement of reckonable service should only be at a maximum up to the new joint age.

5.16 In conclusion therefore it is recommended that:

- i. the current arrangements for premature retirement on inefficiency grounds should be abolished and replaced by a new procedural code for dealing with poor performers, whose deterioration in performance is caused by factors within their control. This code should outline a variety of penalties for those whose performance does not improve, including reversion, withholding and withdrawing pay increments, and dismissal without compensation.

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ii. new arrangements should be introduced to allow departments to compensate those who are retired early, or whose appointments are terminated, due to a temporary, but long-term incapability, for example, long periods of high levels of sick leave resulting from genuine non-recurrent ailments due to a poor general level of health rather than a permanent illness. The compensation to be offered should be less than that paid to those retired on ill-health grounds due to a permanent incapability, but should the offer of compensation be refused, dismissal on incapability grounds, without compensation should follow.

iii. the existing arrangements for ill-health retirement should remain unchanged, although should normal retirement ages and minimum pensionable ages be brought into line, reckonable service should not be enhanced beyond the new retirement age.

There appears to be no justification in principle for treating people at different grade levels differently so the same rules should operate at all levels.

ii. **Misconduct**

5.17 At the moment those who are dismissed for disciplinary reasons are not prematurely retired and do not receive any compensation. Their superannuation benefits are preserved unless their misconduct is so serious as to warrant forfeiture of their benefits. We see no justification for any change in this position.

5.18 Under the existing premature retirement arrangements people whose "frequent absences from work have adversely affected the efficient running of the office" have been retired on inefficiency grounds and received compensation. Where the frequent absences have been caused by genuine non-recurrent ailments, ie a general poor level of health, then there may be some justification for such treatment. Indeed such people seem to fall within category ii. in paragraph 5.16 above. However, it is not unknown for bad timekeepers or persistent absentees to be treated under these arrangements. Such acts do, however, relate to behaviour rather than performance and in future should be dealt with under the disciplinary rules.

iii. **Redundancy**

5.19 Where an individual has to be made redundant because the department is ceasing to carry out particular tasks and there is no other suitable job for him or her, then the grounds for dismissal are clearly outside his or her control. Compensation is therefore justified. Where there is little or no prospect of the individual working again before the normal retirement age then premature retirement would seem to be appropriate.

iv. **Legal Reasons**

5.20 Where the continued employment of the individual would result in either him or her or his or her employer contravening a duty or restriction imposed by law the appropriateness of premature retirement would depend on two factors:

- i. the extent to which the reasons for dismissal are within the individual's control (for example, whether the individual had made the particular factor known to the department at the time of recruitment);
- ii. the likelihood of the individual being able to obtain further employment before the normal retirement age. (As stated earlier premature retirement as such is only appropriate if the individual is, in fact, retiring).

There would be no justification in principle for treating staff at different grade levels differently.

v. **Another 'Substantial' Reason**

5.21 The law recognises that from time to time employers will have to dismiss staff whose jobs are still there to be done, who are not incapable of doing their jobs, and who have not misbehaved. The reasons for such dismissals will tend to be related to the efficient running of the business or operation. Manpower planning may, for example, suggest that the age structure of staff at a variety of levels may be such that unless it is changed there will be no experienced successors for senior posts in years to come. There may be occasions where it is necessary to re-organise the work in such a way that particular individuals cannot cope with the new demands. However, for compulsory retirement to be justified there has to be a genuine substantial reason which forces management to dismiss someone. The fact

that promotion blockages exist, and that this is having a bad effect on morale, would not be sufficient justification for compelling someone to leave unless it could be demonstrated that such blockages were harming, or would in the future harm, the efficiency of the operation. Even then it would be necessary for management to demonstrate good reasons for dismissing the particular individual rather than others. In such situations the individual cannot be held responsible for his dismissal and is therefore entitled to some compensation. Whether this should take the form of premature retirement will depend largely on his or her age.

vi. **Summary**

5.22 In conclusion therefore for compulsory premature retirement to be justified one has to be satisfied:

- a. that there is no more effective way of solving the problem than by dismissing the individual;
- b. the individual can in no way be held responsible for his or her dismissal;
- c. there is little prospect of future employment before the minimum pensionable age (where there is a prospect of future employment severance rather than retirement would be more appropriate.)

These criteria might be met in the following circumstances:

- i. where the dismissal is for permanent incapability;
- ii. compulsory redundancy;
- iii. legal reasons;
- iv. substantial management reasons.

Where a. and b. apply but c. does not, compensated severance would be more appropriate than premature retirement except in the case of a permanent disability.

5.23 Where the incapability is not permanent, is not within the individual's control, but is of sufficient duration to mean that the department needs to dispense with the

individual's services, dismissal on incapability grounds would be appropriate. In such circumstances compensation, less than that applying in compulsory cases, should be offered but if this is refused dismissal without compensation may be necessary.

5.24 Where an individual is dismissed as a result of culpable inefficiency, or misconduct, no compensation should be given.

## II. Voluntary Retirements

5.25 All six categories mentioned in paragraph 5.6 above can apply voluntarily, however, the term 'voluntary' can cover a wider range of different circumstances:

i. where the retirement is entirely within the individual's control. He or she can choose at what age they retire and management has no veto to prevent the retirement. (Such a provision does not exist currently in the Civil Service other than in the form of resignation with preserved superannuation benefits).

ii. where the individual approaches management to seek management's agreement to retiring early. This may be at the individual's initiative or in response to a general invitation, for example, a Voluntary Early Retirement (VER) Scheme.

iii. where the individual is approached by management, is invited to retire early and agrees as, for example, in the case of the existing Flexible Premature Retirement (FPR) arrangements.

Each of these three categories are discussed in detail below. In order to distinguish between them they have been given the respective descriptions 'Standard', 'Approved' and 'Flexible' Early Retirement.

### i. Standard Early Retirement

5.26 At the moment there is no provision for 'standard' early retirement as defined in 5.25i. Since such an arrangement would be entirely within the individual's control it could make manpower planning more difficult. It could, however, be helpful in a period of retrenchment in that it might help management reduce staff numbers and, since it would increase the overall level of natural wastage, it would give

management more flexibility. A danger is that the wrong staff would be lost. Given the limited benefit to management it would be difficult to justify such a form of retirement if there was significant additional cost to the taxpayer and unless the criteria covering its application ensured that severe disruption could be avoided in the event of all those able to take advantage of it doing so. This could be done partly by ensuring that those who left had to give adequate notice, partly by limiting it to a specific age group and partly by reducing the benefits payable on an actuarial basis. The last requirement would in itself limit such a scheme's application. There would be no justification in principle for having different arrangements for staff at different grade levels.

## ii. **Approved Early Retirement**

5.27 Under the existing arrangements staff can request to retire early on 'ill-health' grounds. In such circumstances it is necessary for the Medical Adviser to confirm that the criteria for retirement on such grounds are met. Such an arrangement seems fair and equitable; management cannot always be aware of the severity of a person's illness but, on the other hand, it would be unjustifiable for an individual to be able to retire early, on a pension they had not in effect earned, simply because they considered themselves sufficiently unwell to continue working. Provided therefore an individual can show that he or she meets the criteria applying to compulsory premature retirement on ill-health grounds they should be entitled to ill-health retirement terms.

5.28 It would not, however, seem appropriate, in relation to the other categories mentioned in paragraph 5.6, for individuals to be able to request to retire early, unless they had first been invited to do so by management. Redundancy, Structure, and Limited Efficiency outside an individual's control, are essentially management problems which it might be possible to solve by less expensive measures than early retirement, for example, transferring staff to suitable vacancies elsewhere, re-training, recruitment bans etc. Where limited efficiency or inefficiency problems are within the individual's control allowing the option of early retirement would only encourage the less able to accept their deficiencies instead of trying to overcome them. In such cases the appropriate course is that of seeking improvements in performance or ultimately dismissal on incapability grounds if the necessary improvement is not forthcoming.



5.29 There may, however, be circumstances other than ill-health, where an ability to request retirement, even when not directly approached to do so by management, could have beneficial managerial effects. This could, for example, be true in a period of retrenchment or re-organisation where management wished to introduce new working methods, or automation or change the type and balance of skills required. Provided management retained discretion to permit the retirement it would be possible to avoid losing particularly valuable individuals. A number of other organisations, which have been through, and are likely to continue to go through, a rapid period of change, have such arrangements as a regular feature of their pension scheme, a particularly notable example being the '85 year rule' which exists in the Canadian Public Service.

5.30 The Canadian Public Service Pension Scheme differs markedly from the PCSPS in a number of important respects - most notably that the accrual rate is based on 1/50ths rather than 1/80ths, a maximum pension can be earned after 35 rather than 40 years reckonable service, and the Canadian scheme is overtly contributory. A standing feature of the scheme is that any officer aged 55 or over, with 30 years service or more, can opt to retire immediately on his accrued superannuation benefits, without any actuarial reduction being made and without management being able to veto the retirement. 1,380 staff between age 55 and 60 left the Canadian Public Service early in 1981 under its provisions. (A further 3370 staff between the ages of 60 and 65 also retired under the scheme as the retirement age in Canada is normally 65). The Canadians have found it a very helpful management tool.

5.31 Given the relative size of the Home Civil Service, approximately 630,000, to the Canadian Public Service, approximately 300,000, such a scheme could be very costly in the UK, (especially if it were to be extended beyond the Civil Service into other public sector pension schemes). In the Home Civil Service alone there would currently be 16,700 non-industrial staff who would be eligible under such a scheme and, if they all retired, it would incur expenditure in the first year in excess of £200 million of which £150 million would represent the bringing forward of superannuation lump sum benefits from later years. In the UK it would therefore seem necessary to include in any such arrangement a management veto - this would enable the costs to be better controlled and would ensure retirements were justified. Given the fundamental differences between the Canadian pension scheme and the PCSPS, which reflects the different manpower/career structure of the two countries, an '85 year rule' might not be appropriate. In the Home Civil Service, a similar effect could be achieved with a '90 year rule'. This could either be done on the

basis of it being open to officers aged 55 and over, with 35 years service or more, or anyone whose age and service totalled 90 years or more. At the moment under the first scheme approximately 11,700 non-industrial civil servants would be eligible. If all applied and all the retirements were approved the total cost would be approximately £150 million. On the second scenario a further 4,300 non-industrial staff at an additional cost of approximately £60 million would also be eligible. A large number of industrial staff would also be eligible for both schemes. If the Canadian experience is reflected here about 20% of all those eligible might actually request retirement each year.

5.32 The same advantages could, of course, be gained from a similar scheme which did not have any minimum reckonable service criterion and the age limit being set by the Inland Revenue's rules regarding early retirement. In the Civil Service the minimum age would be 50. This would open up the scheme's eligibility to a further 90,000 staff. Provided management discretion was retained this might be a more cost-effective approach in that the costs of retiring 'volunteers' with short service would be less than those with long. However any 'volunteers' are likely to come from those with longer service. Moreover, a large proportion of the staff who would be eligible for a '90 year rule' retirement (on the wider interpretation) - would be in the HEO-Principal grades which are precisely where the major promotion blockages are occurring. An increase in the number of early retirements at this level would help significantly in creating the younger, more motivated Civil Service desired by Ministers.

5.33 There would appear therefore to be some scope for a system of 'approved' early retirement for individuals whose age and reckonable service totalled 90 years or more, provided such retirements were at management discretion and helped improve overall efficiency. The sorts of problems where such retirements might help would occur at all grade levels and there therefore seems no justification for having differing arrangements for staff at different levels.

### iii. Flexible Early Retirement

5.34 At the moment retirements on a 'flexible' basis, as defined in sub-paragraph 5.25iii occur on limited efficiency, structural and redundancy grounds. Under the 'Flexible Premature Retirement' arrangements, introduced in April 1981, management has been able to approach specific individuals to see if they would be prepared to retire prematurely in the public interest on either limited efficiency or structural

grounds. The individuals who have agreed to retire under these arrangements have not been inefficient but their early retirement has enabled management to introduce changes, which would otherwise have been delayed, which have improved overall efficiency. Generally the individuals concerned have not been replaced, or at least not replaced directly, and the consequential reorganisations have resulted in salary and other savings which have more than offset the premature retirement costs.

5.35 A similar arrangement tends to operate in redundancy situations where, when all the cheaper pre-redundancy measures, such as transfer to a suitable vacancy elsewhere, have failed to resolve a staff surplus problem, staff in the grade in surplus, usually over age 55 in the department concerned, have been invited to volunteer for redundancy in order to avoid others being made redundant compulsorily. This is known as 'Voluntary Premature Retirement' (VPR).

5.36 In both 'FPR' and 'VPR' cases the 'carrot' used to persuade staff to agree or volunteer to be retired early is retirement on the terms relating to compulsory premature retirement in the public interest. It is very rare for a 'VPR' scheme to fail to attract sufficient volunteers, and it is comparatively rare for an 'FPR' 'victim' to decline to leave. This might suggest that the terms offered are somewhat over-generous and indeed there does seem to be an inherent injustice in 'willing-victims' or 'volunteers' receiving the same benefits as those who are retired compulsorily. However, it is significant that the other form of 'voluntary' retirement - 'Voluntary Early Retirement', (VER), where volunteers for early retirement, on accrued superannuation benefits with no enhancement or compensation, aged 55 and over are invited, has tended to prove attractive mainly to those in the junior non-mobile grades who do not receive enhancement of superannuation benefits under the compulsory arrangements.

5.37 The 'FPR' and 'VPR' arrangements have, however, proved particularly valuable to management over the last 4 years, and a measure of flexible early retirement, which permitted 'willing-victims' to retire early at management's behest, especially where there is no more efficient or effective way of dealing with the problem, would seem to be justified. Such a system would also have a useful role to play in allowing management to offer compensation to those with temporary, but long term, incapability problems outside their own control (see paragraph 5.16ii). It would also complement an arrangement for 'approved' early retirements which, while reducing the need for flexible retirements, would not completely remove the need for management to approach individuals. This is particular true in relation to senior staff but, exceptionally, similar approaches may be needed at junior levels.

c. **Conclusion: New Categories and Criteria**

5.38 Premature retirement should be precisely what the term implies ie the cessation of employment from the Civil Service, before the minimum pensionable age, with the immediate payment of superannuation benefits. Generally it should apply only in circumstances, or at an age, where there is little prospect of any future employment. Premature retirement on medical grounds where the illness is judged likely to be permanent should be available at any age; premature retirement on any other grounds should only be available for those aged 50 and over. Arrangements should exist for both Compulsory and Voluntary Early Retirements, although there ought to be 3 distinct categories of 'voluntary' early retirement - Flexible, Approved and Standard. While 'voluntary' retirement may be offered to the less efficient it is not appropriate for the culpably inefficient nor those guilty of misconduct. Parallel early compensated severance arrangements should apply, where appropriate, to those below the minimum premature retirement age. Basically the same arrangements should apply to all staff, although some may in practice be used mainly at senior levels.

5.39 Compulsory premature retirement is justified where:

- a. an individual is compelled to leave by management for medical, redundancy, legal or 'some other substantial' reason, and
- b. the 'dismissal' is fair and in accordance with agreed procedures, including a right of appeal to the CSAB, and
- c. there is no cheaper or more effective way of dealing with the problem, and
- d. the individual is in no way personally responsible for his or her dismissal.

5.40 Flexible early retirement is justified where:

- a. an individual is invited to leave by management for redundancy, 'some other substantial' reason, or as a result of a temporary, but long term incapability, outside his or her control, and is prepared to do so, and

- b. there is no cheaper or more effective way of dealing with the problem than by inviting the individual to retire early.

5.41 Approved early retirement is justified where:

- a. management approves a request to retire early from an individual whose age and reckonable service total 90 years or more, and
- b. the retirement helps improve overall efficiency.

5.42 Standard early retirement is justified where:

- a. there is no significant additional cost to the tax-payer, and
- b. the individual gives at least 6 months' notice to management that he proposes to retire early.

5.43 Compulsory early severance with compensation is justified for precisely the same reasons as compulsory premature retirement where the officer is aged under 50.

5.44 Flexible early severance with compensation is justified for precisely the same reasons as flexible early retirement where the officer is aged under 50.

**CHAPTER 6: FINANCIAL TERMS****a. General**

6.1 The existing terms for premature retirement are summarised in Annex F. These vary from individual to individual depending on age, grade, length of service, pensionable pay and grounds for retirement. Normal superannuation benefits, ie those related to retirement on age grounds, take account of age, pensionable pay and reckonable service. In the previous chapter it was recommended that premature retirement should be precisely what the term implies and should involve the immediate payment of superannuation benefits, in which case, logically, those early payments should be calculated on the same general basis as regular superannuation benefits. In the previous chapter it was also recommended that the arrangements for premature retirement should apply to all grades although it was clear that some would only exceptionally be used in relation to junior grades. In Chapter 3 the arguments for distinguishing between mobile and non-mobile grades as far as early retirement was concerned was thought to be questionable, and this was supported in Chapter 4 and 5. In all the circumstances there seems to be no inherent justification for having different premature retirement terms for mobile and non-mobile staff.

6.2 The overall cost for 'voluntary' early retirements, in terms of payments made out of the Civil Superannuation Vote, for the 3 years from April 1981 to March 1984 (including provisional figures for 83/84) has been £53 million. On average this has constituted about 1.8% of the total payments made from the Vote. Some £36 million of this consists of the bringing forward of lump sum superannuation benefits normally payable on retirement. The total additional cost has therefore been approximately 0.6% of the Vote. The review has found no justification for any overall increase in the level of benefits paid to 'voluntary' retirees. Indeed in certain respects there is a case for some reduction in the levels of compensation where retirement is on a willing basis or actually requested by the individual, though compensation must remain sufficient to enable management to persuade those it wishes to see leave to do so. In general therefore terms need to be devised to fit the criteria and categories of early retirement recommended in this report so that the costs are as far as possible kept within the same relative level in terms of the number of retirements. The overall level of expenditure would obviously depend on the extent to which early retirement is used. The indications are that there may need to be some slight increase in the incidence of early retirement over the next 10-20 years.

6.3 Although the cost of early retirement as a whole to the organisation does not seem to be markedly out of line with that for other employers, the Civil Service's terms relating to premature retirement in the public interest do, in themselves, appear to be fairly generous as far as individuals are concerned. Certainly amongst the private sector organisations we contacted, and indeed amongst a number of foreign public services, the concept of enhancing the reckonable service for pension purposes of those who leave is little known or used. It is far more usual for early retirement to take place on something akin to the current VER terms, that is immediate payment of accrued superannuation benefits, but with a lump sum compensation payment which takes account of service foregone as a consequence of early retirement. This is true where the retirement is at management's behest or invitation, but not where individuals exercise a right to retire, where no compensation is paid and pensions are more often actuarially reduced.

6.4 In the light of the recommendations in the previous Chapter there appears to be a need for premature retirement terms in 5 main circumstances:

1. Standard - where individuals exercise a right to retire early;
2. Approved - where individuals ask to retire early;
3. Flexible - where management invites specific individuals to leave;
4. Compulsory - where management has compulsorily to retire someone prematurely through no fault of the individual's.
5. Ill-health - where a breakdown in health, which is likely to be permanent, prevents the individual from carrying out his or her duties.

In addition there needs to be compensation arrangements for early severance on compulsory and flexible grounds.

6.5 In deciding on the most appropriate terms in each case a balance needs to be drawn between management's control over the retirement and the individual's right to retire early. In this respect it would seem that the terms should progressively improve from 1. to 4. above.

**b. New Terms for Proposed New Categories**

**I. Standard Early Retirement**

6.6 Given the total lack of management control in respect of this arrangement the retirement should be at no significant cost to the taxpayer. Actuarially reduced pensions would therefore seem appropriate. The effect of such reductions would be cumulative and on an actuarial basis the rate of reduction could amount to 5-6% per year. Only those within a couple of years of retirement are therefore likely to take advantage of the arrangement.

**II. Approved Early Retirement**

6.7 Under the proposed '90 year rule' where the impetus comes from the individual, but management retains the right to reject the request, slightly better terms would seem appropriate. In such cases management should only agree to the retirement where it brings benefit. In such cases small additional cost to the taxpayer would be justified, although the individual would not need to be compensated as such. In these circumstances immediate payments of accrued superannuation benefits not actuarially reduced but without any compensation would appear to be justified (ie the terms currently applicable to VER). If all those who could take advantage of the rule were permitted to do so the expenditure in the first year would be over £200 million, of which £150 million would represent early payment of superannuation lump sums from later years. Canadian experience suggests however that no more than about 20% of those eligible might wish to retire. Even if all such requests were approved, which is unlikely, the net cost in the first year in terms of early pensions would be approximately £10 million or 1% of the Superannuation Vote. A number of examples of the terms payable under this scheme are outlined at Annex G.

**III. Flexible Early Retirement**

6.8 In this case some compensation would seem to be appropriate since the initiative for the retirement rests with management and the individuals concerned will need to be offered some inducement to encourage them to retire. The objective is to offer to staff terms which are sufficiently attractive to secure their agreement to retire. Given the individuals concerned leave willingly, that the same terms are to apply to both senior and junior staff, and in the light of outside practice, it is



recommended that the terms are based on immediate payment of accrued superannuation benefits, without any actuarial reduction, together with a compensation payment calculated in relation to service foregone. A payment of up to 3 months pay for every year of service to minimum pensionable age foregone might seem reasonable in the light of the existing terms, and outside practice. Examples of the sort of payments that might be made under these arrangements are outlined at Annex H.

#### **IV. Compulsory Premature Retirement**

6.9 Where retirement is compulsory, so that the individual has no alternative but to retire through no fault of his or her own, significant compensation is justified. Such retirements, apart from those on ill-health (see paragraph 6.10 below), are likely to be few and will primarily be on redundancy grounds. The terms will, of course, only apply to those aged 50 and above. In these circumstances it is recommended that the current premature retirement in the public interest terms for mobile officers, which involve the immediate payment of enhanced superannuation benefits, together with a lump sum compensation payment, should in future apply to all staff. Examples of the terms payable are outlined at Annex I.

#### **V. Ill-health Retirement**

6.10 Where a breakdown in health, which is likely to be permanent, is involved, the individuals concerned should be entitled to the early payment of their superannuation benefits, enhanced in some cases to reflect the service foregone. The existing arrangements allow for the immediate payment of pension and lump sum, calculated in the same way as the retirement pension, with a special addition to the length of reckonable service to provide some compensation for early retirement. These arrangements are fair and we see no need to change them. Examples of the terms payable under these arrangements are outlined at Annex J.

#### **VI. Compulsory Early Severance**

6.11 It is recommended that the existing terms for premature retirement in the public interest for staff aged under 40, which involve lump sum compensation payments plus preserved superannuation benefits, should in future apply to staff aged under 50, subject to a maximum payment of 3 years' pensionable pay; the dates of the 40th and 45th birthdays would replace those of the 30th and 35th currently used

in the PCSPS as the basis for calculating compensation. Examples of the payments which could be made under these arrangements are outlined in Annex K.

## VII. Flexible Early Severance

6.12 It is recommended that the existing terms for calculating lump-sum compensation payments for redundant non-mobile civil servants should apply. Examples of the payments which could be made under these arrangements are outlined in Annex L.

### c. Comparison with Existing Terms

6.13 The new terms are in some respects better and in some respects worse, than those which currently apply in the Civil Service. The main aim has been to achieve a fairer distribution of the funds available in relation to the differing circumstances in which early retirement might occur without significantly increasing the overall level of expenditure required. While staff, and the unions who represent them, might wish to see an overall improvement it is essential that the new terms should represent value for money. It is also important that they are inherently defensible as being a correct use of public funds, fairly compensate those compulsorily dismissed through no fault of their own, offer a sufficient inducement to persuade volunteers to leave where their departure is justified and are at a level that departments can reasonably afford.

6.14 The proposed 'Standard Early Retirement' terms do not, of course, have a parallel within the existing arrangements but they would not involve significant additional cost to the taxpayer.

6.15 The proposed 'Approved Early Retirement' terms have a direct parallel in the existing 'Voluntary Early Retirement' terms although the criteria governing retirement will differ in a number of respects. They represent neither an improvement nor a worsening from a financial point of view although the new arrangement would provide both management and staff with increased flexibility.

6.16 Payments made under the proposed 'Flexible Early Retirement' arrangements will overall be more or less similar to the existing 'Flexible Premature Retirement' terms - in some cases they will be slightly better, in some cases a little worse than the terms currently applying to mobile officers aged 50 and over. The early pension

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and superannuation lump sum payments would be lower because there would be no enhancement of reckonable service, but the compensation payments could be better, at least for those a few years from retirement. The terms would be a significant improvement for non-mobile staff who currently are not entitled to both immediate pensions and compensation payments. Annex M compares the proposed new 'Flexible Early Retirement' terms with the existing 'Flexible Premature Retirement' terms.

6.17 The ill-health retirement terms will remain the same.

6.18 The compulsory premature retirement terms will remain the same for mobile officers over 50 but will represent a significant improvement for non-mobile officers. Annex N compares the proposed new 'Compulsory Premature Retirement' terms with the existing ones.

6.19 The compulsory early severance payments will significantly increase the benefit payable to staff in non-mobile grades, but substantially reduce the benefit payable to mobile staff aged between 30 and 50. It must be remembered, however, that the existing 'public interest' terms have never been used on a compulsory basis for mobile staff in this age group except in a handful of limited efficiency cases. In practice there will not therefore be a real worsening. The existing terms for mobile staff in their 40s are very generous when compared with other schemes in the public and private sectors - at a maximum the total compensation can amount to up to 8 years pay, but this can be spread over a period of up to 20 years. The proposed new terms are still generous when compared with other schemes - up to a maximum of about 3 years pay in the form of an immediate lump sum compensation payment. Annex O compares the recommended terms with the existing ones.

6.20 The flexible severance payments will be exactly the same for staff in non-mobile grades but less good for mobile staff aged 30-50. Again it must however, be remembered that the existing benefits have, in fact, rarely ever been paid to mobile staff in their 30s and 40s who have left willingly. The main reason for this has been the difficulty in justifying the considerable expenditure involved given the person is leaving 'willingly'. In the light of the structural problems discussed earlier in the report there is now a need to pitch new 'voluntary' terms at a level which remains sufficient to induce staff to leave while also being sufficiently economical to ensure their more frequent use. The new terms, which offer immediate lump sum compensation payments of up to 2 years pay attempt to do this. Annex P compares the recommended terms with the existing ones.

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6.21 Dismissal without compensation for culpable inefficiency will, of course, be worse than the compensation currently given for premature retirement on inefficiency grounds.

**CHAPTER 7: CONTROLS****a. Current Arrangements**

7.1 Under existing arrangements responsibility for authorising premature retirements and for accounting for the expenditure involved is divided between the operating and central departments and varies depending on the grade and grounds for the premature retirement.

7.2 All expenditure on early retirements falls on the Civil Superannuation Vote for which the Paymaster General's Office is responsible and accountable. In relation to early retirement, responsibility for authorising retirements is delegated to the Cabinet Office, which, in turn delegates part of its responsibility to departments. All premature retirements on medical grounds, structural grounds, and those on redundancy grounds which involve officers in mobile grades, have to be approved by the Cabinet Office. In addition all departmental VER programmes need prior approval from the Cabinet Office as do all FPRs in small departments. Departments themselves are free, subject to the appropriate criteria having been met, to authorise compulsory premature retirements on limited efficiency, and inefficiency grounds, redundancies for non-mobile staff and, in the case of large departments, FPRs on limited efficiency and limited postability grounds. The end result is a complicated and somewhat confused division of responsibility. Departments, who want the freedom for themselves to analyse their chief structural and efficiency problems and take such action as they see necessary by way of retiring staff, resent what they see as unnecessary interference from the centre, whereas the centre, which has to account for the expenditure, needs to satisfy itself that the relatively easy, but expensive step of 'early retirement' is justified to solve a problem rather than a cheaper, but managerially more difficult, solution. This points to bringing the financial and managerial responsibility together, either by concentrating the managerial responsibility at the centre, which would be very resource consuming, would probably delay procedures and simply create an unnecessary further level of decision making, or by transferring the accounting responsibility to operating departments.

**b. Proposed New Arrangements**

7.3 The Civil Superannuation Vote is not cash limited because much of the expenditure it covers is demand led. This is true in relation to some forms of early retirement notably medical retirement which has in the past accounted for well over half of all premature retirements. Given the difficulties of establishing a budget for such retirements it would seem sensible if ill health retirement benefits simply remained part of the superannuation scheme, financed out of the superannuation vote.

7.4 As far as all other forms of premature retirement are concerned, where it is possible for management to exercise some control over the numbers and costs involved, it would seem sensible, if departments are to be given maximum managerial discretion and accountability, for the appropriate benefits to be paid out of departmental votes and controlled through the cash limits applying to those votes. One way of achieving this might be by promulgating the new premature retirement terms as a scheme separate from the PCSPS. The Government would decide how much it wished to spend on new early retirements, other than those on ill health, possibly by expressing the budget as an overall percentage of the pay bill. At the moment, for example, on the basis of the costs outlined in Table 5 it might be judged that some £20 million should be allocated to cover such expenditure - approximately 0.4% of the pay bill. It would then be for departments to seek provision for early retirements in the same way as provision for salaries and other administrative expenditure as part of the PESC and Estimates process. Departments could then pay directly to the individuals concerned any lump sum compensation payments due to them. The Paymaster General's Office could continue to pay lump sum superannuation benefits and early pension payments through the superannuation vote but could recover from the departments concerned:

- i. that element of the lump sum which derived from enhancement of reckonable service; and
- ii. the whole of any early pension payments, including pension increase payments after age 55.

Again departments would need to find this expenditure from within their existing budgets. When the person concerned reached age 60 the cost would become a charge on the superannuation vote in the normal way, as would any widows or childrens

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benefits that became payable if the person concerned died before reaching age 60. Payments in respect of 'Standard Early Retirements' could be charged direct to the superannuation vote, since no extra costs are involved, but unenhanced pensions under the 'Flexible Early Retirement' arrangements (but not the lump sum) would be charged to the departments concerned until the people reached age 60.

7.5 Such a scheme would enable departments to decide for themselves whether the early retirements were cost-effective in terms of their own budgets. They would also be able to weigh up the relative advantages of spending the money in this way, rather than others, for example, on training and new technology.

7.6 Under such a system the centre would only need to be consulted about medical retirements (through the Medical Advisory Service), compulsory redundancies, to ascertain whether suitable vacancies existed elsewhere in the Service, and retirements from the Senior Open Structure - and other early retirements would be authorised by departments subject to their meeting the relevant central criteria and not exceeding their cash limited departmental votes.

**CHAPTER 8: SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS**

**a. General**

8.1 Early retirement arrangements cannot, of themselves, provide an adequate answer to all management's needs. In particular a much wider range of measures, outside the scope of this review, will be needed, particularly to deal with structural problems such as promotion blockages. (Para 4.20)

8.2 Early retirement schemes will need to continue to be a component of the Service's personnel armoury. (Para 4.20)

8.3 Selective early retirement schemes, within management control, offer a more efficient way of dealing with current management problems than the lowering of normal retirement ages for specific grades or a system of 'phased' retirement. (Para 4.20)

8.4 The existing early retirement arrangements need to be revised to take account of both the external and internal changes that have occurred in the last 12 years. (Para 4.21)

8.5 Further consideration should be given to the possibility of bringing the normal retirement ages and minimum pensionable ages of civil servants more into line. (Para 5.3)

8.6 'Premature retirement' from the Civil Service should be precisely what the term implies - the early cessation of employment, before the minimum pensionable age, accompanied by the immediate payment of superannuation benefits. It should be limited to those whose circumstances, or age would generally preclude them from further employment. Other than on medical grounds it should only be available to those aged 50 and over. (Paras 5.4, 5.38)

8.7 A clear distinction should be drawn between 'premature retirement' and 'early severance' from the Service but there should be arrangements for both. (Paras 5.5, 5.38)



**b. Categories of, and Criteria Governing Early Retirement**

8.8 Where an individual ought to leave the Service early because of misconduct, or because he or she is, through faults within his or her control, is no longer capable of doing the job for which he or she is employed, dismissal, without compensation is the appropriate course. (Paras 5.11, 5.16i, 5.17, 5.18, 5.24)

8.9 New procedures for dealing with poor performers need to be drawn up, which outline a range of penalties for those whose performance does not improve. These penalties should include reversion, withholding and withdrawing of increments and dismissal without compensation. (Paras 5.11, 5.16i)

8.10 The existing arrangements for premature retirement on inefficiency grounds should be abolished. (Paras 5.11, 5.16i)

8.11 Where an individual is temporarily incapacitated through no fault of his or her own dismissal is inappropriate unless there is no chance of him or her returning to work before the minimum pensionable age, or unless the illness is of such duration that the department cannot afford to 'carry' him or her. In such cases departments should be able to offer compensation or early retirement where the terms are less than those available to people retired on ill-health grounds. If this is refused, dismissal without compensation may be appropriate. (Paras 5.14, 5.16ii, 5.23, 5.37, 5.40)

8.12 Where an individual is permanently incapacitated through no fault of his or her own ill-health retirement is justified, whatever the individual's age. The existing ill-health arrangements should therefore remain unchanged, although should normal retirement ages and minimum pensionable ages be brought into line, reckonable service should not be enhanced beyond the new joint age. (Paras 5.15, 5.16iii, 6.10)

8.13 Depending on an individual's reckonable service and age, either premature retirement or compensated early severance is justified in the case of compulsory dismissal for redundancy, 'legal' or another 'substantial' reason, as defined in the Employment Protection (Consolidation) Act 1978, provided the 'dismissal' is fair and in accordance with agreed procedures, including a right of appeal to the CSAB, there is no cheaper or more effective way of dealing with the problem and the individual has had no control over his or her dismissal. (Paras 5.19, 5.20, 5.21 and 5.22, 5.39)

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8.14 Arrangements should exist for both compulsory and voluntary early retirement although there ought to be 3 distinct categories of voluntary retirement - 'Flexible', 'Approved' and 'Standard'. (Para 5.38)

8.15 Basically the same arrangements should apply to staff at all levels although in practice some may be used mainly at senior levels; there is no justification for distinguishing between mobile and non-mobile officers. (Paras 5.38 and 6.1)

8.16 A system of 'Flexible' Early Retirement, where management can approach specific individuals and invite them to retire, is justified provided the individual is prepared to leave and there is no cheaper or more effective way of dealing with the problem. (Para 5.40)

8.17 A system of 'Approved' Early Retirement is justified where management has discretion to permit an individual, whose age and reckonable service total 90 years or more, to retire early provided the retirement would help improve overall efficiency. (Para 5.41)

8.18 A system of 'Standard' Early Retirement where the retirement is entirely within the individual's control is justified where there is no significant additional cost to the taxpayer and the individual is obliged to give at least 6 months notice that he or she proposes to retire early. (Para 5.42)

8.19 Where the individual is aged under 50:

- compulsory early severance with compensation is justified for the same reasons as compulsory premature retirement (see para 8.13 above).
- flexible early severance with compensation is justified for the same reasons as flexible early retirement (see para 8.16 above).

(Paras 5.43 and 5.44)

**c. Financial Terms**

8.20 Early retirement payments should be calculated on the same general basis as normal superannuation benefits ie they should be based on age, pensionable pay and reckonable service not grade. (Para 6.1)

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8.21 There is no justification for any overall increase in the level of benefits paid on early retirement, indeed, where voluntary/willing retirements are concerned there is a case for some reduction (Para 6.2).

8.22 Although the need for early retirement is likely to increase over the next 10-15 years the aim should be to keep overall costs at about the same relative level. (Para 6.2)

8.23 New financial terms should be introduced to parallel the recommended new categories. The terms should progressively improve as the degree of management control increases. (Paras 6.2 and 6.5)

8.24 'Standard' Early Retirement should be available on actuarially reduced superannuation terms. (Para 6.6)

8.25 'Approved' Early Retirement (90 year rule) should involve the immediate payment of accrued superannuation benefits without any actuarial reduction or any enhancement. (Para 6.7)

8.26 'Flexible' Early Retirement should involve the immediate payment of accrued superannuation benefits without any actuarial reduction or any enhancement but with a lump-sum compensation payment of up to 3 months pay for every year of service to minimum pensionable age foregone. (Para 6.8)

8.27 The existing criteria and terms for ill-health retirement should remain unchanged. (Para 6.9)

8.28 Compulsory Premature Retirement on grounds other than ill-health, should only apply to those aged 50 and over and should be on the existing public interest terms for mobile staff. (Para 6.9)

8.29 Ill-health retirements should not have a specific annual budget allocated to them. (para 6.10)

8.30 Compulsory Early Severance terms should consist of a lump sum compensation payment calculated on the same basis as the existing terms for premature retirement in the public interest for mobile staff aged under 40, except that the date of the 40th and 45th birthdays will replace the 30th and 35th birthdays in the current criteria. (Para 6.11)

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8.31 Flexible Early Severance terms should consist of a lump-sum compensation payment calculated on the same basis as non-mobile redundancy terms. (Para 6.12)

d. Controls

8.32 Financial and managerial responsibility for early retirements should be brought closer together. (Para 7.2)

8.33 Ill-health retirement benefits should remain part of the superannuation scheme, financed out of the superannuation vote. (Para 7.3)

8.34 Apart from ill-health the benefits for all other forms of early retirement are to be paid out of departmental votes and controlled through the cash limits applying to those votes. (Para 7.4)

8.35 The new premature retirement terms, apart from ill-health, should be in a separate scheme from the PCSPS. (Para 7.4)

8.36 Each year the Government should decide the overall budget for new early retirements, expressed as a percentage of the pay bill. Departments should then seek provision for early retirements in the same way as provision for other administrative expenditure as part of the PESC and Estimates process. (Para 7.4)

8.37 Departments should pay directly to the individuals concerned any lump sum compensation payments due to them out of their own votes. (Para 7.4)

8.38 The Paymaster General's Office will pay the other benefits from the Superannuation Vote but should recover from the departments concerned:-

i. that element of the superannuation lump sum derived from enhancement of reckonable service, and

ii. the whole of any early pension payments, including pension increase payments after age 55. (Para 7.4)

8.39 Payments after age 60 would become a charge on the Superannuation Vote in the normal way. (Para 7.4)

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8.40 If the individual concerned died before age 60 widows' or childrens' benefits would become a charge on the Superannuation Vote in the normal way. (Para 7.4)

8.41 The Cabinet Office's prior approval would continue to be needed for ill-health retirements (through the Medical Advisory Service), compulsory redundancies and retirements from the Senior Open Structure. (Para 7.6)

## CHAPTER 9: IMPLEMENTATION

9.1 The recommendations in this Report are wide-ranging and will call for some fundamental revisions to be made to existing terms and conditions of service. The relevant parts of the Principal Civil Service Pension Scheme (PCSPS) will also need to be amended. Given the radical nature of these changes it is important for them to be acceptable to both management and staff. Some of the recommendations, if considered individually, improve the existing conditions of service of some staff; others may appear to worsen them. The proposals have, however, to be considered as a package of measures which overall offer improvement and benefits to both staff and management. If negotiations can proceed quickly, implementation will not long be delayed.

9.2 Under the terms of the PCSPS any changes which might serve to worsen the existing conditions applying to staff have to be agreed with all the civil service trade unions. Negotiations can therefore take some time. The aim should be, however, to have the new retirement arrangements agreed and in operation by the beginning of 1986, and the transfer of financial responsibility for the costs of early retirement implemented by the beginning of the financial year 1987-88. In the meantime the existing arrangements for Flexible Premature Retirement (FPR) will continue to operate.

9.3 If it becomes evident in the course of negotiations that agreement cannot be reached, or will not be reached in a reasonable time-scale, consideration will have to be given to effecting the changes via primary legislation to amend the PCSPS. Legislation may, in any case, be necessary to give departmental Ministers the powers to pay compensation to staff retired early. Account should be taken of this need for legislation, at least on a contingency basis, when the Government is considering its future legislative programme.

9.4 A suggested timetable for implementation could be:-

- i. Ministerial agreement to a proposed package of early retirement measures by 31 January 1985;
- ii. Inter-departmental Working Group set up to discuss and effect implementation in February 1985;

- iii. agreement in principle with Trade Union Side on main elements of new measures reached by July/August 1985;
- iv. revised sections of PCSPS and Civil Service Pay and Conditions of Service Code drafted and agreed by end October 1985;
- v. new retirement measures to come into effect 1 January 1986;
- vi. new arrangements for financial control to come into effect 1 April 1987.

9.5 If agreement in principle to the package has not been reached by Autumn 1985 consideration will need to be given to proceeding by primary legislation. In any case if legislation is needed to cover the new compensation payments steps should be taken to enable this to be enacted before the end of 1985.

9.6 It may be that developments on other fronts, in particular consideration by the Treasury of the possibility of making the PCSPS contributory and the proposed transfer of full superannuation costs to departments, might impinge on the implementation of this Review's recommendations. In this event, if the negotiations on the move to a contributory scheme are likely to be protracted, consideration should be given to the possibility of implementing some of this Review's recommendations prior to the main changes.

ORGANISATIONS CONSULTED IN THE REVIEW

OVERSEAS GOVERNMENTS

FRENCH CIVIL SERVICE  
NEW ZEALAND PUBLIC SERVICE  
WEST GERMAN CIVIL SERVICE  
CANADIAN PUBLIC SERVICE

COMPANIES

BARCLAYS BANK PLC  
BRITISH AIRWAYS  
STANDARD TELEPHONES AND CABLES PLC





Civil Service Department  
Whitehall London SW1 A 2AZ

ANNEX B

Telephone 01-839 7733 ext

Your reference

Our reference

MP 49/609/01

Date

17 November 1971

CONDITIONS OF SERVICE

DEO(71)(CONDITIONS OF SERVICE) No 13

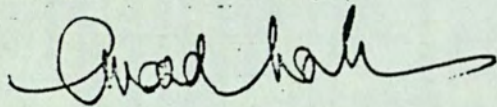
Dear Establishment Officer

ARRANGEMENTS AND COMPENSATION FOR PREMATURE RETIREMENT

1. Agreement has now been reached with the National Staff Side on new procedures for the premature retirement of Home Civil Servants, combined with revised terms of compensation. The details are outlined in the agreement which is reproduced as an annex to this letter.
2. No action should be taken on the basis of this letter. Separate instructions will shortly be issued to those concerned dealing with the various aspects of the agreement. Establishment Officers may, however, wish to know for information that the new compensation terms, revised procedures and increased periods of notice will come into effect immediately for those retired on redundancy grounds (with in the case of the compensation retrospective effect as noted in paragraph 35 of the agreement) and so will the changes in the mobility obligation (except in the case of some grades about which discussions are still continuing with the National Staff Side).
3. The new compensation terms for retirement on grounds of inefficiency will not be introduced until Parliament has passed the Superannuation Bill and the necessary arrangements have been made; and the introduction into the Home Civil Service of premature retirement on grounds of structure or limited efficiency will be delayed until the same time. The Appeal Board will be set up as soon as the necessary administrative arrangements have been made.
4. Certain aspects of the new compensation terms which relate primarily to the Diplomatic Service are still being discussed between the Foreign and Commonwealth Office and the Diplomatic Service Staff Side. The procedural aspects of the agreement do not, in any case, apply in detail to the Diplomatic Service who are discussing them with their own Staff Side in the light of this agreement. The agreement does not therefore at this stage extend to members of the Diplomatic Service.

5. Enquiries on this subject should be addressed in the first instance to Mr W E Wightman, Civil Service Department, Whitehall, London SW1A 2AZ, telephone 01 839 7733 Ext 211.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'G W Watson', with a horizontal line underneath.

G W WATSON

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AGREEMENT BETWEEN THE OFFICIAL SIDE AND THE NATIONAL STAFF SIDE

ARRANGEMENTS AND COMPENSATION FOR PREMATURE RETIREMENT FROM  
THE HOME CIVIL SERVICE AND THE DIPLOMATIC SERVICE

The Official Side and the Staff Side of the National Whitley Council have carried out a fundamental and wide-ranging review of the circumstances, other than ill-health, in which civil servants may be retired before the minimum retiring age and the compensation which should be paid to them in these circumstances.

2. The arrangements and compensation terms outlined in general terms in the following paragraphs have now been agreed.

3. The compensation terms represent an improvement over existing terms both for the Home Civil Service and for the Diplomatic Service. Three features of the new arrangements are particularly noteworthy:

- a. A distinction is drawn broadly between staff in the Home Civil Service at and above Executive Officer level, together with staff of equivalent levels in other classes and groups (to be known as the mobile grades), and those below that level (the non-mobile grades); the new arrangements provide for compensation to be paid in future to staff in the non-mobile grades when no work is available within daily travelling distance of their homes.
- b. New arrangements will be introduced for the Home Civil Service whereby staff in the mobile category may be retired prematurely, subject to certain safeguards outlined below, if their performance no longer adequately measures up to the requirements of their job, or, in the Senior Principal grade and above, where, for example, there is a very bad age distribution in a particular grade leading to serious promotion blockage and consequent difficulty in the management of that part of the Service. These new arrangements will complement the present arrangements for retiring people on grounds of inefficiency. We would expect retirement on grounds of limited efficiency to be exceptional below Senior Principal level. Moreover, whenever retirement on structural grounds was contemplated there would be full consultation with National and Departmental Staff Sides and we should hope to be able to make any necessary reductions by retiring those who expressed a wish to go.
- c. Provision is made for all civil servants who are prematurely retired to have their cases considered by an independent Appeal Board if they so wish.

BACKGROUND

4. The review of compensation terms follows recommendations in the reports of the Fulton Committee on the Home Civil Service and the Duncan Committee on the Diplomatic Service. It takes into account

the Duncan Committee's recommendation that the Diplomatic Service should be streamlined and it also pays regard to the Fulton Committee's recommendation that premature retirement in the public interest (as provided for in respect of the Diplomatic Service in Section 45 of the Superannuation Act 1965) should be extended to the Home Civil Service. It recognises the increasing difficulty of requiring staff at more junior levels to accept a countrywide mobility obligation and of basing redundancy compensation on this requirement. Separate discussions are also in progress on the most appropriate way of giving financial recognition in future to the particular problems faced by people serving in certain posts abroad. This is at present treated as a superannuation matter under Section 25 of the Superannuation Act 1965.

#### CHANGES IN THE MOBILITY OBLIGATION

5. In considering for which grades the mobility obligation should be relaxed we have taken into account the number of moves, involving a change of home, which take place at present. We have also taken into account the extent to which there is a management need for mobility beyond that which will in future be achieved by relying on those who are prepared to move willingly. It is agreed that members of the Executive Officer grade and other grades with the same or a higher salary maximum as at 31 December 1970 should retain the mobility obligation. All staff on salary scales whose maximum was equal to or below the maximum of the Clerical Officer grade need no longer have a mobility obligation, unless agreed to the contrary with the appropriate recognised staff association. Discussions are continuing with the appropriate recognised staff association in respect of grades whose salary maxima were below that of the Executive Officer grade but above that of the Clerical Officer grade where either side wished to propose that the mobility obligation should be retained. Staff promoted into a higher grade would be expected to accept all the conditions which apply to the new grade. Although we have used salary maxima at 31 December 1970 as the basis for identifying grades for the purpose of this exercise we propose that the mobility status of individual grades should in the future remain unchanged, regardless of changes in relative salary scales, except where a specific decision is taken, in consultation with the Staff Side, to make a change.

6. Staff who no longer have a mobility obligation will, however, be expected to move, and departments will be obliged in a redundancy situation to offer them a move, to any other suitable posts within reasonable daily travelling distance of their homes; for this purpose 'reasonable daily travelling' will be interpreted as it is at present for deciding whether or not to reimburse an officer for moving his home (Estacode Td 6). They may also be sent, as now, to serve away from home on detached duty terms. While in future there can be no guarantee that a vacancy in another area can be found for staff who no longer have a mobility obligation staff who are willing to accept another post involving a move of home may apply for a transfer on public interest terms, and where a suitable vacancy exists this will be arranged. Departments will remain anxious in many cases to move suitable and willing staff for career purposes or to fill vacancies in other areas.

7. Staff who no longer retain a mobility obligation will, in the event of redundancy be found suitable posts within reasonable travelling distance of their homes wherever practicable; if this is not

possible and unless a move of home is mutually arranged on public interest terms they will be eligible for the scale of payments appropriate to immobile staff set out below.

#### RETIREMENT IN THE PUBLIC INTEREST

8. The Fulton Committee recognised there are circumstances where, in the interests of the efficiency of the Service as a whole, individuals should be retired when they are no longer able to give a satisfactory performance even although it might be unjust to describe them as personally inefficient. Coupled with compensation and safeguards to protect the needs of the individual arrangements will be introduced on lines broadly comparable to those applying to the Diplomatic Service under Section 45 of the Superannuation Act 1965. In future staff in the mobile category may be retired on grounds of limited efficiency, that is, when a person's performance no longer adequately measures up to the requirements of his job. As part of career management a person whose performance has not measured up to the requirements of his job should have received warnings of his inadequacy before any question of retirement on grounds of limited efficiency arises. The Official Side would expect retirement on grounds of limited efficiency to be exceptional below Senior Principal level. Staff of or above Senior Principal level may also be retired on structural grounds, for example, where there is a very bad age distribution in a particular group of staff, leading to serious promotion blockage and consequent difficulty in the management of that part of the Service. The Official Side will in all cases have full prior consultation with the Staff Side and take all possible steps to achieve any necessary rundown by retiring those who express a wish to go. This broadly outlines the grounds on which retirements in the public interest will be made; the procedures for putting these arrangements into effect are set out in the ensuing paragraphs.

#### AN APPEAL BOARD FOR THE CIVIL SERVICE

9. An independent Board will be set up to which any non-industrial civil servant under notice of dismissal or premature retirement may appeal; a separate board will be set up for the Diplomatic Service and, if it is found to be appropriate, one for the industrial Civil Service. The Appeal Board will consist of three people; a permanent Chairman, who will be a senior retired civil servant of Permanent Secretary status (or similar person with a good deal of first-hand experience serving at a high level in the Civil Service); a nominee of the Staff Side, and a recently retired civil servant of about Under Secretary level. There will also be a deputy chairman who will alternate with the Chairman; and both the other members will be drawn from panels of people of mixed backgrounds. There will be consultations between the Official and National Staff Sides with a view to appointing as Chairman and Deputy Chairman persons who enjoy the confidence of both sides. The Chairman and deputy chairman will be appointed for a term of 3 years which will be renewable after consultations. There will be a small permanent secretariat. The Appeal Board will make its recommendation to the Head of the employing department who in public interest cases would normally be expected to accept a recommendation of reinstatement unless there were overriding reasons to the contrary; before rejecting such a recommendation he will consult the Civil Service Department about

about the possibility of reinstatement in another department. Any additional compensation recommended (or subsequently substituted for a recommendation of reinstatement which had been rejected by the Head of the Department) will be paid.

#### PROCEDURE FOR THE APPEAL BOARD

10. The Appeal Board will operate without undue formality. Intimation of the intention to appeal must normally be given within 21 days (or 28 days in exceptional cases) of formal notice of dismissal or premature retirement, indicating the broad grounds on which the appeal is based, and the full case submitted within 42 days of formal notice. The employing department will be invited to comment on it and to provide any further evidence to explain the decision. The Appeal Board will then consider the case seeking further evidence either in writing or in person from either party: if the appellant so wishes he will be entitled to appear in person, whether or not specifically invited to do so, and he could be assisted in handling the case by a friend who may be a colleague or a representative of a staff association, and who will be able to submit evidence on behalf of the appellant. (If the 'friend' were a solicitor he would appear as a friend rather than in his capacity as a legal representative). If the appellant exercises his right to appear the employing department will also be invited to be represented. All appellants will be entitled to a full statement of all the relevant facts made available by management to the Appeal Board in support of their case, and the Board will have power on application by the appellant to require management to give him access to other papers, subject to considerations of security, which it considers to be necessary for him to see for the adequate presentation of his case. Access to relevant papers would include annual reports, access to which would not be opposed in principle on the ground of security considerations.

11. The general purpose of the Appeal Board will be to advise whether a premature retirement or dismissal is fair. To do so the Board will apply two criteria. First it must satisfy itself that management has acted fairly and in accordance with the procedures agreed between management and staff representatives. Thus where the case involves some question of personal inadequacy on the part of the appellant its function will be to ensure that the retirement board has fully and fairly examined the case, has taken into account all the evidence and has not allowed its judgment to be influenced by irrelevant factors. Where premature retirement is on account of redundancy or to ease structural problems it will need to be satisfied that such a situation exists, and that the appellant's selection was consistent with established procedures in these circumstances or with any special ad hoc agreement between management and staff representatives, or, failing either of these, was a fair decision on its merits. Secondly, the Board must satisfy itself that premature retirement or dismissal is the right or most appropriate action to take. Where the Board considers that some other action is more appropriate it should recommend accordingly in specific terms.

#### DEPARTMENTAL PROCEDURES

12. We have also reviewed departmental procedures for dismissal on disciplinary grounds and for retirement on grounds of redundancy or inefficiency; we propose new procedures for use in cases where

retirement is for structural reasons or for limited efficiency, which we call 'personal reasons'. We have grouped together retirements on redundancy, for structural reasons and for personal reasons under a general category of 'in the public interest'.

#### DISMISSAL ON DISCIPLINARY GROUNDS

13. The present procedure is not particularly complex and the steps outlined in Kb7 will be retained up to the point where a decision to dismiss is taken and an appeal to the new Board substituted for the present appeal to the Head of the Department. The final decision, in the light of the recommendation of the Appeal Board, will then rest with the Head of the Department.

14. Departments will have discretion to decide by whom the decision to dismiss may be taken, although this will need to be clearly laid down for each department and should not normally be below Assistant Secretary level; the Head of the Department may prefer not to be associated with the decision (except in the case of a very senior officer where he will inevitably have to take the decision himself). He would then be able to consider the advice of the Appeal Board without having been involved earlier in the decision to dismiss.

#### RETIREMENT ON GROUNDS OF INEFFICIENCY

15. Departmental procedures differ in various respects and in future a procedure on the following lines will apply generally throughout the Service.

16. Prior informal warning of inadequacy will have been given in all normal circumstances and every effort will have been made to give the officer time, opportunity and assistance to improve his performance. In the case of sudden deterioration of performance the cause will be investigated before any decision to retire the officer prematurely is taken. Where it is thought that the drop in performance whether sudden or gradual might be due to health reasons, the advice of the Civil Service Medical Adviser will be sought. The formal procedure will, however, be initiated by an adverse report by the operational manager, that is, a marking for overall performance in the bottom box of the new annual report form; this may be submitted at any time and need not await the normal reporting date. The person will then be formally warned in writing that his performance is unacceptable and told the reasons; he will be put on trial for a period of at least 6 months, wherever possible in a different suitable job under another manager. If it seems possible, and the person concerned agrees, that the poor performance may be attributable to medical causes he should be told at this stage that the case is being put to the Civil Service Medical Adviser, but that if he does not recommend retirement on health grounds or the person contests it the procedure for retirement on grounds of inefficiency will be initiated if his performance does not improve. If at the end of the trial period the further report called for is also adverse the question of his retirement will be considered by a board constructed on a basis which should be the subject of Departmental Whitley Council discussion but which should not be below the level of the board which promotes into the grade. The Board should be chaired at least at Principal level for the non-mobile category and at Senior Principal or Assistant Secretary level for the mobile category, and the members of the board should be at least two grades above that of the candidate. If the retirement board,

before which the person will be able to appear if he wishes, assisted by a friend who may be a staff representative, then recommends retirement, its findings will be confirmed as in the case of disciplinary dismissals and the person told. Thereafter the procedure would be the same as in disciplinary cases (including the right of appeal to the Appeal Board), except that suspension with or without pay would not normally be appropriate.

17. Once amending legislation is available, it will no longer be necessary for a formal minute to be laid before Parliament where the person concerned is under 50, nor for a Ministerial certificate to be provided in other cases. The personal approval of the Head of the Department will no longer be mandatory, although some cases may, for management reasons, go to him and cases in which there had been an appeal would necessarily be considered by him.

#### RETIREMENT IN THE PUBLIC INTEREST

18. This category will cover retirement on redundancy, retirement to ease a structural problem, or retirement on grounds of limited efficiency. The different circumstances underlying each of these reasons will lead to slightly different procedures and it is therefore convenient to examine them separately, but it seems desirable that the procedures should be as similar as possible.

19. As much informal notice as practicable will be given, and in the case of limited efficiency specific prior warnings that an improvement in performance is necessary. All established staff, and unestablished staff with 5 years' service or more, will always be given 6 months' formal notice if retired in the public interest. This will be extended to twelve months for staff over 60 with under ten years' service and nine months for those with from ten to twenty-five years' service, except that this extended notice will not run beyond the 65th birthday. Unestablished staff with 2 years' service but less than 5 will be given not less than 3 months' formal notice if retired in the public interest. Unestablished staff with less than 2 years' service retired in the public interest will be given at least the notice required by the Contracts of Employment legislation, and it will continue to be departmental practice to give the maximum amount of notice possible. If the department is unable to provide work for the whole of the minimum period of notice, the individual will be paid for the unexpired portion: this will not be done where he leaves voluntarily with the agreement of his department before the end of his period of notice.

#### REDUNDANCY

20. The procedures which are set out below are not intended in any way to cut across the arrangements which have applied for many years under which, so far as established staff in general service grades are concerned, any redundancy which cannot reasonably be absorbed within the department where it has arisen is resolved so far as practicable by the reallocation of redundant staff to posts within the same class or occupational group in other government departments.

21. Whenever redundancy occurs which cannot be absorbed by the methods referred to in the preceding paragraphs, it will be necessary for the department concerned to consider, in consultation with the departmental Staff Side, the criteria which should be used to decide how those to retire should be selected in the light of the particular circumstances of the department. There are to be further discussions at the national level in the immediate future with the intention of reaching agreement on general criteria which would assist departmental Official and Staff Sides in resolving any future redundancy problems.



22. In most cases where redundancy arises there will be a need to select a proportion of the strength of a grade in a large unit, perhaps a whole department, although once again every practicable effort would be made to ensure that this absolute redundancy was reduced to the smallest possible figure. At this stage an opportunity should be provided for individual officers in the agreed redundancy field to indicate that they would be content to retire on redundancy terms. To the fullest practicable extent the wishes expressed by individuals who are prepared to volunteer in this way should be met, although it will be necessary to pay proper regard to the efficiency of the Service and to the need to avoid the creation of any future problem of age structure. If sufficient people from the redundancy field are content to retire in this way there will be no need to take any further action.

23. In the event of it being necessary to select individual officers for compulsory premature retirement on redundancy grounds, it may be found that the criteria referred to in para 21 above will make it self-evident who should be retired. If this is not so, and some further process of selection is necessary, likely candidates identified by the Establishment Division in accordance with these criteria will need to be considered by a retirement board, constituted on a basis which should itself be the subject of Departmental Whitley Council discussion but which should not be below the level of the board which promotes into the grade. The board should be chaired at least at Principal level for the non-mobile category and Senior Principal or Assistant Secretary level for the mobile category, and the members of the board should be at least two grades above that of the candidates. Those selected for retirement by this board will be notified as soon as the choice has been made and they will at the same time be given a memorandum setting out the reasons for the redundancy and the criteria used in selecting the staff to be retired indicating the extent to which these criteria had been agreed with the Staff Side. The memorandum will also inform them of their entitlement to appeal to the Appeal Board.

24. If the selected officers are content to retire, even though they had not volunteered at an earlier stage, there will be no need for any further action. But in any case where the person concerned signifies his wish to appeal, the Appeal Board will be invited to consider the case before the recommendation of the departmental retirement board is confirmed, as an added safeguard against wrongful dismissal. The memorandum prepared by the retirement board will be passed to the Appeal Board for consideration, together with appropriate supporting evidence. All appellants will be entitled to a full statement of all the relevant facts in accordance with the procedure laid down in paragraph 10. The Appeal Board will then consider the case, calling for more evidence from either side as appropriate, and the person selected to be retired will have the right to present his case orally or in writing, assisted if he wishes by a representative of his staff association, who may submit evidence on his behalf. The Board will then recommend to the Head of the Department whether or not injustice would be done if the retirement board's recommendation were accepted. The Head of the Department could normally be expected to accept the Appeal Board's recommendation unless there were over-riding reasons to the contrary, in which event there would be consultation with the CSD as laid down in

paragraph 9. There will be no further avenue of appeal once retirement has been decided upon after the Appeal Board's consideration of the case. With the possible exception of short service unestablished staff not less than six months will elapse between the first formal warning to any individual and his actual date of retirement (see paragraph 19). It will be necessary to lay down time limits for each stage of the procedure to ensure that the process is completed within that period.

25. It is accepted that, so far as practicable, management will take into account any wishes expressed by individuals to be allowed to retire before compelling the premature retirement of others, including those over the minimum retiring age, who would not otherwise have been expected to retire during the rundown period. The extent to which compulsory retirement can be delayed, however, will depend on the probable availability of suitable willing victims within a sufficiently short period in relation to the total redundancy and the speed of the rundown required. The need to maintain the efficient operation of the undertaking during and after the rundown period must also be given full weight. Departments will be ready to discuss with their Staff Sides in each redundancy situation how far the acceptance of willing victims may make possible the retention of those over the minimum retiring age who would not otherwise have been expected to retire during the rundown period. In particular, those who have qualified for pension will be allowed to serve on to a maximum of age 65 to complete up to 20 years reckonable service in so far as this is compatible with the rundown programme and can be achieved without the compulsory retirement of staff below the minimum retiring age.

#### STRUCTURAL GROUNDS

26. Retirement on structural grounds will in all cases be the subject of full prior consultation between the Official Side, and the National and departmental Staff Sides. The aim will be to achieve the necessary reductions so far as practicable by retiring those who are willing to be retired, and to this end the reductions will be made over a reasonably long period of time and suitable willing victims will be accepted on a service-wide basis, where practicable.

#### LIMITED EFFICIENCY OR PERSONAL REASONS

27. It is not possible to define the concept of limited efficiency more precisely than as a failure to carry out the full duties of the post satisfactorily. It has been made clear in paragraph 3(b) that retirement on grounds of limited efficiency will only take place exceptionally in the case of grades below the level of Senior Principal. It might give a clearer indication of the nature of the judgment to be exercised in such cases, however, to say that in the case of staff covered by the new staff report form (ie up to and including Assistant Secretary), an officer of limited efficiency might well have been given an overall assessment on his report forms over a period of time of "definite weaknesses make him not quite good enough to get by" (box 5). In the case of the more senior grades for whom the standard report form is not used (ie normally above Assistant Secretary) and from whom particularly high standards of sustained performance are necessarily expected different considerations might well apply. In every case, however, an officer who is being considered for retirement in these circumstances will have been given earlier informal warnings, indicating in what respects his performance has not come up to standard, and thus giving him the opportunity to improve it. Such informal warnings would normally be given in the course of day to day working relationships by more

senior officers, but it would also be appropriate to include guidance of this kind in the course of an appraisal interview or career interview for those grades which are covered by these procedures. The important consideration is that any officer whose performance is falling below the standard which is required of his grade should be properly informed of his weaknesses and should be given time, opportunity and encouragement to put matters right.

28. If despite these warnings it should prove necessary to consider the possibility of retirement on grounds of limited efficiency, the procedure to be followed will so far as possible be similar to that outlined in paragraphs 23 and 24. The provisional decision in such a case will need to be taken in the Establishment Division on the basis of reports from the officer's operational manager but the retirement board procedure will then operate along the lines set out in paragraph 23. The basic differences will be that the memorandum which is sent to the officer notifying him of the provisional decision of the board will need to outline his alleged shortcomings in some detail; and the board will be required to consider whether, if any action is in their opinion justified, reversion to a lower grade would be an appropriate alternative to premature retirement. At Under Secretary level and above the role of the retirement board will necessarily have to be taken by the Permanent Secretary concerned, and the Civil Service Department should be consulted as in the case of promotions to this level.

29. The memorandum notifying the officer of the retirement board's decision will also inform him of his right of appeal to the Appeal Board. It is likely that a proportion of officers will be prepared to accept reversion or to retire without questioning the provisional decision, but where the decision to retire is contested the case will be put to the Appeal Board before any final decision is taken. The supporting evidence submitted to the Appeal Board will need to include the recent annual reports on the person whose retirement is contemplated together with any other relevant documents eg appraisal reports and the Board will have power, on application by the appellant, to require the department to provide him with copies of these. The Appeal Board and subsequent procedure will be the same as in paragraph 24. At least six months will elapse between the date on which an officer receives the memorandum outlining his shortcomings and containing the first formal warning of the retirement board's recommendation and the date of actual retirement. It is again emphasised, however, that no formal warning should be issued unless earlier informal warnings have been given and the officer has had time opportunity and encouragement to improve his performance.

#### COMPENSATION TERMS FOR MOBILE STAFF RETIRED IN THE PUBLIC INTEREST (ie REDUNDANCY, STRUCTURAL GROUNDS, LIMITED EFFICIENCY)

30. These terms will be available at management discretion only to those who have a full mobility obligation and for whom no suitable alternative job is available:

- a. Mobile established staff aged 40 and over and with 10 or more years' service will receive an immediate annual payment, an associated lump sum, a further compensation payment

and in some cases resettlement leave. The annual payment will be 1/80th of pensionable pay for each year of service enhanced by a maximum of 5/60ths of pensionable pay (equivalent to the maximum special increases under Section 45) for those retiring after their 45th birthday; the enhancement will build up progressively at the rate of 1/60th per year from 1/60th for retirements between the 41st and 42nd birthday to a maximum of 5/60ths from the 45th birthday and will be subject to an overall limit of the pension which could have been earned by reckonable service to the minimum pensionable age. The lump sum will be equivalent to 3/80ths of pensionable pay for each completed year of service; it will be enhanced in the same proportion as the annual payment. The compensation payment will be a maximum of 6 months' pensionable pay, progressively reducing by one month for each half-year within the last 3 years by which the age of premature retirement approaches the minimum pensionable age. Resettlement leave on full pay of up to 6 months will be allowed to those who have spent more than 2 out of their last 5 years' service abroad but will not be granted so as to carry service beyond 60. The annual payment will not be commutable, except that in cases where the lump sum, plus the compensation payment, does not amount to 2 years' pensionable pay, sufficient of the annual payment due up to the minimum retiring age may be commuted to achieve this.

- b. Mobile established staff under 40 or with less than 10 years' service, regardless of age, will receive one month's pensionable pay for each year of service. For all service after the first 5 years, staff will receive a further month's pensionable pay for each year of service completed between the 31st and 36th birthday, and a further 2 months' pensionable pay for each year of reckonable service completed after the 36th birthday. Service within the first 5 years will qualify for an extra month's pay for each year completed after the 36th birthday. The compensation will be reduced progressively within the last 3 years before the minimum retiring age. Compensation for those with more than 2 years' service but less than 10 will be enhanced by 3/80ths of pensionable pay for each completed reckonable year; those with 10 or more years' service will be able to preserve their pension benefits for payment at retiring age.

COMPENSATION TERMS FOR ALL NON-MOBILE STAFF, AND FOR UNESTABLISHED STAFF WITH A MINIMUM OF 2 YEARS' SERVICE, RETIRED ON REDUNDANCY

31. The terms will be payable at management discretion only when no suitable alternative job can be found within reasonable daily travelling distance. These staff will receive, subject to a maximum of 2 years' pay, 2 weeks' pensionable pay for each of the first 5 years' service, 3 weeks for each of the next 5 years and 4 weeks for each of any further completed years' service, plus a further 2 weeks' pensionable pay for each year of service completed after the 40th birthday. The compensation will be reduced progressively within the last 3 years before the minimum retiring age. Unestablished staff with a minimum of 2 years' service including part-time staff will

receive payments calculated on this basis in place of their present gratuities if retired on redundancy. Unestablished staff will retain in full what they would have received by way of an unestablished gratuity had they retired voluntarily. Any compensation in excess of this sum will be tapered as above. Established staff with 10 or more years' service, will be able to preserve their pension benefits for payment at retiring age; established staff who leave over the age of 55 may opt to have their pension brought into immediate payment in lieu of the redundancy payments above. Compensation for established staff with 2 years' or more service but less than 10 will be enhanced by 3/80ths of pensionable pay for each completed reckonable year.

#### COMPENSATION TERMS FOR ALL STAFF RETIRED FOR INEFFICIENCY

32. For established staff, whether mobile or non-mobile, the terms will be the same as for non-mobile staff who are retired on redundancy. For unestablished staff the present gratuities will continue to be paid.

#### IMPLEMENTATION

33. Retrospective application of the new terms will be restricted to those who have actually left the Civil Service on redundancy. It would be quite impracticable to reopen past decisions; eg the established man who will in future be in the non-mobile category must stand by a decision already taken, however, reluctantly, and acted upon to accept transfer to another part of the country when resignation was the only alternative open to him. Equally his colleague who resigned rather than accept a transfer can have no retrospective claim to compensation.

34. Retrospection will therefore be allowed where more favourable to established staff who have already been retired on "abolition of office" terms from the Home Civil Service or on redundancy, structural grounds or limited efficiency from the Diplomatic Service on or after 1 March 1969, for whom it has already been guaranteed. Retrospection for unestablished staff will apply to those who left on or after 1 September 1971 and were treated as qualifying for a special payment (which may, however, be subsumed, in whole or in part, in the temporary gratuity paid under the Superannuation Act) under the arrangements by analogy with the Redundancy Payments Act. The proposals for compensation in cases of retirement for structural reasons or on grounds of limited efficiency from the Home Civil Service will require legislation and retirement on these grounds will therefore be introduced at a later date, to be announced.

35. Established mobile staff under the age of 40 on leaving the Service on redundancy during the period between the operative date of this agreement and that of the new Civil Service superannuation scheme will be able to opt for the present abolition of office terms, including a right to commute. A non-mobile established member of staff due to leave in the same period may opt to be treated as if he had retained his present mobility obligation. If he does so he will, if possible, be transferred to a suitable post in another part of the country but if no suitable post can be found he will qualify for the present abolition-of-office terms, including a right to commute. Should he refuse a transfer he will be retired on the new non-mobile terms.

**PRINCIPAL CIVIL SERVICE PENSION SCHEME****8761-8765** unallocated**COMPULSORY PREMATURE RETIREMENT**

**8766** Compulsory premature retirement means retirement before the minimum retirement age on grounds of redundancy, on structural grounds, on grounds of limited efficiency or inefficiency. A civil servant so retired may receive the normal award under the PCSPS (i.e. a preserved pension and lump sum or a short service payment according to the length of qualifying service) plus certain additional compensation benefits based on length of service, age and grade at the time of premature retirement.

**8767** These arrangements may be applied to any civil servant pensionable under the PCSPS whose service ends on or after 1 June 1972, whether employed in either a full or part-time capacity in an industrial or non-industrial grade. They may also be applied to a civil servant who opted for the terms of either the Superannuation Act 1859 or the Superannuation Act 1909 (see paragraph 8750) and, under special arrangements, to members of the Federated Superannuation System for Universities.

**8768** These arrangements cannot be applied to a civil servant who:

- a. is not pensionable under the PCSPS;
  - b. is dismissed for disciplinary reasons;
  - c. is dismissed for failing probation;
- or
- d. is serving on a limited period appointment, but if the original appointment is changed to an open-ended appointment without a break in service, all service may reckon for an award under this section if the services are subsequently prematurely terminated.

**8769** The Civil Service is divided into mobile and non-mobile grades. Generally, the mobile classification is given to a civil servant employed full-time in a grade at or above the level of executive officer; and a non-mobile classification is given to all part-time staff, those employed in a grade below the level of an executive officer, and to all industrial grades unless specifically excluded (but see Code Section "Mobility Obligation", paragraphs 5020 to 5030).

Civil Servants may be prematurely retired as follows:

Reason for premature retirement	Mobility classification
Redundancy	Mobile and non-mobile
Structural grounds	Mobile only
Limited efficiency	Mobile only
Inefficiency	Mobile and non-mobile

**8770-8774** unallocated**Pay in lieu of notice**

**8775** When a civil servant is to be prematurely retired and he cannot be retained until the end of the agreed period of notice, he may receive pay in lieu of notice. In such a case, the date of premature retirement will be the last day of actual service and the compensation payment and, if aged 40 or over and serving in a mobile grade, the lump sum will become payable from the following day. But any annual compensation payment will not be brought into payment until the period to which the pay in lieu of notice relates has expired. If an officer is allowed to leave before the end of the period of notice, no payment in lieu will be made and all parts of the award will become payable on the day following the last day of actual service.

**Resettlement leave**

**8776** A civil servant who has served abroad for more than 2 years in his last 5 years of service may be granted a period of resettlement leave during which he will receive pay in the normal way, and if he is retired prematurely he may continue to receive such pay after the formal date of premature retirement. In such cases, payment of the annual compensation payment will be suspended until the period of leave has expired although the lump sum and compensation payment will become payable on the day following the date of premature retirement.

**8777** If both pay in lieu of notice and resettlement leave are granted, the resettlement leave will be regarded as starting on the day following the expiry of the period of notice. Payment of the annual compensation payment will not commence until the period of notice and of the resettlement leave have both ended.

**Principal Civil Service Pension Scheme**  
 paragraphs 8778 to 8785

**Notional starting date of reckonable service**

**8778** For lump sum compensation benefits payable under the PCSPS the age at which a civil servant's reckonable service started, as well as the length of such service, is a relevant factor. If reckonable service includes:

- a. earlier service in the Civil Service which has been aggregated with current service (see paragraph 8892);
- or b. purchased added years (see paragraph 9036);
- or c. transferred service (see paragraph 9005);

total reckonable service for the purpose of this part of the Scheme is treated as if it were a period of continuous service ending on the last day of the final period of service and the age at which reckonable service was deemed to have started is calculated accordingly.

**8779** For example, a civil servant made redundant on 31 December 1974, when he was aged 42 years 244 days, may have service in the Civil Service from 12 September 1970 (i.e. 4 years 111 days) and earlier service with a local authority of 6 years 103 days, which is reckonable by virtue of the payment of a transfer value. He will be deemed for the purposes of this section of the PCSPS to have total reckonable service of 10 years 214 days beginning on 1 June 1964, when he was aged 32 years 30 days, irrespective of his actual age and length of service in the previous employment.

**8780-8783** unallocated

**BENEFITS PAYABLE ON COMPULSORY PREMATURE RETIREMENT**

**To mobile grades (except on grounds of inefficiency)**

**5 or more years' qualifying service — aged 40 and over at retirement**

**8784** A mobile civil servant prematurely retired on grounds of redundancy, on structural grounds or on limited efficiency on or after his 40th birthday, and with 5 or more years' qualifying service:

- a. will receive a pension and lump sum based on reckonable service, enhanced as in paragraphs 8785 to 8787 if age 41 or over. The lump sum will be payable immediately but the pension will be preserved and brought into payment at the minimum retirement age.

He may also receive:

- b. an annual compensation payment equal to the preserved pension payable from the day following premature retirement (but see paragraphs (8776 to 8777) until the minimum retirement age when it will be replaced by the preserved pension;

and c. a lump sum compensation payment of up to 6 months' pensionable pay (but see paragraph 8802).

(See Annex 1, examples 1 to 7)

Annual compensation payments attract pensions increase to the same extent and subject to the same conditions as pensions. Thus, the compensation payments awarded to mobile civil servants will be fully protected against the effects of inflation, although a civil servant prematurely retired before age 55 cannot normally receive the benefit of that protection until he reaches that age.

**8785 Enhancement of reckonable service:** reckonable service may be enhanced as follows:

Age on last day of service	Enhancement of reckonable service	Limitation of enhancement
40 but under 41	Nil	) Must not exceed the length of reckonable service
41 but under 42	1.3333 years	
42 but under 43	2.6667 years	
43 but under 44	4.0000 years	
44 but under 45	5.3333 years	
45 and over	6.6667 years	

Reckonable service excludes any period of resettlement leave taken after the last day of service and any period for which pay in lieu of notice is paid; enhancement will therefore be determined from the last day of actual service.

**8786 Limitation of benefits:** the preserved pension and lump sum may not exceed those which would have been paid if service had continued to the normal retirement age. Thus, if a civil servant is:

- a. aged 53 years 4 months or over;
- or b. has reckonable service in excess of 33 years 4 months;

an award calculated on the reckonable service enhanced by 6.6667 years may exceed the award he could have expected to receive if he had continued to serve in the same grade until the minimum retirement age.

**8787** In such a case an alternative calculation must be done as follows:

- a. *reckonable service* will be restricted to that which could have reckoned by the minimum retirement age, subject to a maximum of 40 years (projected reckonable service);
- b. *pensionable pay* will be based on the salary and pensionable emoluments which would have been drawn in the best 12 months of the last 3 years of projected service, taking into account any increments due but ignoring any pay increases starting after the last day of service. (If an officer is in temporary promotion at the last day of service, the projected pensionable pay should be calculated on the projected pay of the substantive grade plus the amount of promotion increase to the temporary grade, but not to the full projected pay of the temporary grade).

The two awards are compared and the *smaller* brought into payment (see Annex 1, examples 5, 6 and 7).

**8788 Annual compensation payment:** an annual compensation payment equal to the preserved pension, as calculated above, will be payable from the day following the premature retirement except that it will be suspended during the period in respect of which any pay in lieu of notice is received (see paragraph 8775) or during any period of resettlement leave. Part or all of the annual compensation payment may under certain circumstances be commuted (see paragraphs 8806 to 8809). The annual compensation payment (or that part remaining after commutation) will be paid until the minimum retirement age but will be increased under the pensions increase arrangements from age 55. At the minimum retirement age the preserved pension, together with accrued pensions increase, will be brought into payment.

**8789 Lump sum compensation payment:** a lump sum compensation payment of up to 6 months' pensionable pay (i.e. pensionable pay at the date of premature retirement) will be payable on premature retirement, but tapered as appropriate in paragraph 8802 or 8803 if payable within 3 years of the minimum retirement age.

**8790 Part-time service:** a civil servant with part-time service in the last 3 years of reckonable service who is prematurely retired will have the compensation payment in paragraph 8789 calculated by using the actual pay and pensionable emoluments received in any period of 12 months (365 days) in the last 3 years of service and not by using the full-time rate of pay in paragraph 8684.

**8791 Enhancement of widow's pension:** Any enhancement of reckonable service used in calculating the preserved pension (and, if appropriate, the projected pensionable pay) will be included when calculating the widow's pension and contributions to cover that enhancement will be deducted at the appropriate rate from the lump sum. The widow's pension and contributions due for the period of enhancement will be as follows:

Option	Widow's pension.	Contributions payable on enhancement
Pension at the one-third rate for service prior to 1 June 1972	The more favourable of that calculated by: a. including the enhancement with the reckonable service reckoning for a pension at the one-third rate; or b. ignoring all service prior to 1 June 1972 and using reckonable service on and after that date, plus the enhancement, for a pension at the one-half rate;	a. at the rate applicable to a pension at one-third of the civil servant's pension; b. at the rate applicable to a pension at one-half of the civil servant's pension
Pension at the one-half rate for all service	Calculated on total reckonable service, plus the enhancement.	at the rate applicable to a pension at one-half of the civil servant's pension.



**Principal Civil Service Pension Scheme**  
paragraphs 8792 to 8795

**5 or more years' qualifying service - under age 40 at retirement.**

**8792** A mobile civil servant prematurely retired before his 40th birthday with 5 or more years' qualifying service will receive:

a. a preserved pension and lump sum calculated in the normal way (i.e. with no enhancement) both payable at the minimum retirement age;

and b. he may also receive a compensation payment, payable immediately after premature retirement, of:

i.  $\frac{\text{Pensionable pay} \times \text{Total reckonable service}}{12}$

12

Plus

ii. the lesser of:- either

$\frac{\text{Pensionable pay} \times \text{Total reckonable service minus 5 years}}{12}$

12

or

$\frac{\text{Pensionable pay} \times \text{Reckonable service after 30th birthday}}{12}$

12

Plus

iii.  $\frac{\text{Pensionable pay} \times \text{Reckonable service after 35th birthday}}{12}$

12

(See Annex 1, examples 8 and 9)

**At least 2 but less than 5 years' qualifying service**

**8793** A mobile civil servant prematurely retired with at least 2 years' but less than 5 years' qualifying service may receive, immediately after premature retirement, the following:

a. a short service payment;

Plus

b. a compensation payment of:

i.  $\frac{\text{Pensionable pay} \times \text{Total reckonable service}}{12}$

12

Plus

ii.  $\frac{\text{Pensionable pay} \times \text{Reckonable service after 35th birthday}}{12}$

12

tapered as in paragraphs 8802 or 8803 if payable within 3 years of the minimum retirement age.

(See Annex 1, example 10)

**At least 1 but less than 2 years' qualifying service**

**8794** A mobile civil servant prematurely retired with at least 1 but less than 2 years' qualifying service may receive a compensation payment of:

a.  $\frac{\text{Pensionable pay} \times \text{Total reckonable service}}{12}$

12

Plus

b.  $\frac{\text{Pensionable pay} \times \text{Reckonable service after 35th birthday}}{12}$

12

tapered as in paragraph 8802 or 8803 if payable within 3 years of the minimum retirement age.

(See Annex 1, example 11)

**Less than 1 year's qualifying service**

**8795** A mobile civil servant prematurely retired with less than one year's qualifying service will not be eligible for any award under the PCSPS or by analogy with the Redundancy Payments Act.

**To mobile grades on grounds of inefficiency**

**8796** A mobile civil servant prematurely retired on grounds of inefficiency (including irregular attendance) will be eligible to receive the normal award applicable to his length of service plus the compensation benefits applicable to a *non-mobile* civil servant retired on grounds of redundancy or inefficiency (see paragraphs 8797 to 8801).

**To non-mobile grades**

**5 or more years' qualifying service**

**8797** *Under the age of 55:* a non-mobile civil servant with 5 or more years' qualifying service who is under the age of 55 at the date of premature retirement will receive:

- a. a preserved pension and lump sum payable at the minimum retirement age;
- b. a compensation payment, payable immediately after premature retirement, which will be the *lesser* of:
  - either i. 2 years' pensionable pay;
  - or ii. an amount calculated as follows:
    - 2 weeks' pensionable pay for the first 5 years of reckonable service [or, if total reckonable service is less than 5 years (e.g. in the case of part-time service), 2 weeks' pensionable pay x length of reckonable service];
    - Plus
    - 3 weeks' pensionable pay for the next 5 years of reckonable service (or, if total reckonable service is over 5 years but less than 10 years, 3 weeks pensionable pay x length of reckonable service minus 5 years)
    - Plus
    - 4 weeks' pensionable pay x total reckonable service minus 10 years;
    - Plus
    - 2 weeks' pensionable pay x reckonable service after 40th birthday;

where one week's pensionable pay is the weekly equivalent of the annual rate of pensionable pay used in calculating the preserved award (see paragraph 8682). *For the purpose of calculating* this compensation payment only, any reckonable service before 14 July 1949 in an unestablished capacity must be reckoned at its actual length.

(See Annex 1, examples 12 and 13)

**8798** *Age 55 or over:* a non-mobile civil servant with 5 or more years' qualifying service who is 55 or over at the date of premature retirement may opt:

- either
  - a. to receive a preserved pension and lump sum and compensation payment as in paragraph 8797 with the compensation payment tapered as in paragraph 8802 or 8803 if payable within 3 years of the minimum retirement age;
- or
  - b. to forgo the compensation payment and take immediate payment of his pension and lump sum.

(See Annex 1, example 14)

**At least 2 but less than 5 years' qualifying service**

**8799** A non-mobile civil servant with at least 2 but less than 5 years' qualifying service who is prematurely retired may receive immediately after premature retirement the following:

- a. a short service payment;
- and b. a compensation payment of:
  - i. 2 weeks' pensionable pay x total reckonable service;
  - plus ii. 2 weeks' pensionable pay x reckonable service after 40th birthday;

where one week's pensionable pay is the weekly equivalent of the annual rate of pensionable pay used in calculating the short service payment (see paragraph 8682). This will be tapered as in paragraph 8802 or 8803 if payable within 3 years of the minimum retirement age.

(See Annex 1, examples 15 and 16)

**Principal Civil Service Pension Scheme**  
paragraphs 8800 to 8805

**At least 1 but less than 2 years' qualifying service**

**8800** A non-mobile civil servant prematurely retired with at least 1 but less than 2 years' qualifying service may receive a compensation payment, tapered as in paragraph 8802 or 8803 as necessary, payable immediately after premature retirement, of:

a. 2 weeks' pensionable pay x total reckonable service;

Plus

b. 2 weeks' pensionable pay x reckonable service after 40th birthday;

where one week's pensionable pay is the weekly equivalent of the annual rate of pensionable pay which would have been used to calculate an award under the PCSPS (see paragraph 8682).

(See Annex 1, example 17)

**Less than 1 year's qualifying service**

**8801** A non-mobile civil servant prematurely retired with less than 1 year's qualifying service will not be eligible for any award under the PCSPS or by analogy with the Redundancy Payments Act.

**Reduction of compensation payment on account of age**

**8802** If at the date of premature retirement a civil servant is within 3 years of the minimum retirement age any lump sum compensation payable will be tapered. If he has a minimum retirement age of 60 it will be tapered in accordance with the following table:

Minimum retirement age of 60

Age at date of premature retirement  
Under 57

57 but under 57½

57½ but under 58

58 but under 58½

58½ but under 59

59 but under 59½

59½ or over

Reduction of Compensation Payment  
No reduction

1/6th

2/6ths

3/6ths

4/6ths

5/6ths

No compensation

**8803** *Reduced minimum retirement age:* if a civil servant has service which reduces his minimum retirement age (e.g. service overseas or Prison Officer service) the table in paragraph 8802 should be adjusted by reducing the ages in the left hand column of the table by the same amount as the reduction in the minimum retirement age. For example, if service overseas reduces the minimum retirement age by 1¼ years, the table should be adapted as follows:

Minimum retirement age of 58¼

Age at date of premature retirement  
Under 55¼

55¼ but under 56¼

56¼ but under 56¾

56¾ but under 57¼

57¼ but under 57¾

57¾ but under 58¼

58¼ or over

Reduction of Compensation Payment  
No reduction

1/6th

2/6ths

3/6ths

4/6ths

5/6ths

No compensation

**Alternative benefit for service overseas**

**8804** A civil servant with service in one of the overseas territories to which paragraph 8653 applies may, if prematurely retired, opt to receive an additional compensation payment instead allowing that service to increase his reckonable service and to reduce his minimum retirement age (see paragraph 8573). The lump sum payment in lieu of enhancement for service overseas will be 3% of pensionable pay multiplied by the *actual* length of service overseas which would have qualified to increase the length of reckonable service (i.e. unestablished service in one of the territories before 14 July 1949 will reckon at its actual length).

**8805** If this additional compensation payment is taken, the minimum retirement age will be taken as 60 and the lump sum compensation payment will be tapered if the civil servant is age 57 or over at the date of the premature retirement.

#### Commutation of an annual compensation payment

8806 A mobile civil servant who has 5 or more years' qualifying service and is aged 40 or over when prematurely retired may commute the whole or part of the annual compensation payment if the total of the following items is less than 2 years' pensionable pay:

- a. the net lump sum after deduction of any outstanding contributions for widows' and other family benefits;
- b. the lump sum compensation payment;

and c. any lump sum payment in lieu of enhancement of service overseas.

8807 This option to commute is available to any time before the minimum retirement age and no medical examination is required. If a civil servant so opts, part or all of the annual compensation payment will be surrendered in exchange for an additional lump sum payment. The amount of the preserved pension is not affected by commutation and, at the minimum retirement age, the full pension, together with accrued pensions increase, will be brought into payment.

8808 In these circumstances, part, or all of the annual compensation payment may be commuted so as to obtain an additional lump sum compensation payment thereby increasing the total lump sum payable to 2 years' pensionable pay. If the annual compensation payment is not sufficient to produce an additional lump sum to bring the total lump sum payable up to this maximum, the whole of the annual compensation payment *must* be commuted. If, after commuting, the amount of annual compensation payment remaining is less than £52 per annum, this *must* also be commuted (i.e. the whole of the annual compensation payment must be commuted even though it will make the lump sum payable greater than 2 years' pensionable pay).

8809 *Method of calculating amount to be commuted:* the amount of annual compensation payment to be surrendered on commutation is derived from tables prepared by the Government Actuary's Department. These tables, together with notes on their use, are reproduced at Annex 2.

#### Allocation and premature retirement

8810 Part of an annual compensation payment or a preserved pension may be allocated at the time it comes into payment. Departments should ensure that any civil servant prematurely retired is given a copy of the Allocation Booklet (see paragraph 9317).

#### Dismissal

##### Misconduct or disciplinary reasons

8811 A civil servant dismissed for misconduct or disciplinary reasons may receive only the benefits appropriate to his length of service i.e. a short service payment, a preserved award or a transfer value.

##### Failure of probation

8812 A civil servant who fails probation and is dismissed is not regarded as having been retired in the public interest or for inefficiency. Only benefits, if any, appropriate to his length of service will be payable, i.e. a short service payment, a preserved award or a transfer value. In these cases *no compensation will be payable* and the reason for dismissal should be clearly stated when application is made for an award.

#### Redundancy Payments Act 1965

8813 The liability to make redundancy payments, which is imposed by the Redundancy Payments Act 1965, does not apply to employments covered by the PCSPS. Arrangements are made to ensure that payments made to redundant civil servants are not less than those they would have received if the Act had applied. The compulsory premature arrangements under the PCSPS are generally more favourable but in any case where it would be more beneficial to receive a payment by analogy with the Redundancy Payments Act, a special payment will be made to bring the benefits payable up to that level. When considering whether a special payment is necessary account must be taken not only of the lump sum compensation payment due but also of any short service payment or pension and lump sum payable within 90 weeks of the date of redundancy. Details of how the provisions of the Redundancy Payments Act are applied by analogy to the Civil Service, the offsetting arrangements to be applied to pensions and short service payments and the claims to be made on the Redundancy Fund are given in Annex 3.

8814 A civil servant who leaves on redundancy is not required to make a claim in order to be eligible for a payment by analogy with the Act. If he leaves without such a payment or considers the compensation received is less than he would have been entitled to under the Act he must claim from his department, in writing, within 6 months of the date of the termination of his services.

**Principal Civil Service Pension Scheme**  
paragraphs 8815 to 8820

**Effects of re-employment on benefits**

**8815** The conditions for re-employment in the Civil Service following compulsory premature retirement are given below and the subsequent action is given at paragraphs 8896 to 8900 and 8921.

**Repayment of compensation payments on re-employment in the Civil Service**

**8816** Lump sum compensation payments under the PCSPS are expressed in terms of a period (e.g. months or weeks) of pensionable pay and, if a person is re-employed within that period, he is required to refund a proportion of his compensation payment representing the unexpired portion of the period. For example, if the compensation payment was 6 months' pensionable pay and the man was re-employed after 5 months, he would be required to refund one month's pensionable pay or 1/6th of his compensation payment. A more detailed example is given in Annex 4. The refund must be made by a single payment or by deductions of not less than 25% of net pay on re-employment.

**8817** A mobile civil servant who received an annual compensation payment and a lump sum in the circumstances set out in paragraph 8784, will not be required to refund any part of that lump sum if he is re-employed in the Civil Service. He will be given an option to take either a single aggregated award for all service or two separate awards (see paragraph 8896) and the amount of the lump sum received will be taken into account when he next leaves the Service. The annual compensation payment will however be subject to the abatement arrangements in paragraphs 8930 to 8950.

**Re-employment under another pension scheme**

**8818** A transfer value cannot be paid in respect of a civil servant who is already in receipt of a pension or an annual compensation payment for service in the Civil Service. Before any such award is made, a civil servant who obtains employment outside the Civil Service or who indicates that he intends to obtain such employment, should be given the opportunity to have his Civil Service pension rights transferred to his new employment. The transfer value will then be calculated in the normal way (i.e. there will be no enhancement of reckonable service). The payment of a transfer value will not affect the civil servant's eligibility for a lump sum compensation payment.

**8819** If the civil servant is eligible for a preserved award or a short service payment, a similar option should be given and, if a transfer value is paid, no preserved award or short service payment will be awarded, but again eligibility for a lump sum compensation payment is unaffected.

**8820** If a person who has been awarded:

- a. a preserved pension and lump sum;
  - b. a short service payment;
  - or c. no award other than a lump sum compensation payment (because he had less than 2 years' qualifying service),
- subsequently asks for a transfer of his Civil Service pension rights, a transfer value may be paid in accordance with paragraphs 8960 to 9020.

Paragraphs 10510 to 10528

## PREMATURE RETIREMENT

### INTRODUCTION

**10510** This section of the Code gives details of the circumstances in which an officer may be retired before he has reached his minimum retirement age, as defined in the Code section, Superannuation, paragraphs 8572 to 8574. All the provisions in this section are applicable to industrial as well as non-industrial staff except those relating to retirement on grounds of inefficiency; the appropriate procedures for industrial staff in this respect are set out in CSDIM(73)20 and CSDIM(75)10.

**10511** An officer may be prematurely retired:

- a. on grounds of limited efficiency ) (retirement on these grounds
- b. on structural grounds ) is regarded as retirement in
- c. on grounds of inefficiency ) the public interest)

and

- d. on medical grounds (it should be noted that retirement on medical grounds can be effected after as well as before minimum retirement age).

An officer may also be prematurely retired on redundancy grounds, but the appropriate provisions are set out in the Code section, Redundancy.

**10512** The compensation terms applicable to retirement on grounds of limited efficiency, structural grounds and grounds of inefficiency are in the Code section, Superannuation (Compulsory Premature Retirement). The superannuation provisions applicable to retirement for medical reasons are in the Code section, Superannuation (Ill Health Retirement).

**10513-10522** unallocated

### RETIREMENT IN THE PUBLIC INTEREST

**10523-10527** unallocated

#### Period of Notice

**10528** An officer will be given as much informal notice as practicable and, if his department contemplates retirement on grounds of limited efficiency, he will be given specific prior warnings that an improvement in his performance is necessary. All established staff will always be given six months' formal notice. Unestablished staff with two years' service but less than five years' will be given not less than three months' formal notice. Unestablished staff with less than two years' service will be given at least the notice required by the contracts of employment legislation, and departments will give the maximum amount of notice possible. If the department is unable to provide work for the whole of the minimum period of notice, the officer will be paid for the unexpired portion; but this will not be done

if he leaves voluntarily with the agreement of his department before the end of his period of notice.

**10529-10533** unallocated

#### Limited efficiency

**10534** A civil servant in the mobile category whose performance no longer adequately measures up to the requirements of his post, or who fails to carry out his full duties satisfactorily, may be retired on grounds of limited efficiency. If the prior warnings referred to in paragraph 10528 fail to produce an acceptable improvement in the officer's performance a retirement board will be set up to consider his case and recommend what action should be taken.

**10535** The officer will be told of the retirement board's recommendation and of his rights of appeal. If the retirement board recommends that he should be retired he will be given at least six months' formal notice of his retirement. If he contests retirement, he has the right to appeal to the Civil Service Appeal Board, in accordance with the procedures set out in the Code section of that name. He will be given a copy of the memorandum his personnel division will have prepared setting out the reasons for his retirement. The supporting evidence submitted to the Appeal Board will need to include his recent annual reports, together with any other relevant documents, e.g. appraisal reports, and the Appeal Board will have power, on application by the officer, to require the department to give him access to relevant papers, including annual reports, which it considers to be necessary for him to see for the adequate presentation of his case.

#### Structural grounds

**10536** Staff in mobile grades may be prematurely retired on structural grounds, for example when there is a very bad age distribution in a particular group of staff leading to serious promotion blockage and consequent difficulty in the management of that part of the Service. No-one below Grade 6 (Senior Principal) level can be compelled to retire on these grounds; but departments may use premature retirement to deal with structural problems at lower levels provided that those retired are prepared to go willingly.

**10537-10545** unallocated

#### INEFFICIENCY

**10546** The provisions of paragraphs 10547 to 10566 apply to non-industrial staff only. For the procedures applicable to industrial staff see CSDIM(73)20 and CSDIM(75)10.

**10547** An officer may be prematurely retired on grounds of inefficiency if he/she has been judged no longer able to discharge his/her duties efficiently because:

- a. his/her work performance has deteriorated to an unacceptable standard
- or
- b. his/her frequent absences from work adversely affect the efficient running of the office.

**Premature Retirement**  
paragraphs 10547 to 10562

In order to ensure that the decision to retire an officer in either of these circumstances is taken after full investigation, with proper safeguards for the individual concerned, the procedures set out in paragraphs 10553 to 10566 are followed.

**10548-10552 unallocated**

**Officers whose performance has deteriorated**

**10553** The officer will always be given prior informal warning that his/her performance is falling below the acceptable standard. Every effort will be made to give him/her time, opportunity and assistance to improve, and to discover the cause of any sudden deterioration. If it is thought that the drop in performance, whether gradual or sudden, is likely to be due to health reasons or if the officer maintains that this is so, he/she will be advised to consult his/her doctor. He/she will be warned that unless an improvement in performance can be effected with his/her doctor's help, the department may have to initiate the formal procedure which could lead to his/her being prematurely retired either on grounds of inefficiency or on medical grounds.

**10554** If, after the informal warning procedure outlined above has been carried out, there has been insufficient improvement, the formal procedure for compulsory premature retirement on grounds of inefficiency will be initiated by an adverse report by the operational manager; this may be submitted at any time and need not await the normal reporting date. The officer will then be formally warned in writing that his/her performance is unacceptable and told the reasons.

**10555** After the formal written warning the officer will be put on trial for a specific period, whenever possible in a different suitable post under another manager. The length of the trial period will depend on a variety of factors which may affect the case, such as health and welfare difficulties, adjusting to new work etc, but it should be a minimum of three months. If it seems likely, and the officer agrees, or suggests, that the poor performance may be attributable to medical causes, he/she will be told at this stage that the case is being put to the Civil Service Medical Adviser, but that if the Medical Adviser does not recommend, or if the officer contests, retirement on medical grounds the procedure for retirement on grounds of inefficiency will be initiated if his/her performance does not improve.

**10556** At the end of the trial period a further report will be called for. If this is also adverse the department may decide to retire the officer. Both line management and personnel management should be involved in this decision. The officer must be informed of this decision and of the right of appeal against the decision through clearly defined, formal internal procedures, independent of the immediate line management. These procedures should be made known to staff. The officer can, if he or she wishes, be assisted in the appeal by a trade union representative or other friend. If the appeal is rejected (or if the officer decides not to appeal) the officer will be given formal notice of retirement on grounds of inefficiency, and of the right to appeal to the Civil Service Appeal Board in accordance with the prescribed procedures.

**10557-10561 unallocated**

**Officers whose attendance is regarded as unsatisfactory**

**10562** If an officer who is efficient while at work fails to give satisfactory service because of frequent or continuous absences (arising mainly from minor non-recurrent ailments), measures may be taken to terminate his/her appointment.



**10563** If it is decided to initiate premature retirement proceedings, the officer will be warned informally that his/her attendance is unsatisfactory and efforts will be made to determine the reason for his/her poor attendance. If insufficient improvement results, the formal procedure will be initiated for compulsory premature retirement on grounds of inefficiency arising from unsatisfactory attendance, ie a formal written warning will be given and the officer will afterwards be put on a trial for a specified period, whenever possible in a different suitable post under another manager. The length of the trial period will depend on a variety of factors which may affect the case such as health and welfare difficulties, adjusting to new work etc, but it should be a minimum of three months.

**10564** If at this stage the department thinks, or the officer himself suggests that the unsatisfactory attendance results from a medical condition which would make retirement on medical grounds appropriate, he/she will be told that his/her case is to be put to the Civil Service Medical Adviser. The officer will also be informed of his/her rights, which include the adoption of one of the following courses if, after consulting his/her doctor, he/she considers that the circumstances justify it:

a. to have the case referred to the Medical Adviser on the grounds that the condition will improve

or

b. to apply for medical retirement and, if the application is unsuccessful, to appeal to a medical board in accordance with paragraphs 10585 to 10598.

**10565** If by the end of the trial period there has been no adequate improvement, the procedure mentioned in paragraph 10556 will be followed. If any internal appeal is rejected (or if the officer decides not to appeal), the officer will be told that he or she is being retired on grounds of inefficiency arising from unsatisfactory attendance and that there is a right of appeal to the Civil Service Appeal Board.

**10566** Should the officer subsequently appeal to the Civil Service Appeal Board or to an Industrial Tribunal (see paragraph 10607) and the Medical Adviser has not already considered the case, the officer will be asked to agree that this should be done. The department will need to be able either to produce the Medical Adviser's opinion or to demonstrate that the officer refused to have the case considered by the Medical Adviser.

**10567-10576** unallocated

#### **MEDICAL GROUNDS**

**10577** The provisions for granting retirement on medical grounds apply to officers up to age 65 except those who formally retire on or after reaching their minimum retirement age and then continue to serve in a re-employed capacity.

**10578** If a department proposes to retire an officer for health reasons, or if an officer wishes to retire on grounds of ill-health, the case will be referred to the Medical Advisory Service at the earliest possible stage.

**10579** If, in accordance with the advice given by the Medical Advisory Service, the department decides to retire the officer, his retirement should not actually take place before the date of the retirement certificate. The department will tell the officer that he is being retired on medical grounds and give him 9 weeks' notice of the date on which retirement is to take effect, unless a shorter period is mutually

## **Premature Retirement**

paragraphs 10579 to 10591

convenient. If the cancellation of an appointment during probationary service is in question, the period of notice will be five weeks. These periods of notice should be increased, where appropriate, in accordance with the rules relating to 'Notice' set out in Code paragraph 10402.

**10580** Neither the contents of the retiring certificate nor any other medical details about the reasons for retirement will be disclosed to the officer concerned. But the officer will be told that the Medical Adviser will be prepared to discuss his/her case (with the officer's consent) with his/her private doctor. There will be no objection to letting the officer concerned have details of his/her sickness absence record.

**10581-10584** unallocated

### **Appeals against retirement, or against refusal to allow retirement, on medical grounds**

**10585** Any officer who can furnish medical evidence in his/her support has the right of appeal to a medical board in either of the circumstances covered by paragraph 10578. The decision of the board will be final and no further appeal can be allowed. An officer will be fully informed by the department of his/her right of appeal and acquainted in detail with the terms and conditions set out in paragraphs 10586 to 10590.

**10586** The officer should normally submit his/her appeal and supporting evidence through the department and before he/she leaves the Service; but exceptionally a late appeal will be considered provided he/she makes it with the supporting evidence within two months of his/her date of retirement. If the officer is unfit to make the appeal personally, a close relative or friend or trade union representative may appeal on his/her behalf during the allowed period. If the cancellation of an appointment during probationary service is in question and the person concerned or his/her trade union is considering an appeal, the officer may be allowed an extension of up to a further three weeks on the normal period of five weeks' notice.

**10587** unallocated

**10588** The period of notice of retirement on medical grounds should afford adequate time for the officer or his/her trade union to decide whether there are grounds for an appeal. Beyond this period, the officer will not be allowed to remain at work or to resume duty, nor will sickness pay be continued, pending the outcome of an appeal. Appropriate superannuation benefits should be put into payment with effect from the day following the officer's last day of service, but the officer should be warned that benefits will have to be returned immediately the appeal is successful.

**10589** The case, together with the supporting medical evidence, will be referred to the Medical Adviser who will make arrangements for convening the board and for presenting the case to them.

**10590** An officer summoned to attend a medical board may claim travelling and subsistence expenses as if on official business.

**10591** If an appeal is successful, the officer is regarded as having remained during the interim on normal conditions of service. Any superannuation award that has already been made must be cancelled and payments will have to be retrospectively adjusted to the rate of salary that the officer would have been entitled to receive during that period. If an appeal fails, the officer is regarded as having been medically retired at the date originally set by his department.

10592-10597 unallocated

**Appeals by trade unions**

**10598** If the trade union so desires, and the officer concerned consents, a copy of his sickness records and the medical reasons for retirement as recorded in the retiring certificate may be sent in strict confidence to the headquarters of the trade union, the Medical Adviser will be prepared, subject to the consent of the officer concerned, to discuss the case with a headquarters officer of the trade union on the understanding that the content of the discussion is treated in strict confidence and not revealed to the officer concerned.

10599-10608 unallocated

**APPEALS TO AN INDUSTRIAL TRIBUNAL**

**10609** Notwithstanding the arrangements which exist for staff under notice of dismissal or premature retirement (other than under the medical retirement procedures described in paragraphs 10578 to 10598) to appeal to the Civil Service Appeal Board, an officer may exercise his legal right to appeal to an Industrial Tribunal.

10610-10639 unallocated

**REDUNDANCY**  
paragraphs 10640 to 10667

**INTRODUCTION**

**10640** This section of the Code gives details of the procedures which are followed when an officer is prematurely retired on redundancy grounds. It applies to non-industrial staff only; the procedures applicable to industrial staff are set out in CSDIM (71) 24 and Addenda.

**10641-10650** unallocated

**PROCEDURES FOLLOWED IN EFFECTING REDUNDANCY**

**10651** Mobile staff: An officer who has the full mobility obligation will be declared redundant only if there is no suitable post anywhere in the Civil Service for him. A mobile officer who refuses to accept a suitable transfer will be treated as if he had resigned from his appointment.

**10652** Non-mobile staff: a non-mobile officer will be declared redundant only if there is no suitable post available within reasonable daily travelling distance of his home, whether in the same or another department. If a suitable post is found locally, the officer has an obligation to accept it; if he refuses it, he will be treated as if he had resigned from his appointment.

**10653** In the event of it being necessary to select individual officers for compulsory premature retirement on redundancy grounds, it may be found that criteria, based on the Model Redundancy Agreement and already agreed in consultation with the departmental staff side, will make it self-evident who should be retired. If this is not so, and some further process of selection is necessary, likely candidates identified by the establishment division in accordance with these criteria will need to be considered by a retirement board, which will be agreed in discussion with the departmental Whitley Council and will not be below the level of the board which promotes into the grade concerned. Those selected for retirement will be notified as soon as the choice has been made and will at the same time be given a memorandum setting out the reasons for the redundancy and the criteria used in selecting the staff to be retired, and indicating the extent to which these criteria have been agreed with the staff side. The memorandum will also inform them of their entitlement to appeal to the Civil Service Appeal Board (see Code section, "Civil Service Appeal Board").

**10654** If the selected officers are content to retire, even though they had not volunteered at an earlier stage, there will be no need for any further action. But in any case where an individual signifies his wish to appeal, the Civil Service Appeal Board will be invited to consider his case before the recommendation of the departmental retirement board is confirmed, as an added safeguard against wrongful dismissal. The memorandum prepared by the retirement board will be passed to the Appeal Board for consideration, together with appropriate supporting evidence. All appellants are entitled to a full statement of all the relevant facts in accordance with the procedure laid down in Code paragraphs 10120 to 10137. The Board will then recommend to the head of the department whether or not injustice would be done if the retirement board's recommendation were accepted. The head of the department is normally expected to accept the Appeal Board's recommendation unless there are overriding reasons to the contrary, in which event the CSD will be consulted.

**10655** The minimum periods of notice which will be given are the same as those applicable to other cases of premature retirement, see Code section "Premature Retirement", except that established staff over 60 with under 10 years' service will have 12 months' formal notice, and established staff over 60 with between 10 and 25 years' service will have 9 months' notice (though this extended notice will not run beyond the 65th birthday).

**10656-10666** unallocated

**COMPENSATION**

**10667** The compensation terms applicable to premature retirement on redundancy grounds are in the Code Section, "Superannuation (Compulsory Premature Retirement)".

**10668-10719** unallocated

paragraphs 10120 10134

## CIVIL SERVICE APPEAL BOARD AND MEDICAL REVIEW BOARD

10110-10119 unallocated

### CIVIL SERVICE APPEAL BOARD

#### Right to appeal

**10120** A UK-based civil servant under notice of dismissal or compulsory premature retirement (other than on medical grounds) may appeal to the Civil Service Appeal Board, provided he has been continuously employed in the Civil Service for at least 52 weeks prior to the date on which the decision is taken to terminate his employment compulsorily, and provided he has not reached his minimum pensionable age on or before that date.

**10121** The officer has the right to lodge an appeal either before the date on which his employment is due to be terminated, or after his employment has actually been terminated. In the former case, he must notify the Appeal Board of his intention to appeal within 21 days of receiving his notice; in exceptional cases, and at the Appeal Board's discretion, this period can be extended to 28 days. In the latter case, he must notify his intention to appeal within 3 months of the effective date of termination, which is the date on which notice expired, or, if the appointment has been terminated without notice, the date on which employment ceased. If a payment is made in lieu of part or all of the notice period, the effective date of termination of employment should be regarded as the last day of actual service.

10122-10131 unallocated

#### Submission and consideration of appeal

**10132** As soon as the Appeal Board receives notice of an appeal, the Secretary will inform the employing department of the appeal and the grounds on which it is based. The appellant must submit his full case in writing to the Secretary of the Appeal Board within 42 days of his receiving formal notice (or within 21 days of the notification of his intention to appeal where this is lodged within 3 months of the effective date of termination). The Board will then send the employing department a copy of the appellant's full case and will invite them to explain the reasons for their action and to comment, if they wish, on any points made by the appellant. The department should reply within 21 days and the Appeal Board will send a copy of the reply to the appellant.

**10133** In considering each case, the Appeal Board will apply the following procedure:

- a. The Board may invite either party to give further evidence orally (see subparagraph b. below) or in writing. If, as he is entitled to do, the appellant has asked a friend, who may be a colleague or a representative of his Trade Union, to assist him with his case, that person may submit evidence on his behalf.
- b. The appellant is entitled, if he wishes, to appear before the Appeal Board in person, whether or not he is invited to do so, and to be assisted by a friend. (The Secretary of the Appeal Board will notify the appellant in advance of the date on which the Board is to consider his case and will ask him if he intends to exercise his right to appear). If he does appear before the Board his department will be invited to be represented.
- c. The appellant is entitled to receive a copy of his department's statement, which should contain all the relevant facts, explaining the reasons for its decision, and the Appeal Board will, if the appellant wishes and subject to considerations of security, require the department to give him access to other papers which the Board considers he should use for the purpose of presenting his case. Access to annual reports should not be opposed on grounds of security.

**10134** The Appeal Board for each case will consist of 3 people sitting together: a permanent Chairman (or Deputy Chairman as alternate), and 2 members, one drawn from a panel nominated by the Official Side, and one from a panel nominated by the Staff Side. The Appeal Board will operate without undue formality. Its purpose is to decide whether the decision to retire prematurely or to dismiss is fair. If the Board decides that it is not, it may recommend to the head of the employing department either that the appellant shall not be retired or dismissed; or that compensation, or additional compensation in a case of premature retirement, should be paid. If the Board considers that some other action is more appropriate it will recommend accordingly.

**Civil Service Appeal Board and Medical Review Board**  
paragraphs 10135 to 10171

**10135** If a recommendation not to retire or dismiss is made, the head of the appellant's department will decide whether the decision must stand, and his decision will be final. In cases of premature retirement in the public interest, he will normally be expected to accept the recommendation of the Board unless there are overriding reasons to the contrary and, before such a recommendation is rejected, the Management and Personnel Office must be consulted about the possibility of transfer to another department. If a recommendation not to retire or dismiss is rejected by the department, the Appeal Board will consider whether to recommend compensation, or additional compensation in the case of premature retirement.

**10136** The Secretary to the Appeal Board will notify the appellant of the Board's recommendation, or its revised recommendation if any, and the employing department will notify him and the Appeal Board of the decision of the head of the department.

**10137** The employing department shall pay any compensation recommended by the Appeal Board.

**10138-10147** unallocated

**Travelling and subsistence expenses**

**10148** Departments should meet the travelling and subsistence expenses of officers called before the Board, including those attending to assist the appellant. They should also meet the travelling and subsistence expenses (at the same rates applicable to the appellant) and loss of earnings, if appropriate, incurred by any non-civil servant (other than a full-time Trade Union representative, or solicitor or barrister) who, with the Board's agreement, attends with the appellant or on his behalf.

**10149** Payment of such expenses should be met in accordance with the rules set out in Code sections, "Official Travelling", and "Subsistence Allowances: Day Absence and Overnight Stay".

**10150-10165** unallocated

**MEDICAL REVIEW BOARD**

**Right of appeal**

**10166** Staff who have failed to satisfy the Civil Service Commission health standard, and whose appointments are on that account due to be terminated, will have a right of appeal to a Medical Review Board under the arrangements described in paragraphs 10171 to 10174 below. Those serving on unestablished (health) appointments will have a right of appeal irrespective of their length of service, but those serving on casual, conditional, or provisional appointments will have a right of appeal only if, exceptionally, they have served continuously for at least 52 weeks. Staff who are able to appeal to a Medical Review Board will not have a right of appeal to the Civil Service Appeal Board; they will retain their right of appeal to an Industrial Tribunal in accordance with the provisions of the Employment Protection (Consolidation) Act 1978.

**10167-10170** unallocated

**Submission and consideration of appeal**

**10171** Once the Civil Service Commission have notified the department that they are unable either to issue a Certificate of Qualification or authorise an unestablished (health) appointment or the continuation of such an appointment, the department will inform the officer, at interview, that his employment is to be terminated on health grounds. He will also be told at interview the reasons, in general terms, on which the Commission's decision has been based, and be given 7 calendar days in which to decide whether or not he wishes to appeal against the decision. If he decides not to appeal, he will then be given formal notice terminating his services and informing him of his last day of service. If he decides to appeal he will be allowed a further 14 days (making 21 days in all) in which to obtain his own medical evidence to support his case. In this respect he will also be advised to consult his doctor, to whom, if he gives his written permission, the Management and Personnel Office Medical Adviser will send fuller medical reasons for the decision. The officer should submit his appeal and supporting evidence to the Commission through his department.

**Civil Service Appeal Board and Medical Review Board**  
paragraphs 10172 to 10184

**10172** If, on consideration of the candidate's additional medical evidence, the Civil Service Commission in consultation with the Management and Personnel Office Medical Adviser, conclude that they should alter their original decision, the possibility of termination of employment will be removed and the Civil Service Commission will either issue a Certificate of Qualification or authorise an unestablished (health) appointment or a continuation of such an appointment with a review on a prescribed date, and the department will notify the officer accordingly.

**10173** But if the original decision is not altered, the Management and Personnel Office Medical Adviser will next consider, in consultation with the Commissioners, whether there is a prima facie case for setting up a Medical Review Board to reassess medical evidence submitted on behalf both of the Civil Service Commission and of the candidate. If the Management and Personnel Office Medical Adviser concludes that a board is not justified, the candidate will nevertheless be allowed access to a Medical Review Board normally by lodging with his department the sum of £5, returnable if the Board finds in his favour. Departments should note however that, as announced in General Circular GC/206 issued on 10 November 1981, the requirement for a deposit is waived on a 12 month trial basis.

**10174** A Medical Review Board will be set up on an ad hoc basis by the Management and Personnel Office Medical Adviser. It will consist of 2 eminent consultants not already acting as medical referees for the Civil Service Commission. They will be selected by the Management and Personnel Office Medical Adviser, in consultation with doctors eminent in the profession. The Board will be supplied with all the relevant medical evidence both of the Civil Service Commission and the candidate. They will be able to examine him (with his agreement), and will be asked to decide whether, in their view, the medical advice previously given to the Commissioners should stand or should be changed in such a way as to lead the Commissioners either to issue a Certificate of Qualification or to authorise continuation of, or to offer, an unestablished (health) appointment. If the Board upholds the original advice which led the Commissioners not to certificate or to offer an unestablished appointment, the candidate will not subsequently have access to the Civil Service Appeal Board, but he still retains his right of appeal to an Industrial Tribunal.

**10175-10183** unallocated

**Travelling and subsistence expenses**

**10184** If the officer is summoned to attend the Board, he may claim travelling and subsistence expenses from his own department as if on official business.

**10185-10189** unallocated

CIVIL SERVICE DEPARTMENT INDUSTRIAL MEMORANDUM  
CSDIM (73) 20

17 August 1973

CIVIL SERVICE DEPARTMENT

INDUSTRIAL MEMORANDUM

PROCEDURES FOR TERMINATION OF SERVICE OF INDUSTRIAL EMPLOYEES ON  
GROUNDS OF INEFFICIENCY

1. The procedures for premature termination of service on grounds of inefficiency and dismissal on disciplinary grounds of industrial employees in the Civil Service have been reviewed and the following arrangements will apply in future.

COMPULSORY TERMINATION OF SERVICE ON GROUNDS OF INEFFICIENCY

2. The grounds for such terminations may be either -

a. that an employee's performance when at work is considered to be of an unacceptable standard, or

b. that his attendance for work is so irregular that the service he gives is of an unacceptable standard, or

c. a combination of the circumstances described at a. and b.

3. The decision to terminate the services of an employee in these circumstances should be taken only after full investigation and with proper safeguards for the individual. To this end, the procedures set out in the following paragraphs should be followed in any case in which it is possible that such action might become necessary. Cases should be dealt with as expeditiously as the procedures allow, since undue delay is not in the best interests of either management or the employee concerned.

4. It is an essential part of these procedures that the facts concerning a case which might lead to termination of service should be properly recorded in writing from the time when it is first foreseen that termination could arise.

5. An employee whose work performance is falling below the acceptable standard or whose attendance is irregular should always first be given informal warning. This should be done as soon as the deficiency becomes apparent. Every effort should be made to give the employee time, opportunity and assistance to improve; attempts should be made to discover the cause of any sudden deterioration. Where it is thought that the drop in performance or in the regularity of attendance, whether gradual or sudden, is likely to be due to health reasons or the person concerned maintains that this is so, the employee should be advised to consult his own doctor and warned that unless with the assistance of his doctor an improvement can be effected, the department may have to initiate formal procedure which could lead to the termination of his service either on health grounds or on grounds of inefficiency. Where there is a possibility that a



personal or domestic difficulty lies at the root of the employee's poor performance of his duties or his irregular attendance, the Department should ask the Departmental Welfare Officer to see him as part of the informal warning procedure.

6. If there has been insufficient improvement within a reasonable period (2 or 3 months should normally be sufficient) after the informal warning procedure outlined in paragraph 5 has been carried out, the formal procedure for compulsory termination of service on grounds of inefficiency should be initiated. The employee should be interviewed and his shortcomings explained to him. He should be formally warned that he will be put on trial for a specified period (minimum 3 months) and that his service will be terminated if there is not sufficient improvement during that period. As an alternative to termination of service, downgrading should be considered and put to him if appropriate. The warning should be clearly confirmed in writing.

7. The specified period of trial after formal warning should, wherever possible, be in a similar job under another supervisor. If it seems, and the employee concerned agrees, or the employee himself suggests, that the poor performance or irregular attendance may be attributable to medical causes, his case should, subject to his agreement, be put to the appropriate medical authority; but it should be made clear to the employee that if that authority does not recommend retirement on health grounds or if the employee contests a recommendation for retirement on health grounds, his service will then be terminated on grounds of inefficiency if his performance does not improve.

8. If at the end of the trial period the employee's performance is still unsatisfactory, the question of terminating his service (or of downgrading him) should be considered. It will be for the Department to decide what person or body should undertake this consideration but they should be independent of the person's direct line of supervision. The employee will be able to appear before the appropriate person or body if he wishes, assisted by a friend who may be a trade union representative.

9. If the appropriate person or body decides on retirement on grounds of inefficiency, the employee will be notified of the decision and formal notice of termination of employment will be given to him forthwith. At the same time the employee will be informed of his right of appeal. The period of notice should be at least that required by the Contracts of Employment legislation (see DEO letter of 22 February 1972).

10. Employment will be terminated on the expiry of the formal notice, even though in the event of an appeal the outcome of that appeal may not be known.

CIVIL SERVICE DEPARTMENT INDUSTRIAL MEMORANDUM  
CSDIM (75) 10

19 March 1975

CIVIL SERVICE DEPARTMENT

INDUSTRIAL MEMORANDUM

PROCEDURES FOR TERMINATION OF SERVICE OF INDUSTRIAL EMPLOYEES  
DURING THEIR TRIAL SERVICE.

1. This Memorandum provides guidance to Departments on the implications of the reduction to 26 weeks in the qualifying period of continuous employment for the right of appeal to the Civil Service Appeal Board (see CSDIM (75) 9 dated 14 March 1975).
2. Departments will have laid down procedures which should be followed in dealing with cases which might lead to the termination of service of industrial employees who have completed their period of trial service, in accordance with CSDIM (73) 20 dated 20 August 1973. It is now necessary to consider how the procedures should be applied to employees serving on trial service terms who have been continuously employed for a period of not less than 26 weeks.
3. Departments will generally be in a position to judge within 26 weeks whether a new entrant is suitable for permanent employment. It will therefore be the exception rather than the rule that a decision about suitability has to be deferred to a point where a recruit becomes eligible, on or after 16 March 1975, to appeal against his dismissal if that course has to be resorted to. There will, however, be exceptional cases where there are reasons for deferring a decision beyond 26 weeks, and Departments will need to identify such cases so that steps can be taken in good time to prepare against the possibility that a final decision to dismiss may be taken after the recruit has become eligible to take advantage of the appeal procedure.
4. If a Department has to terminate the appointment of an employee after he becomes eligible to take advantage of the appeal procedure, it must be able to demonstrate that he did not measure up to the required standards. Departments should ensure that all new entrants understand the significance of being on trial service, and are aware that a close watch is kept on their progress and training during this period where performance or attendance is unsatisfactory it is essential that warnings, both informal and formal, should be given at the earliest practical opportunity with a clear indication of the consequences if there is no improvement. Formal warnings should always be conveyed in writing and the facts concerning a case should be carefully recorded from the time when it is foreseen that termination of employment is possible. It is not sufficient simply to rely on the memories of those concerned.
5. On or after 16 March 1975, employees under notice of dismissal during their period of trial service should be told of their right of appeal to the Civil Service Appeal Board if they have been continuously employed in the Civil Service for a period of not less than 26 weeks before the date on which the decision to dismiss was taken.

Anyone already under notice of dismissal on this date and those with less than 26 weeks service, will retain their present right of appeal to the Head of their Department.

6. These changes in procedure derive from the Trade Union and Labour Relations Act (Schedule 1 paragraph 10(a)), which provides that, with effect from 16 March 1975, the period which qualifies an employee to appeal against unfair dismissal will be reduced from 52 to 26 weeks. The unfair dismissal provisions of the Act apply equally to new entrants whose appointments are subject to the satisfactory completion of a period of probation or trial service. It will no longer be sufficient to terminate an appointment after a period of trial service of 26 weeks merely on the grounds that the employee's work and/or attendance has been unsatisfactory. Employees in this category will in future have the right to make a complaint to an industrial tribunal that they have been unfairly dismissed. It will be for the employer to show what was the reason for the dismissal and that it was fair (Schedule 1, paragraph 6 of the Act defines what is meant in this context): in default of this the employer's case will fail. Departments appear to have no obligation to inform employees of their right in law to appeal to an industrial tribunal. They should bear in mind, however, that such a right exists and they may therefore have to defend the dismissal before such a tribunal as well as, or instead of, before the Civil Service Appeal Board. The Appeal Board's procedure may be less formal, but its criteria are essentially similar.

7. Questions on this Memorandum should be addressed to Mr M F C Miller (Telephone 01-839 7733 Ext 1356)

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Ref: P(3)163/46/01

paragraphs 8820 to 8838

## PREMATURE RETIREMENT

### INTRODUCTION

**8820** This section of the Guide sets out the rules relating to retirement of non-industrial civil servants before minimum retirement age (as defined in Code paragraphs 8572 to 8574) in the following circumstances:

- a. on grounds of limited efficiency ) (retirement on these grounds is
  - b. on structural grounds ) regarded as retirement in the
  - c. on grounds of inefficiency ) public interest)
- and
- d. on medical grounds (it should be noted that retirement on medical grounds can be effected after as well as before minimum retirement age)

The rules dealing with premature retirement on redundancy grounds are set out in the Guide section 'Redundancy'.

**8821** The rules in this section are also applicable to industrial civil servants except those relating to retirement on grounds of inefficiency; the appropriate procedures for industrial staff in this connection are set out in CSDIM(73)20 and CSDIM(75)10.

**8822** The compensation terms applicable to retirement on grounds of limited efficiency, structural grounds and grounds of inefficiency are in the Code section, 'Superannuation (Compulsory Premature Retirement)'. The superannuation provisions applicable to retirement for medical reasons are in the Code section, 'Superannuation (Ill-health Retirement)'.

**8823-8832** unallocated

### RETIREMENT IN THE PUBLIC INTEREST

**8833-8837** unallocated

#### Period of notice

**8838** As much informal notice as practicable should be given and, in the case of retirement for limited efficiency, specific prior warnings that an improvement in performance is necessary. All established staff should always be given six months' formal notice. Unestablished staff with two years' service but less than five years' should be given not less than three months' formal notice. Unestablished staff with less than two years service should be given at least the notice required by the contracts of employment legislation, and departments should give the maximum amount of notice possible. If the department is unable to provide work for the whole of the minimum period of notice, the officer should be paid for the unexpired portion; but this should not be done if he/she leaves voluntarily with the agreement of his/her department before the end of his/her period of notice.

**8839-8843** unallocated

### Limited efficiency

**8844** A civil servant in the mobile category whose performance no longer adequately measures up to the requirements of his post, or who fails to carry out his full duties satisfactorily, may be retired on grounds of limited efficiency. Each case will need to be considered on its merits but, as an illustration of the level of performance which might justify action by departments, retirement on these grounds, or in appropriate cases downgrading as an alternative, should be considered for officers in the grades covered by the standard staff report forms (Grade 5 (Assistant Secretary) level and below) who have been given an overall assessment over a period of time of 'definite weaknesses make him not quite good enough to get by' (box 5). In the case of more senior grades for whom the standard report form is not used (i.e. normally above Grade 5 (Assistant Secretary)) from whom particularly high standards of sustained performance are necessarily expected, different considerations might well apply. Because of the greater opportunities for finding alternative work at the same or a lower level suitable for an officer of limited performance, retirement of staff below Grade 6 (Senior Principal) level on grounds of limited efficiency is expected to be exceptional.

**8845** The important consideration in dealing with retirement on grounds of limited efficiency is that any officer whose performance is falling below the standard which is required of his/her grade should be properly informed of his/her weaknesses and should be given time, opportunity and encouragement to put matters right. He/she should be given informal warnings, indicating in what respects his/her performance has not come up to standard, thus affording him/her the opportunity to improve. Such informal warnings should normally be given in the course of day-to-day working relationship by senior officers, and it should be normal practice to include guidance of this kind in the course of a job appraisal review or career development interview for those grades which are covered by these procedures. If it appears that the officer has been unable to benefit from such informal warnings, a more formal warning should be given, whether during a job appraisal review or career development interview, or in a separate interview arranged for the purpose, that if his/her work remains below acceptable standards it will become necessary to ask a retirement board to consider his/her premature retirement on grounds of limited efficiency. This warning should be confirmed in writing. It is only if these informal procedures have failed to produce an acceptable improvement in the officer's performance that formal procedures (described in paragraphs 8846 to 8848 below) should be brought into operation.

**8846** A retirement board, agreed in departmental Whitley Council discussion, should be set up and chaired at least at Grade 6 (Senior Principal) or Grade 5 (Assistant Secretary) level, and the members of the board should be at least two grades above that of the officer whose case is being considered. At Grade 3 (Under Secretary) level and above, the role of the retirement board will necessarily have to be taken by the Grade 1 (Permanent Secretary) concerned, and the Cabinet Office (MPO) should be consulted about any proposal to retire such officers.

**8847** The retirement board will consider each case on the basis of a memorandum prepared by the personnel division setting out the officer's shortcomings in detail, and it should consider as an alternative to premature retirement whether downgrading, or some other course of action, would be more appropriate.

**8848** The officer should be told of the retirement board's recommendation and of his/her rights of appeal. If the retirement board recommends that he/she should be retired he/she should be given at least six months' formal notice of his retirement. It is likely that some officers will be prepared to retire without questioning the

## Part IV

paragraphs 8848 to 8866

recommendation, but if the retirement is contested the procedures set out in the Code section, 'Civil Service Appeal Board' will apply and the case will be put to the Appeal Board before any final decision is taken. The officer should be given copy of the memorandum setting out the reasons for his retirement. The supporting evidence submitted to the Appeal Board will need to include his recent annual reports, together with any other relevant documents, e.g. appraisal reports, and the board will have power, on application by the appellant, to require the department to give him/her access to relevant papers, including annual reports, which it considers necessary for him/her to see for the adequate presentation of his/her case.

8849-8853 unallocated

### Structural grounds

**8854** Staff in mobile grades may be prematurely retired on structural grounds, for example when there is a very bad age distribution in a particular group of staff leading to serious promotion blockage and consequent difficulty in the management of that part of the Service. Nobody below Grade 6 (Senior Principal) level can be compelled to retire on these grounds; but departments may use premature retirement to deal with structural problems at lower levels provided that those retired are prepared to go willingly. Retirement on structural grounds must be properly regulated and it should not be allowed to become a device for paying compensation to staff wishing to leave on voluntary resignation. Departments should consult the Cabinet Office (MPO) about all proposals to retire staff prematurely on structural grounds to ensure that posts are not available elsewhere in the Service and to enable the Cabinet Office (MPO) to undertake prior consultation with the Trade Union Side. Thereafter all cases should be discussed by departments with their own trade unions before any action is taken. The aim will be to achieve the necessary reductions so far as practicable by retiring those who are willing to be retired, and to this end reductions should be made over a reasonably long period of time. Suitable 'willing victims' will be accepted when practicable on a Service-wide basis.

8855-8864 unallocated

### INEFFICIENCY

**8865** The provisions of paragraphs 8866 to 8886 apply to non-industrial staff only. For the procedures applicable to industrial staff see CSDIM(73)20 and CSDIM(75)10.

**8866** An officer may be prematurely retired on grounds of inefficiency if he or she has been judged no longer able to discharge his or her duties efficiently because:

a. his or her work performance has deteriorated to an unacceptable standard

or

b. his or her frequent absences from work adversely affect the efficient running of the office.

In order to ensure that the decision to retire an officer in either of these circumstances is taken after full investigation, with proper safeguards for the individual concerned, the procedures set out in this sub-section should be followed.

8867-8871 unallocated

### **Officers whose performance has deteriorated**

**8872** The officer should always be given prior informal warning that his/her performance is falling below the acceptable standard. Every effort should be made to give him/her time, opportunity and assistance to improve, and to discover the cause of any sudden deterioration. If it is thought that the drop in performance, whether gradual or sudden, is likely to be due to health reasons or if the officer maintains that this is so, he/she should be advised to consult his/her doctor. He/she should be warned that unless an improvement in his/her performance can be effected with his/her doctor's help, the department may have to initiate formal procedures which could lead to his/her being prematurely retired either on grounds of inefficiency or on medical grounds.

**8873** If there is a possibility that a personal or domestic difficulty, which might be affecting his/her general health, lies at the root of the officer's poor performance of his/her duties, the departmental welfare officer should see him/her as part of the informal warning procedure.

**8874** If, after the informal warning procedure outlined above has been carried out, there has been insufficient improvement, the formal procedure for compulsory premature retirement on grounds of inefficiency should be initiated by an adverse report by the operational manager, ie a marking for overall performance in the bottom box of the annual report form; this may be submitted at any time and need not await the normal reporting date. The officer should then be formally warned in writing that his/her performance is unacceptable and told the reasons.

**8875** After the formal written warning, the officer will be put on trial for a specified period whenever possible in a different suitable post under another manager. The length of the trial period will depend on a variety of factors which may affect the case, such as health and welfare difficulties, adjusting to new work etc, but it should be a minimum of three months. If it seems likely, and the officer agrees, or suggests that the poor performance may be attributable to medical causes, he/she should be told at this stage that the case is being put to the Civil Service Medical Adviser, but that if the Medical Adviser does not recommend, or if the officer contests, retirement on medical grounds the procedure for retirement on grounds of inefficiency will be initiated if his/her performance does not improve.

**8876** At the end of the trial period a further report should be called for. If this is also adverse, the department may decide to retire the officer. Both line management and personnel management should be involved in this decision. The officer must be informed of this decision, and also the right to appeal against it through clearly defined, formal internal procedures which are independent of the immediate line management and which may, if departments wish, include a Retirement Board. These procedures should be recognised by the trade union side and be made known to staff. The officer can, if he or she wishes, be assisted in the appeal by a trade union representative or other friend. If the appeal is rejected (or if the officer decides not to appeal) the officer will be given formal notice of retirement on grounds of inefficiency and that he/she has a right to appeal to the Civil Service Appeal Board under the prescribed procedures.

**8877-8881** unallocated

### **Officers whose attendance is regarded as unsatisfactory**

**8882** If an officer who is efficient while at work fails to give satisfactory service because of frequent or continuous absences (arising mainly from minor non-recurrent

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paragraphs 8882 to 8886

ailments), measures may be taken to terminate his/her appointment. Early recognition of such cases is essential and the procedure for initiating premature retirement in paragraphs 8883 to 8886 below should be followed in the case of an officer whose sickness absences exceed 14 days a year at age 25 or under, or 21 days a year at age 26 or over. Action should not be taken against anyone who suffers a succession of misfortunes or in cases where, after a warning, there is continuous and sustained improvement. Cases should be dealt with on merit, but a lenient view may be appropriate in considering staff such as messengers who may be less than fully fit, or officers whose work in terms of quality and output is good, but whose state of health genuinely requires them to take rather more than average amount of sick leave.

**8883** If it is decided to initiate premature retirement proceedings, the officer must be warned informally that his/her attendance is unsatisfactory and efforts should be made to determine the reason for the poor attendance. The possibility that the cause may be due to a personal or domestic difficulty should be recognised, and the departmental welfare officer should be given the opportunity to see him/her. If insufficient improvement results, the formal procedure should be initiated for compulsory premature retirement on grounds of inefficiency arising from unsatisfactory attendance, ie a formal written warning should be given and the officer should afterwards be put on a trial period of a minimum of three months, and whenever possible in a different suitable post under another manager. The length of the trial period will be dependent on the factors set out in paragraph 8875.

**8884** If at this stage the department thinks, or the officer himself suggests, that the unsatisfactory attendance results from a medical condition which would make retirement on medical grounds appropriate, he/she should be told that the case will be put to the Civil Service Medical Adviser. He or she should also be informed of his or her rights, which include the adoption of one of the following courses if, after consulting his/her doctor, he/she considers that the circumstances justify it:

a. to have the case referred to the Medical Adviser on the grounds that his/her condition will improve

or

b. to apply for medical retirement and, if his/her application is unsuccessful, to appeal to a medical board in accordance with paragraphs 8908 to 8916

**8885** If by the end of the trial period there has been no adequate improvement the procedure mentioned in paragraph 8876 should be followed. If the appeal is rejected (or if the officer decides not to appeal), the officer should be given formal notice of retirement on grounds of inefficiency arising from unsatisfactory attendance and told that there is a right of appeal to the Civil Service Appeal Board in accordance with prescribed procedures.

**8886** Should the officer subsequently appeal to the Civil Service Appeal Board or to an Industrial Tribunal (see paragraph 8833) and the Medical Adviser has not already considered the case, the officer should be asked to agree that this should be done. The department will need to be able either to produce the Medical Adviser's opinion or to demonstrate that the officer refused to have his/her case considered by the Medical Adviser.

**8887-8896** unallocated



## MEDICAL GROUNDS

**8897** The provisions for granting retirement on medical grounds apply to officers up to age 65 except those who formally retire on or after reaching their minimum retirement age and then continue to serve in a re-employed capacity. (This section is not concerned with the termination of appointment, on health ground, of officers serving on unestablished (health) terms. There are separate procedures for this, and they are set out in Guide Supplement 6 - Procedure for the Departmental Handling of Unestablished Health Appointments and Appeals to a Medical Review Board.)

**8898** If a department proposes to retire an officer for health reasons (including an officer covered by the Federated Superannuation System for Universities), or if an officer wishes to retire on grounds of ill-health, the case should be referred to the Medical Advisory Service at the earliest possible stage. All available medical evidence should be provided (see paragraph 8899 below) together with any observations the department may wish to offer. If necessary, the Medical Advisory Service will then arrange for a medical examination.

**8899** Cases should be submitted to the Medical Advisory Service by an officer who will be directly responsible for taking management action on the medical advice given. Submissions should include all relevant details, including all papers relating to any previous submission of the case, and should state in which aspects medical advice is sought and the management action being contemplated. The papers should be in chronological order and enclosed in a file cover. They should be treated in confidence, particularly any report from a doctor. One complete record of the sickness absences on Form E55 and all previous medical reports should be uppermost in the file. The Form E55 must be brought completely up to date in all particulars on each submission. Form E55 should not be used for any other purpose. If an officer is unestablished, the nature of the unestablished appointment should be stated and if this is Health Doubt or Health Review all the medical evidence obtained on appointment should be attached. An addressed label for the return of the papers should be sent, and the telephone number of the officer submitting the case should be given with each submission.

**8900** If the Medical Advisory Service advises that the officer is not likely to render further useful service, and the department decides to proceed with retirement, the Medical Adviser will furnish, on request, such medical certificates as may be required for superannuation purposes.

**8901** Retirement should not take place before the date of the retirement certificate but action should be taken **promptly** upon its receipt. The department should tell the officer that he/she is being retired on medical grounds and give him 9 weeks' notice of the date on which retirement is to take effect (unless a shorter period is mutually convenient). If the cancellation of an appointment during probationary service is in question, the period of notice should be 5 weeks. These periods of notice should be increased, where appropriate, in accordance with the rules relating to 'Notice' set out in Code paragraph 10402.

**8902** Neither the contents of the retiring certificate nor any other medical details about the reasons for retirement should be disclosed to the officer concerned. But he/she should be told that the Medical Adviser will always be prepared to discuss the case, with the officer's consent, with his/her private doctor. There is no objection to letting the officer concerned have details of his/her sickness absence record.

**8903-8907** unallocated

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paragraphs 8908 to 8922

**Appeals against retirement, or against refusal to allow retirement, on medical grounds**

**8908** Any officer who can furnish medical evidence in his/her support has the right of appeal to a medical board in either of the circumstances covered by paragraph 8898. The decision of the board will be final and no further appeal can be allowed. An officer must be fully informed by the department of his/her right of appeal and acquainted in detail with the terms and conditions set out in paragraphs 8909 to 8915. Departments should themselves meet the cost of fees charged by any consultants who sit on a medical board.

**8909** The appeal with supporting documented medical evidence should normally be made through the officer's department before he/she leaves the Service, but exceptionally a late appeal will be considered provided it is made with the supporting medical evidence within two months of the officer's date of retirement. If the officer is unfit to make the appeal personally, a close relative or friend or trade union may appeal on his/her behalf during the allowed period. If the cancellation of an appointment during probationary service is in question and the person concerned or trade union is considering an appeal, the officer may be allowed an extension of up to a further three weeks on the normal period of five weeks' notice.

**8910** unallocated

**8911** The period of notice of retirement on medical grounds should afford adequate time for the person concerned or trade union to decide whether there are grounds for an appeal. Beyond this period, the officer should not be allowed to remain at work or to resume duty, nor should sickness pay be continued, pending the outcome of an appeal.

**8912** The case, together with the supporting medical evidence, should be referred to the Medical Adviser who will make arrangements for convening the board and presenting the case to them.

**8913-8914** unallocated

**8915** An officer summoned to attend a medical board may claim travelling and subsistence expenses as if an official business.

**8916** These arrangements do not apply to cases of refusal to reinstate officers who have been retired on medical grounds and assert that they have recovered, or to cases of rejection for nomination for a first appointment or for a Civil Service certificate.

**8917-8921** unallocated

**Appeals by trade unions**

**8922** If the trade union so desires, and the officer concerned consents, a copy of the officer's sickness record and the medical reasons for retirement as recorded in the retiring certificate may be sent in strict confidence to the headquarters of the trade union. In addition the Medical Adviser will be prepared subject to the consent of the officer concerned, to discuss the case with a headquarter's officer of the trade union on the understanding that the content of the discussion is treated in strict confidence and not revealed to the officer concerned.

**8923-8932** unallocated

**APPEALS TO AN INDUSTRIAL TRIBUNAL**

**8933** Notwithstanding the arrangements which exist for staff under notice of dismissal or premature retirement (other than under the medical retirement procedures described in paragraphs 8897 to 8922) to appeal to the Civil Service Appeal Board, an officer may exercise his legal right to appeal to an Industrial Tribunal.

**8934-8989** unallocated

Paragraphs 8990 to 9024

## REDUNDANCY

### INTRODUCTION

**8990** This section of the Guide gives details of the procedures to be followed where an officer is prematurely retired on redundancy grounds. It applies to non-industrial staff only; the procedures applicable to industrial staff are set out in CSDIM (71)24 and Addenda.

**8991-9000** unallocated

### SCOPE OF PROCEDURES

**9001** The procedures are not intended to cut across the arrangements under which any redundancy, which cannot reasonably be absorbed within the department where it has arisen, is resolved so far as practicable by the reallocation of redundant staff to posts within the same occupational group in other Government departments.

**9002-9011** unallocated

### MODEL REDUNDANCY AGREEMENT

**9012** Paragraphs 8990 to 9044 should read in conjunction with the Model Redundancy Agreement set out in the Annex to this section. This agreement should be regarded as a framework within which departments and their staff sides should confer and settle any redundancy problems which arise.

**9013-9022** unallocated

### PROCEDURES TO BE FOLLOWED IN EFFECTING REDUNDANCY

**9023** Mobile Staff: An officer who has the full mobility obligation should be declared redundant only if there is no suitable post for him anywhere in the Civil Service. A mobile officer who refuses to accept a suitable transfer should be treated as if he had resigned from his appointment. Departments should send to the Cabinet Office (MPO) (PM3 Division) full particulars (including qualifications and experience) of any mobile members of their non-industrial staff who become redundant, so that efforts can be made to place them elsewhere in Government Service. Departments should give the Cabinet Office (MPO) as much advanced notice as possible.

**9024** Non-mobile staff: a non-mobile officer should be declared redundant only if there is no suitable post available within reasonable daily travelling distance of his home, whether in the same or another department; if there is no suitable post in his own department then the department should seek suitable Civil Service employment within this area by canvassing other departments with the officer's particulars. If a suitable post is found locally, the officer has an obligation to accept it; if he refuses he should be treated as if he had resigned from his appointment. Departments should ensure that every possible effort is made to find another source of employment within the Civil Service for these staff. Although reference to the Cabinet Office (MPO) (PM4 Division) is not obligatory in individual cases of retirement on grounds of redundancy of non-mobile staff, departments should inform the Cabinet Office (MPO) (PM2 Division) of any redundancy situation in which, say, 10 or more staff of the Administration Group are involved. Notifications should be in general terms and personal particulars are not required.

**9025** It is not possible to lay down precise criteria for deciding what constitutes a suitable post in relation to the provisions of paragraphs 9023 and 9024, but an officer cannot be compelled to accept either reduced hours in his existing grade, or a lower grade post, as an alternative, to being declared redundant as the result of redundancy in his substantive grade.

**9026** On occasion, officers who have reached their minimum retirement age may be declared redundant, eg when there is general redundancy in the establishment or grade in which the officer is working before he is called on to retire. If the establishment is being closed down, or if a general reduction is being made in the numbers of the grade concerned and if at the same time other officers in comparable posts who have not yet reached the minimum retirement age are being declared redundant, there is a prima facie presumption that an officer who has passed his minimum retirement age and is called on to retire is being dismissed on redundancy provided that the age of 65 (in the case of men) or 60 (in the case of women) has not been attained.

**9027** When there is no general redundancy and no officers who have not yet reached their minimum retirement age are being declared redundant, there is a prima facie presumption that an officer who has passed his minimum retirement age and is called on to retire is not being dismissed on redundancy. This presumption is not necessarily invalidated if a department decides not to fill a post vacated by a retiring officer, though it may be. The test is that the dismissal must be due wholly or mainly to the fact that the department has ceased, or intends to cease, to carry on the business for the purpose of which the officer was employed (ie the general function of the establishment in which he worked), or to the fact that the department's total requirements for staff have ceased or diminished, or are expected to do so. Where, therefore, there is no overall diminution of staff as a result of the officer's retirement, an officer who is called on to retire after his minimum retirement age will not be treated as dismissed on redundancy.

**9028** Whenever staff, to be made redundant, cannot be absorbed within the department concerned or within other departments, it will be necessary for the department to consider, in conjunction with its staff side, the criteria which should be used to decide how those to retire should be selected in the light of the particular circumstances of the redundancy situation.

**9029** Every effort should be made to ensure that absolute redundancy is reduced to the minimum, and an opportunity should be provided for individual officers in the agreed redundancy field to indicate that they would be content to retire on redundancy terms. To the fullest practicable extent the wishes expressed by individuals who are prepared to volunteer in this way should be met, although it will be necessary to pay proper regard to the efficiency of the Service and to the need to avoid the creation of any future problem of age structure. If sufficient people from the redundancy field are content to retire in this way there will be no need to take any further action.

**9030** In the event of it being necessary to select individual officers for compulsory retirement on redundancy grounds, it may be found that the criteria referred to in paragraph 9028 will make it self-evident who should be retired. If this is not so, and some further process of selection is necessary, likely candidates identified by the establishment division in accordance with these criteria will need to be considered by a retirement board, which should be agreed in discussion with the Departmental

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paragraphs 9030 to 9044

Whitley Council and should not be below the level of the board which promotes into the grade. The board should be chaired at least at Principal level for the non-mobile category and Grade 6 or 5 level for the mobile category, and the members should be at least two grades above that of the staff to be interviewed. Those selected for retirement should be notified as soon as the choice has been made and should at the same time be given a memorandum setting out the reasons for the redundancy and the criteria used in selecting the staff to be retired, indicating the extent to which these criteria have been agreed with the staff side. The memorandum should also inform them of their entitlement to appeal to the Civil Service Appeal Board (see Code section, 'Civil Service Appeal Board').

**9031** If the selected officers are content to retire, even though they had not volunteered at an earlier stage, there will be no need for any further action. But in any case where the person concerned signifies his wish to appeal, the Appeal Board should be invited to consider the case before the recommendation of the departmental retirement board is confirmed, and an added safeguard against wrongful dismissal. The memorandum prepared by the retirement board should be passed to the Appeal Board for consideration, together with appropriate supporting evidence. All appellants are entitled to a full statement of all the relevant facts in accordance with the procedure laid down in the Code section dealing with the Appeal Board. The Board will then recommend to the head of the department whether or not injustice would be done if the retirement board's recommendation were accepted. The head of the department is normally expected to accept the Appeal Board's recommendation unless there are overriding reasons to the contrary, in which event the Cabinet Office (MPO) should be consulted.

**9032** The minimum periods of notice which should be given are the same as those applicable to other cases of premature retirement, see Guide section 'Premature Retirement', except that established staff over 60 with under ten years' service should have 12 months' formal notice, and established staff over 60 with between ten and 25 years' service should have nine months' notice (though this extended notice should not run beyond the 65th birthday). It is necessary to lay down time limits for each stage of the procedure to ensure that the process is completed within the period of notice.

**9033** It is accepted that, so far as practicable, management will take into account any wishes expressed by individuals to be allowed to retire before compelling the premature retirement of others, including those over minimum retirement age, who would not otherwise have been expected to retire during the rundown period. The extent to which compulsory retirement can be delayed will depend on there being a sufficient number of suitable officers willing to retire over a period of time which will not delay the speed of the rundown and the measure of redundancy required. The need to maintain the efficient operation of the undertaking during and after the rundown period must also be given full weight. Departments should be ready to discuss with their staff sides in each redundancy situation how far the acceptance of 'willing victims' may allow retention of those over minimum retirement age who would not otherwise have been expected to retire during the rundown period. In particular, those who have qualified for pension should be allowed to serve on to a maximum of age 65 to complete up to 20 years' reckonable service, in so far as this is compatible with the rundown programme and can be achieved without the compulsory retirement of staff below minimum retirement age.

**9034-9043** unallocated

#### **COMPENSATION**

**9044** The compensation terms applicable to premature retirement on redundancy grounds are in the Code Section, 'Superannuation (Compulsory Premature Retirement)'.

**9045-9069** unallocated

## MODEL REDUNDANCY AGREEMENT

### GENERAL

1. These arrangements are intended to form the basis of any redundancy agreement or procedures operated by departments and covering their non-industrial staff. They also complement those already agreed in the National Whitley Council's 'Agreement on Arrangements and Compensation for Premature Retirement', the compensation provisions of which will apply. It is recognised that different situations may require different methods, and that the size of the department concerned with a relevant factor, but these arrangements below should be followed wherever appropriate by departments in negotiating their own agreements and operating redundancy schemes in full consultation with the staff interests concerned. It is essential that consultation with staff interests should begin at the earliest possible stage and be a continuing feature in the resolution by agreement of a situation of staff surplus or redundancy. This area is recognised as being essentially a matter for the closest co-operation between Official and Staff Sides. The arrangements outlined in paragraph 2 below (which are not intended to denote any order of priority) should be fully explored before any redundancy situation is declared.

### ACTION REQUIRED BEFORE REDUNDANCY IS DECLARED

2. When it is clear that there is likely to be a surplus of staff in any given area of work, a redundancy situation should not be declared until the following points have been considered in full consultation with the appropriate staff interests:

a. A review of the present and future work pattern of the department to ensure that a surplus of staff is unavoidable

b. Transfer of staff within the department to other areas of work where there are suitable vacancies

c. Transfers of staff to other Civil Service departments (or to fringe bodies) where work is available (the reverse will apply in respect of fringe body staff who are interchangeable with the Civil Service)

d.\* If no vacancies capable of being filled by surplus mobile staff exist in the appropriate or similar grades in any other departments, suitable staff in similar grades from outside the redundancy fields who would be prepared to volunteer for retirement would be considered for premature retirement in place of those who would otherwise be redundant. This would arise firstly within the department itself but if insufficient volunteers were found there, volunteers from other departments should be sought. With the consent of the importing department concerned, the staff who would otherwise be redundant in the exporting department would fill the vacancies created by such volunteers. The latter would then be retired on public interest terms even though in such circumstances a state of redundancy had not then been established

\* The Cabinet Office (MPO) will look into cases where the departmental staff side or union concerned believes that a departmental has unreasonable refused to accept a potential transfer on grounds of unsuitability. The matter would be referred to the Cabinet Office (MPO) through the National Staff Side or the headquarters of the Union concerned.

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paragraph 9012

- e. Staff remaining in their existing grade for a limited period but being overborne against a lower grade in post in a situation where the availability of a post in the existing grade is foreseen
- f. Recruitment and/or promotion reduced or suspended within the department and the remainder of the Civil Service where similar grades, disciplines or blocks of work exist unless it is agreed that this does not offer an effective way of reducing or resolving the redundancy situation
- g. A review of the age of retirement practice within the department concerned in order to deal with the staff surplus problem. This would not be inconsistent with the provisions of paragraph 4 below
- h. The re-training of staff as follows:
  - i. re-training for other jobs within the Civil Service and fringe bodies within the locality of staff surplus (mainly for non-mobile staff, mobile staff being covered by ii. below)
  - ii. re-training for other jobs within the Civil Service or fringe bodies either within an existing specialisation or one close to that already held
- j. Subject to specific staff side agreement in the unit of redundancy concerned, consideration should be given to the temporary blocking of posts vacant in junior grades in the same class or occupational group (or in another group by agreement with the recognised staff association representing the junior grades) by senior staff.

**UNITS OF REDUNDANCY**

3. When after all the measures set out in paragraph 2 have been explored a redundancy is declared, units of redundancy should operate as follows:
- a. mobile staff - the unit of redundancy would cover all members of the grade concerned in the department affected. In some instances, where the grade itself is divided into different specialisms, the unit of redundancy might be less in the light of the demands of a particular situation. In the case of redundancy at Grade 3 level the unit would be Service-wide
  - b. non-mobile staff - the unit of redundancy would cover all the members of the grade concerned in the department affected, in the area within daily travelling distance of the particular establishment giving rise to the redundancy. Opportunity should be made, however, for volunteers to transfer to vacancies in other departments in the same area or to other areas if they so desire.



## ORDER OF DISCHARGE

4. In the event of discharge of surplus staff being unavoidable, the following order of discharge will apply:

- i. casual staff, and staff employed by contractors or private employment agencies who are working for or within the department
- ii. unestablished staff over age 65, oldest first
- iii. established staff over age 65, oldest first
- iv. staff (both established) who are prepared to volunteer for premature retirement (ie under paragraph 22 of the 'Agreement on Arrangements and Compensation for Premature Retirement') within the redundancy field
- v. staff aged between 60 and 65 with 40 years of more reckonable service for superannuation purposes, oldest first
- vi unestablished staff and those on period appointments on a 'last in, first out' basis
- vii staff aged between 60 and 65 with less than 40 years reckonable service for superannuation purposes, those with most pension entitlement first
- viii. all other staff on a 'last in, first out' basis subject to the right of management to retain staff on grounds of individual ability or specialist knowledge acquired as a result of special training at the cost of the department.

**Note:** Individual posts - it is, of course, not necessarily the office holder who falls to be retired if he is one of a number of staff similarly qualified to fill the post which is being abolished.

5. In deciding on a relative position amongst staff over the minimum retirement age, regard should be given to the need to maximise the pension entitlement of individuals. With regard to categories vi. and viii. the 'last in, first out' criterion should apply unless specific agreement to the contrary is reached with the appropriate staff side. Where departments wish to depart from this rule they should always first offer premature retirement terms to those who are prepared to volunteer on this basis. Reckonable service for the 'last in, first out' criterion would cover all employment in the non-industrial Civil Service, which is both continuous and immediately precedes the date of redundancy, and except where there is no normal expectation of career progression, industrial service will also count, provided there has been no break in service. In applying the above criteria, regard should be had to the protection of the existing quota (3%) of registered disabled staff in the Civil Service and to persons who had transferred into the Service with their work in circumstances where the Service took over functions formerly carried out by other parts of the public service.

#### ASSISTANCE TO STAFF DECLARED REDUNDANT

6. **Spreading the Redundancy Programme:** The fullest notice should be given of all likely and actual redundancy programmes, and the existence of residual work in the winding-up period should be used to spread the programme over as long a period as possible compatible with the efficient management of the redundancy unit. This should maximise the extent to which normal wastage can be used to solve redundancy problems.

7. **Pay Treatment on Re-grading:** Redundant officers may request voluntary regrading to fill a vacant post, or be offered regrading to a vacant post as an alternative to redundancy compensation. The pay treatment will be that generally available on regrading (Code paragraphs 2045 and 2046) except that where an officer's existing pay is more favourable than starting pay on regrading he may retain it on a mark-time basis if it exceeds the maximum of his new scale.

8. **Pension Treatment following Re-grading:** When an officer who has moved from a higher to a lower substantive grade retires, the department will authorise whichever of the following produces the larger total pension; either an award calculated in the normal way based on the officer's total reckonable service, or 2 separate awards in respect of reckonable service before and after the change of grade.

9. **Re-training:** Where vacancies exist in the Service or in fringe bodies for which redundant staff would be suitable subject only to a limited amount of re-training, appropriate training will be given provided the staff are in other ways suitable. Re-training of a more general nature would more appropriately be undertaken on the personal initiative of those concerned, but the Cabinet Office (MPO) would offer advice and guidance wherever possible (see paragraph 2.h above).

10. **Resettlement:** When redundancies occur, departments should appoint a resettlement officer to advise and assist staff who are redundant in finding alternative posts either within or outside the Civil Service, and with re-training or other problems arising from the redundancy. If specialist staff are involved an officer with knowledge of their problems should be available to assist with resettlement. The Professional and Executive Register of the Department of Employment should also be consulted.

11. **Period of Notice:** During the period of notice (which would be at least that in the 'Agreement on Arrangements and Compensation for Premature Retirement') time off on full pay should be allowed to attend interviews for other posts. The period of notice will be extended beyond that shown in the above agreement whenever possible, particularly when long-service staff are involved in the redundancy situation.

**Part 1**

paragraphs 4980 to 4992

**CIVIL SERVICE APPEAL BOARD**

**4980** The rules relating to appeals made to the Civil Service Appeal Board are set out in paragraphs 10120-10149 of the Civil Service Pay and Conditions of Service Code.

**4981-4985** unallocated

**Right of Appeal**

**4986** Paragraph 10121 of the Code explains that a civil servant may lodge an appeal either before the date on which his employment is due to be terminated, or after his employment has actually been terminated. Departments should draw the officer's attention to the first option when they give him notice of dismissal or premature retirement. The second option should be specifically referred to in the departmental handbook, and the officer's attention should be drawn to it on or about the last day of service if he has not appealed before then.

**4987-4991** unallocated

**Annual Report**

**4992** The Appeal Board produces an annual report covering its activities over the period of each calendar year. Copies of the report are sent in the first instance only to departmental establishment officers, but additional copies can be obtained from the Appeal Board at the following address: Civil Service Appeal Board, Standard House, 27 Northumberland Avenue, London WC2N 5BE. Enquiries on the report should be addressed to the "Secretary of the Board" at the above address, telephone 01-839 7733 ext 265.

**4993-4999** unallocated

## GENERAL CIRCULAR GC/153

**MANPOWER ECONOMIES - MEASURES TO REDUCE SURPLUSES****VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST****SCOPE AND PURPOSE**

1. This Circular advises departments of a new measure which may assist in reducing departmental staff surpluses arising in 1977/78 from the Government's policy to reduce public expenditure. This new measure permits departments in certain circumstances to declare a programme of Voluntary Early Retirement in the Public Interest (VER), under which eligible staff may apply to be considered for retirement before the retirement age with immediate payment of accrued pension and associated lump sum benefits.
2. The provisions of this Circular have been framed for the purpose of assisting departments to meet their manpower targets for the financial year 1977/78. Any proposal to apply the scheme for other or later surplus situations or to extend the concept for other reasons will be considered ab initio in the broad context of retirement/superannuation policy.
3. The National Staff Side has been consulted on the content of this Circular and is in general agreement with the arrangements proposed.

**REFERENCES**

4. This Circular should be read in conjunction with the Establishment Officers' Guide, paragraph 9012 (and Model Redundancy Agreement annexed thereto), and General Circulars GC/149 and GC/151.

**PRELIMINARY MEASURES**

5. Before proposing a programme of VER a department anticipating a surplus of staff in 1977/78 will be expected in discussion with its departmental Staff Side to review a number of preliminary steps, including, for example, adjustments to recruitment (within a department and within a locality), local transfers within a department and local or voluntary geographical transfers between departments. If such measures appear to be insufficient to overcome the expected surplus of staff the declaration of a VER programme may be considered.

**POLICY**

6. Having regard to the provisions of paragraph 5 above departments may apply, with effect from the date of issue of this Circular, to the Civil Service Department for authorisation to declare a programme of VER, to extend for a defined period not later than that provided for in paragraph 2 above. A VER programme may be declared after discussion with the National Staff Side in the following circumstances:-
  - a. when a department expects at the end of the financial year 1977/78 to have a surplus of staff after the preliminary measures prescribed above have been carried out; or
  - b. in exceptional cases and in conjunction with the relevant provisions of General Circular GC/151 a department may propose an extension of the VER programme to cover other departments in a given location in which posts can be made available to absorb the surplus (subject to consideration of any need to align the age retirement policies of the departments concerned).
7. Subject to paragraph 6b above, a VER programme will normally apply in practice to a defined area within a department or to a particular location.

**ELIGIBILITY OF STAFF**

8. Once a programme of VER has been declared, applications to retire early may be considered from non-industrial civil servants in particular areas or locations as defined in paragraph 6b and 7 above who are covered by the Principal Civil Service Pension Scheme and who are aged 55 or over, or who will reach age 55 before 1 April

1978. The application of the scheme to industrial staff is to be discussed with the trade union side of the JCC.

9. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest.

10. Applications for VER should as far as possible be considered on the basis of length of reckonable service up to the number required to eliminate the surplus. Any difficulties will be discussed with the departmental Staff Side.

#### TERMS

11. An officer retired under a VER programme will receive a pension and lump sum benefit, calculated as provided in rule 3.1 of the Principal Civil Service Pension Scheme on his pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payments but, notwithstanding rule 3.11 of the Scheme, both benefits will be paid immediately.

12. Officers whose application for VER is approved will be required formally to give their employing department one month's notice of their retirement if monthly paid (one week if weekly paid), but an earlier or later release date may be decided by mutual agreement confirmed in writing. Departments should bear in mind, however, that pension awarding departments normally need to receive an application for an award of pension one month before the date of retirement (vide Code paragraph 9391) and officers should be warned that their superannuation benefits may not be immediately available on the day after retirement if the agreed release date allows insufficient time for the award to be made. No interest will be paid on pensions and lump sums that are delayed for these reasons. Departments should, if asked in relation to entitlement to unemployment benefit, explain that the officer concerned retired under the VER scheme, and should make it clear that he or she did not voluntarily resign.

#### AMENDMENT OF THE PENSION SCHEME

13. The Principal Civil Service Pension Scheme has been amended to provide authority for the payment of superannuation benefits in accordance with paragraph 11. A copy of the amending scheme is attached; a General Notice will be issued to inform departments when printed copies are available.

#### ACTION

14. Departments wishing to apply the VER Scheme should approach the Civil Service Department as soon as possible, specifying in all cases the numbers of surplus staff concerned, their grades and (where appropriate) their location.

#### CSD CONTACTS

15. Enquiries arising from this Circular should be addressed to:

Paragraph 11 and 13	Mr C E I Jones (01-273 5146)
Paragraph 14	Mr B R Morris (01-273 4566)
All other paragraphs	Mr T Jones (01-273 4194)

Authorised by M G POWER

File reference: PM 244/01

Date of issue: 5 August 1977

Civil Service Department  
Whitehall  
LONDON SW1A 2AZ

**PRINCIPAL CIVIL SERVICE PENSION SCHEME  
(AMENDMENT) SCHEME 1977**

**Laid before Parliament on 28 July 1977 under  
Section 2(11) of the Superannuation Act 1972.**

The Minister for the Civil Service, in exercise of the powers conferred on him by Section 1 of the Superannuation Act 1972, hereby makes the following scheme, which shall form part of the Principal Civil Service Pension Scheme within the meaning of Section 2 of that Act:

1. This scheme will come into operation on 29 July 1977, and may be cited as the Principal Civil Service Pension Scheme (Amendment) Scheme 1977.
2. The Principal Civil Service Pension Scheme 1974, laid before Parliament on 19 November 1974, as amended, shall have effect as amended by this scheme.

Given under the official seal of the Minister for the Civil Service on 27 July 1977.

L.S.

Authorised by the Minister  
for the Civil Service

AMENDMENT TO PRINCIPAL CIVIL SERVICE PENSION SCHEME 1974

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Add the following additional rule:

**"VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST**

10.26 Where a civil servant who has five or more years' qualifying service and who is aged 55 or over retires voluntarily under the 1977 scheme of voluntary early retirement in the public interest approved by the Civil Service Department, the preserved pension and lump sum under rule 3.11 may (notwithstanding that rule) be brought into payment immediately rather than when he reaches the retiring age."

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**EXPLANATORY MEMORANDUM**

This new rule provides for the immediate payment of accrued pension and lump sum benefits, but no compensation in addition, to civil servants aged 55 or over who are permitted by their departments to retire before reaching the retiring age, in accordance with a programme of voluntary early retirement in the public interest designed to reduce Civil Service manpower.

## GENERAL NOTICE GEN 80/45

## MANPOWER ECONOMIES 1980/1981 - MEASURES TO REDUCE SURPLUSES

## VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST

## SCOPE AND PURPOSE

1. This Notice advises departments of a new measure which is designed to assist in reducing departmental staff surpluses arising in 1980-81. Subject to the conditions set out below, departments may declare a programme of Voluntary Early Retirement in the Public Interest (VER) under which eligible staff may then apply to be considered for retirement before the retiring age with immediate payment of accrued pension and associated lump sum benefits.

2. The provisions of the VER scheme are designed to assist departments to keep within their Pay and Manpower cash limits for the financial year 1980-81. It has been assumed that departments will normally want to establish within the first half of the year the extent to which the response to VER will provide the means to achieve the necessary savings. It is therefore suggested that where schemes meet the criteria in paragraphs 4-7 below it should be possible to complete them by 30 September 1980. Where however departments would want to justify the introduction of VER over a longer period within 1980-81 or seek otherwise to extend the criteria in paragraphs 4-7, the Civil Service Department would want to consider such propositions in the broad context of retirement/superannuation policy.

## PRELIMINARY MEASURES

3. Before proposing a scheme of VER, a department will be expected in discussion with its Departmental Staff Side to have reviewed a number of preliminary steps, including for example curtailment of recruitment and local transfers within a department. If such measures appear to be insufficient to achieve the necessary saving, proposals for a VER programme may be put to the Civil Service Department.

## POLICY

4. Having regard to the provisions of paragraph 3 above, departments may apply to the Civil Service Department for authorisation to declare a programme of VER. Authorisation may be given when a department envisages difficulty in keeping within its Pay and Manpower cash limits for 1980-81 and retaining an efficient staff structure, even after taking the preliminary measures prescribed above. (In exceptional cases a department may co-operate with other departments in a given location in an extended VER scheme under which posts in one department can be made available to absorb surplus staff from another.)

5. A VER programme will normally apply to a defined grade or specialisation in surplus in a department (subject to paragraph 4, third sentence, above) in a particular location.

## ELIGIBILITY OF STAFF

6. Once a department has authority to declare a programme of VER, it will invite applications to retire early from non-industrial civil servants in the defined grades and locations who have 5 or more years' qualifying service in the Principal Civil Service Pension Scheme and who are aged 55 or over, or who will reach age 55 by 30 September 1980. It has been agreed with the trade union side of the JCC that the scheme should not apply to industrial staff.



7. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest. Applications from eligible staff should be processed in time for the retirement to take effect by 30 September 1980.

#### TERMS

8. An officer retired under a VER programme will receive a pension and lump sum calculated in the way described in rule 3.1 of the Principal Civil Service Pension Scheme, based on his pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payment but, notwithstanding rule 3.11 of the Scheme, both the pension and lump sum will be brought into payment immediately rather than when the officer reaches retiring age.

9. Officers whose application for VER is approved will be required formally to give their employing department one month's notice of their retirement if monthly paid (one week if weekly paid), but an earlier or later release date may be decided by mutual agreement confirmed in writing. Departments should bear in mind, however, that pension awarding departments normally need to receive an application for an award of pension one month before the date of retirement (vide Code paragraph 9391) and officers should be warned that their superannuation benefits may not be immediately available on the day after retirement if the agreed release date allows insufficient time for the award to be made. No interest will be paid on pensions and lump sums that are delayed for these reasons. Departments should, if asked in relation to entitlement to unemployment benefit, explain that the officer concerned retired under the VER scheme, and should make it clear that he or she did not voluntarily resign.

#### 10. AMENDMENT TO THE PENSION SCHEME

Rule 10.26 of the Principal Civil Service Pension Scheme will be amended in due course but in the meantime departments are authorised by this Notice to pay benefits in accordance with paragraph 8.

#### PRISM

11. Retirement under a VER programme should be recorded on PRISM as code 16 (Voluntary Early Retirement) of Element 901 (Leaving Cause). Element 902 (Leaving - Nature of Award) will normally be coded 01 (Immediate Pension). (A PRISM Circular will be issued shortly to amend the current Element 901 - code 16 definition.) Departments are asked to ensure that, in relation to PRISM coding, proper distinction is drawn between Voluntary Early Retirements (VER) and Voluntary Premature Retirements (VPR). Code 16 of Element 901 is NOT appropriate for VPR cases.

#### ACTION

12. Departments wishing to apply the VER Scheme\* should approach the Civil Service Department as soon as possible, specifying in all cases the numbers of surplus staff concerned, their grades and their location.

#### CSD CONTACTS

13. Enquiries arising from this Notice should be addressed to:

Paragraphs 8 and 10    Mr J E Jowers (01-273 5497)  
Paragraph 11            Mr I Cutler (01-273 4574)  
Paragraph 12            Mrs C M Sack (01-273 4566)  
All other paragraphs    Mr T Jones (01-273 4194)

Authorised by: S R DAVIE

File reference: PM 244/03

Date of issue: 5 June 1980

Civil Service Department  
Whitehall  
London SW1A 2AZ

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Valid until 31 March 1981.

## GENERAL NOTICE GEN 83/22

**VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST****SCOPE AND PURPOSE**

1. This Notice advises Departments of a new Voluntary Early Retirement (VER) scheme, approved by the Treasury, to be introduced from 1 April 1983. The scheme is designed both to assist in reducing departmental staff surpluses and to help resolve current management difficulties and improve overall efficiency. Subject to the conditions set out below, Departments may invite staff who are eligible to apply to be considered for retirement before the minimum retiring age with immediate payment of accrued pension and associated lump sum benefits.
2. The scheme will run initially for a six month period. The position will then be reviewed to see whether there is a need to continue with the Scheme and if so whether its provisions need to be modified.

**PRELIMINARY MEASURES**

3. Before proposing a programme of VER, a department will be expected in discussion with its Departmental Trade Union Side to have reviewed a number of steps to remove or reduce surpluses, for example, local transfers. If such measures prove to be insufficient, proposals for a VER programme may be put to the Management and Personnel Office.

**POLICY**

4. Having regard to the provisions of paragraph 3 above, Departments may apply to the MPO for authorisation to declare a programme of VER. Authorisation will be given when a department can demonstrate the cost effectiveness of such a programme by showing evidence that there will be a salary saving from removing a surplus of staff either:
  - a. from a particular grade in a particular locality or
  - b. more generally throughout the department.

In the case of a. it will be necessary for departments to demonstrate that the surplus cannot be reduced or removed by preliminary measures such as those envisaged in paragraph 3 above. In the case of b. departments must be able to show how it will help to resolve existing management difficulties and increase the overall efficiency of the department. Departments may apply either for a local programme a. or a departmental one b. or both. It is generally expected that departmental schemes will consist of both elements, with salary savings helping to offset the early retirement costs. The number of VERs which can be authorised in any department in relation to a. must not exceed the number of surplus staff by grade in the particular locality. Similarly the number of VERs agreed in relation to b. will be limited to no more than the total number of surplus staff who will be removed as a result of the programme, however, the staff who leave on VER need not be limited to the grades in which there is a surplus, provided their retirement helps to reduce the overall surplus.

**ELIGIBILITY OF STAFF**

5. Once a department has authority to declare a programme of VER, it will invite applications from civil servants, in the grades and locations agreed with the MPO, who are covered by the Principal Civil Service Pension Scheme and who are aged 55 or over.
6. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest. Departments should also ensure that these measures are used only in a way which is compatible with the maintenance of an efficient staff structure.

7. Any civil servant who is permitted to retire under this VER scheme will be required to sign an undertaking to the effect that he/she will not seek re-employment in the Civil Service after his/her retirement.

#### TERMS

8. An officer retired under the VER scheme with five or more years' qualifying service will receive a pension and lump sum calculated in the way described in rule 3.1 of the Principal Civil Service Pension Scheme, based on the officer's pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payment but, notwithstanding rule 3.11 of the pension scheme, both pension and lump sum will be brought into payment immediately rather than when the officer reaches retiring age.

9. A formal notice of termination of employment, specifying a retirement date agreed with the department, should be given to any officer whose application for VER is approved. In agreeing the retirement date, departments should bear in mind that applications for superannuation awards should reach the awarding department in sufficient time for the application to be verified and the award calculated so that the retiring officer can apply to the Paymaster General's Office for the payment of his pension and lump sum as soon as possible after his last day of service. Superannuation award applications should, therefore, be submitted at least 6 weeks and, preferably, 10 weeks before the agreed retirement date and officers should be warned that their superannuation benefits may not be immediately available if they wish to give significantly shorter periods of notice. No compensation will be payable if the payment of superannuation benefits is delayed in such circumstances.

10. Officers retiring under the VER scheme should be told that if enquiries are made by the Department of Employment about entitlements to Unemployment Benefit the department will confirm that the officer retired **voluntarily** under the VER scheme.

#### ACTION

11. Departments wishing to apply for a VER programme should approach the MPO as soon as possible, with details of the number of VERs required separated between the two elements of the scheme (see paragraph 4a and b above), the number of surplus staff concerned, and, where appropriate, details of how the programme would help resolve management difficulties and improve overall efficiency. Details of the grades and locations involved should be given, together with broad estimates of the costs and savings involved.

12. Any retirements under the scheme must therefore have been approved, and the staff notified, by 30 September 1983, and the actual retirements must take place before 31 December 1983.

13. Retirement under this VER scheme should be recorded on MANDATE as Code 16 (Voluntary Early Retirement) of Element 901 (Leaving Cause). Departments are asked to ensure that, in relation to coding, proper distinction is drawn between Voluntary Early Retirements (VER) and Voluntary Premature Retirement on redundancy grounds (VPR) which has a separate code.

#### CONTACTS

14. Any enquiries about issues arising from this Notice should be addressed to:

paragraphs 8 and 9 Mrs M Cross (telephone: GTN 2083 461 or Basingstoke 0256 29222 extension 461)

paragraph 11 Mrs D C Miller (telephone: GTN 273 4566)

paragraph 13 Mr A H Jiwani (telephone: GTN 273 5484)

all other paragraphs Mrs T C Burnhams (telephone: GTN 273 4194)

In offices not connected to the Government Telecommunications Network, officers should dial 01-273 4566/5484/4194 as appropriate.

Authorised by: S R DAVIE

File reference: CRA 23/01

Date of issue: 28 March 1983

Management and Personnel Office  
Whitehall  
LONDON SW1A 2AZ

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Valid until 31 December 1983

Keywords: RETIREMENT

**GENERAL NOTICE GEN 83/22 CORRIGENDUM**

**VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST**

**STATEMENT OF CHANGES**

1. Departments please note that the VER scheme announced in GEN 83/22 is open only to non-industrial staff. The following amendments should therefore be made:

paragraph 1, last sentence, 4th line, after staff insert "in non-industrial grades";

paragraph 5, second line, before civil servants insert "non-industrial".

File reference: CRA 23/01

Date of issue: 11 May 1983

Management and Personnel Office (CRS)  
Whitehall  
LONDON SW1A 2AZ

## GENERAL NOTICE GEN 84/27

## VOLUNTARY EARLY RETIREMENT IN THE PUBLIC INTEREST

## SCOPE AND PURPOSE

1. This Notice advises departments of a new Voluntary Early Retirement (VER) scheme, approved by the Treasury, for immediate introduction. The scheme is designed both to assist in reducing departmental staff surpluses and to help resolve current management difficulties and improve overall efficiency. Subject to the conditions set out below, departments may invite staff in non-industrial grades who are eligible to apply to be considered for retirement before the minimum retiring age with immediate payment of accrued pension and associated lump sum benefits.
2. The scheme will run until 30 September 1984.

## PRELIMINARY MEASURES

3. Before proposing a programme of VER, a department will be expected in discussion with its departmental Trade Union Side to have reviewed a number of steps to remove or reduce surpluses, for example, local transfers. If such measures prove to be insufficient, proposals for a VER programme may be put to the Cabinet Office (MPO).

## POLICY

4. Departments may apply to the Cabinet Office (MPO) for authorisation to declare a programme of VER. Authorisation will be given if a department can demonstrate that they have a surplus of staff either:
  - a. in the department as a whole which can be removed directly or indirectly by a programme of VER. In this case it will not be necessary to limit the programme to the grades where the surplus exists provided the total number of VERs does not exceed the total number of surplus staff who will be removed, and that the cost of the pensions of those who retire would not exceed the salary savings which will accrue by the reduction of the surplus. A departmental programme of VERs should increase the overall efficiency of the department
  - or
  - b. in a particular grade in a particular location which cannot be resolved by means of the provision of paragraph 3 above, and provided the cost of the pensions of those who retire early is not greater than the cost of a geographical transfer and there is a resulting salary saving in the location concerned.

Departments may wish to apply for a departmental programme or a local programme or a combination of both.

## ELIGIBILITY OF STAFF

5. Once a department has authority to declare a programme of VER, it will invite applications from non-industrial civil servants, in the grades and locations agreed with the Cabinet Office (MPO), who are covered by the Principal Civil Service Pension Scheme and who are aged 55 or over.

6. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest. Departments should also ensure that these measures are used only in a way which is compatible with the maintenance of an efficient staff structure.

7. Any civil servant who is permitted to retire under this VER scheme will be required to sign an undertaking to the effect that he/she will not seek re-employment in the Civil Service after his/her retirement.

## TERMS

8. An officer retired under the VER scheme with five or more years' qualifying service will receive a pension and lump sum calculated in the way described in rule 3.1 of the Principal Civil Service Pension Scheme, based on the officer's pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payment but, notwithstanding rule 3.11 of the pension scheme, both pension and lump sum will be brought into payment immediately rather than when the officer reaches retiring age.

9. A formal notice of termination of employment, specifying a retirement date agreed with the department, should be given to any officer whose application for VER is approved. In agreeing the retirement date, departments should bear in mind that applications for superannuation awards should reach the awarding department in sufficient time for the application to be verified and the award calculated so that the retiring officer can apply to the Paymaster General's Office for the payment of his pension and lump sum as soon as possible after his last day of service. Superannuation award applications should, therefore, be submitted at least six weeks and preferably, ten weeks before the agreed retirement date and officers should be warned that their superannuation benefits may not be immediately available if they wish to give significantly shorter periods of notice. No compensation will be payable if the payment of superannuation benefits is delayed in such circumstances.

10. Officers retiring under the VER scheme should be told that if enquiries are made by the Department of Employment about entitlements to unemployment benefit the department will confirm that the officer retired **voluntarily** under the VER scheme.

## ACTION

11. Departments wishing to apply for a VER programme should approach the Cabinet Office (MPO) as soon as possible, with details of the number of VERs required separated between the different elements of the scheme (see paragraph 4 above), the number of surplus staff concerned, and, where appropriate, details of how the programme would help resolve management difficulties and improve overall efficiency. Details of the grades and locations should be given, and if a programme involves the retirement of any officer in the unified grades 1-3 the name should also be supplied, together with broad estimates of the costs and savings involved.

12. Any retirements under the scheme must therefore have been approved and the staff notified, by 30 September 1984 and the actual retirements must take place before 31 December 1984.



13. Retirement under this VER scheme should be recorded on MANDATE as Code 16 (Voluntary Early Retirement) of Element 901 (Leaving Cause). Departments are asked to ensure that, in relation to coding, proper distinction is drawn between Voluntary Early Retirements (VER) and Voluntary Premature Retirement on redundancy grounds (VPR) which has a separate code.

#### CABINET OFFICE (MPO) AND HM TREASURY CONTACTS

14. Any enquiries about issues arising from this Notice should be addressed to:
- (a) Mrs M Cross, Superannuation Division, HM Treasury, paragraphs 8 and 9, (telephone: GTN 2083 461 or Basingstoke (0256) 29222 extension 461)
  - (b) Mrs D C Miller, PM4 Division, Cabinet Office (MPO), paragraph 11, (telephone: GTN 233 5596)
  - (c) Mr A H Jiwani, SCS Division, HM Treasury, paragraph 13, (telephone: GTN 233 5195)
  - (d) all other paragraphs Mrs T C Burnhams, PM4 Division, Cabinet Office (MPO), (telephone: GTN 233 5636)

In offices not connected to the Government Telecommunications Network, officers wishing to contact b, c or d above should dial 01-233 5596/5195/5636 as appropriate.

Authorised by: C D STEVENS

File reference: CRA 23/01

Date of issue: 17 APRIL 1984

CABINET OFFICE (MPO)  
Government Offices  
Great George Street  
LONDON SW1P 3AL

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Valid until superseded

Keywords: RETIREMENT

REVISED CRITERIA FOR FLEXIBLE PREMATURE RETIREMENT

A primary consideration for all flexible premature retirements must be their cost effectiveness. Generally they are limited to staff in the 55-60 year age group. In addition they must satisfy the criteria given for one of the following grounds for FPR:

On Grounds of Structure

All structural retirements require Cabinet Office (MPO) authority which may be given where there is:

- i. An age imbalance and consequent turbulence likely to diminish departmental efficiency
- ii. a problem of succession planning on a large or individual scale
- iii. a need to reshape the management of the department or a part of it
- iv. serious promotion blockages the removal of which would enhance the efficiency of the office
- v. the need to make organisational change to improve overall efficiency
- vi. a need to create promotion opportunities which would lead to a measurable improvement in efficiency.

Also

- vii. Since April 1984 a special scheme of premature retirement of senior staff to ease promotion blockages particularly affecting talented younger staff has been introduced.

On Grounds of Limited Efficiency

Cabinet Office (MPO) must approve FPR on grounds of limited efficiency for small departments and all Open Structure cases. Large departments, ie those represented on Main EOM have delegated authority. The criteria are as follows:

i. Any officer who has received Box 4 markings ("Performs duties moderately well") on two consecutive annual reports, and for whom there is some other substantial factor to be taken into account, eg health, or serious difficulty in providing an alternative posting. At Grade 5 level and above, a higher standard of performance might be required eg one Box 4 marking and some other substantial factor, or at Grade 4 and above, one or two mediocre annual appraisals.

ii. The officer of limited postability ie whose performance in his post is not inadequate, but who had to be moved, and because of his previous experience he cannot be expected to give effective service in another post for his remaining years of service.

FINANCIAL TERMS FOR EARLY RETIREMENT FROM THE CIVIL SERVICEILL-HEALTH  
BENEFITS

(a) Members with 5 or more years of reckonable service retiring on grounds of ill-health before reaching minimum pensionable age receive pensions and lump sums calculated in the same way as for retirement at minimum pensionable age but with reckonable service enhanced as follows:

(i) for 5-10 years' service, it is doubled

(ii) for 10 years or more, it is increased:

(a) to 20 years or

(b) ~~to~~ <sup>by</sup> 6 $\frac{2}{3}$  years,

whichever gives the best result.

However, service enhanced under (i) or (ii) (a) may not exceed the reckonable service the member would have had if he had continued to serve until 5 years after minimum pensionable age; and service enhanced under (ii) (b) may not exceed what would have been the member's reckonable service if he had stayed in service until minimum pensionable age.

(b) Members with at least 2 but less than 5 years' service who are retired on grounds of ill health before reaching minimum pensionable age receive short-service payments of  $\frac{3}{80}$ ths of pensionable pay multiplied by length of reckonable service together with

(i) one month's pensionable pay multiplied by the length of reckonable service, and

(ii) if the member is over age 35, a further month's pensionable pay multiplied by the length of reckonable service after the 35th birthday.

PREMATURE  
RETIREMENT  
IN THE  
PUBLIC INTEREST

MOBILE STAFF Public interest terms for mobile staff can be paid in circumstances of Redundancy, FPR and SER and they include:-

(a) Preserved pension paid at minimum pensionable age (or short service payment for those with less than 5 years service) in respect of reckonable service at date of retirement and in addition:

(b) "Mobile civil servants" aged 40 or over, who have 5 or more years' service, may have their reckonable service enhanced by up to 6 $\frac{2}{3}$  years and the lump sum benefit, in whole or in part, can be paid immediately rather than at minimum pensionable age together with an additional lump sum compensation

payment of 6 months' pensionable pay; an annual compensation payment equal to the preserved pension is also paid until the preserved pension comes into payment. Those who are under age 40 and those who have at least one but less than 5 years' qualifying service receive immediate compensation payments related to length of service and age.

NON-MOBILE STAFF Public interest terms for non-mobile staff can be paid in circumstances of redundancy and FPR limited efficiency (but not FPR structure, or limited post-ability) and include preserved pension or short service payment as in (a) above and in addition:

Non-mobile civil servants with at least one years' service receive immediate compensation payments of up to 2 years' pensionable pay, depending on age and length of service. Those over age 55 may forgo the compensation payments and receive immediate payment of accrued pension and lump sum instead.

**VOLUNTARY EARLY  
RETIREMENT (VER)**

Where a civil servant who has 5 or more years qualifying, service and who is aged 55 or over retires under a scheme of VER approved by Cabinet Office (MPO) will receive a pension of 1/80th of his pensionable pay multiplied by the length of reckonable service and a lump sum of 3/80ths of pensionable pay multiplied by length of reckonable service. Reckonable service is not enhanced, and there is no compensation payment, but both pension and lump sum are paid immediately rather than at minimum pensionable age.

**OTHER EARLY  
RETIREMENT  
BENEFITS**

(a) Voluntary resignation or dismissal

For those with 5 or more years' service, the pension and lump sum earned by service up to the date of resignation are preserved for payment at minimum pensionable age. For those with at least 2 but less than 5 years' service, there is an immediate short-service payment of 3/80ths of pensionable pay multiplied by length of reckonable service.

(b) Transfers to other employments

Accrued pension rights can be transferred to any contracted-out pension scheme which is approved by Inland Revenue for the purpose and which is prepared to accept a transfer payment.

## APPROVED EARLY RETIREMENT : EXAMPLES

a) A 57 year old Under Secretary with 35 years service working in London

Salary 1.1.84	£27,750
Inner London Weighting (ILW) 1.4.83	<u>£ 1,250</u>
Total :	<u>£29,000</u> =====

Receives:i) Early Pension =  $\frac{35}{80} \times £29,000$  = £12,687.50 p.a.ii) Early Lump Sum  
Payment = £12,687.50 x 3 = £38,062.50b) A 54 year old Principal with 36 years service working in London

Salary 1.4.83	£16,656
ILW 1.4.83	<u>£ 1,250</u>
Total :	<u>£17,906</u> =====

Receives:i) Early Pension =  $\frac{36}{80} \times £17,906$  = £ 8,057.70 p.a.ii) Early Lump Sum  
Payment = £ 8,057.70 x 3 = £24,173.10c) A 58 year old Executive Officer with 33 years service working outside London

Salary 1.10.83	£ 8,088
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Receives:i) Early Pension =  $\frac{33}{80} \times £ 8,088$  = £ 3,336.30 p.a.ii) Early Lump Sum  
Payment = £ 3,336.30 x 3 = £10,008.90

## FLEXIBLE EARLY RETIREMENT : EXAMPLES

a) A 57 year old Under Secretary with 35 years service working in London

Salary 1.1.84	£27,750
Inner London Weighting (ILW) 1.4.83	<u>£ 1,250</u>
Total :	£29,000 =====

Receives:

i) Early Pension	=	<u>£12,687.50</u> p.a.	
ii) Early Superannuation Lump Sum	=	<u>£38,062.50</u>	
iii) * Compensation Payment	=	$\frac{£29,000}{12} \times 3 \times 3$	= <u>£21,750</u>

b) A 54 year old Principal with 36 years service working in London

Salary + ILW = £17,906

Receives:

i) Early Pension	=	<u>£ 8,057.70</u> p.a.	
ii) Early Superannuation Lump Sum	=	<u>£24,173.10</u>	
iii) * Compensation Payment	=	$\frac{£17,906}{12} \times 3 \times 6$	= <u>£26,859</u>

c) A 58 year old Executive Officer with 33 years service working outside London

Salary 1.10.83 = £ 8,088

Receives:

i) Early Pension	=	<u>£3,336.30</u> p.a.	
ii) Early Superannuation Lump Sum	=	<u>£10,008.90</u>	
iii) Compensation Payment	=	$\frac{£ 8,088}{12} \times 3 \times 2$	= <u>£ 4,044</u>

\* Most favourable assumption

## COMPULSORY PREMATURE RETIREMENT : EXAMPLES

a) A 57 year old Under Secretary with 35 years service working in London

$$\text{Salary + Inner London Weighting(ILW)} = \underline{\underline{\underline{\underline{\underline{\underline{\pounds 29,000}}}}}}}$$

Receives:

- i) Early Pension =  $\frac{38}{80} \times \pounds 29,000$  = \pounds 13,775 p.a.
- ii) Early Superannuation Lump Sum =  $\pounds 13,775 \times 3$  = \pounds 41,325
- iii) Lump Sum Compensation Payment =  $\pounds 29,000 \div 2$  = \pounds 14,500

b) A 54 year old Principal with 36 years service working in London

$$\text{Salary + ILW} = \underline{\underline{\underline{\underline{\underline{\underline{\pounds 17,906}}}}}}}$$

Receives:

- i) Early Pension =  $\frac{40}{80} \times \pounds 17,906$  = \pounds 8,953 p.a.
- ii) Early Superannuation Lump Sum =  $\pounds 8,953 \times 3$  = \pounds 26,859
- iii) Lump Sum Compensation Payment =  $\pounds 17,906 \div 2$  = \pounds 8,953

c) A 58 year old Executive Officer with 33 years service working outside London

$$\text{Salary} = \underline{\underline{\underline{\underline{\underline{\underline{\pounds 8,088}}}}}}}$$

Receives:

- i) Early Pension =  $\frac{35}{80} \times \pounds 8,088$  = \pounds 3,538.50 p.a.
- ii) Early Superannuation Lump Sum =  $\pounds 3,538.50 \times 3$  = \pounds 10,615.50
- iii) Lump Sum Compensation Payment =  $\frac{\pounds 8,088 \div 2}{2 + 3}$  = \pounds 2,696



## ILL HEALTH RETIREMENT : EXAMPLES

a) A 57 year old Under Secretary with 35 years service working in London

$$\begin{array}{l} \text{Salary + Inner London} \\ \text{Weighting (ILW)} \end{array} = \underline{\underline{\underline{\underline{\underline{\pounds 29,000}}}}}}$$

Receives:

$$\text{i) Early Pension} = \frac{40}{80} \times \pounds 29,000 = \underline{\underline{\underline{\underline{\underline{\pounds 14,500}}}}}} \text{ p.a.}$$

$$\text{ii) Early Superannuation} = \pounds 14,500 \times 3 = \underline{\underline{\underline{\underline{\underline{\pounds 43,500}}}}}} \\ \text{lump sum}$$

b) A 54 year old Principal with 36 years service working in London

$$\text{Salary + ILW} = \underline{\underline{\underline{\underline{\underline{\pounds 17,906}}}}}}$$

Receives:

$$\text{i) Early Pension} = \frac{40}{80} \times \pounds 17,906 = \underline{\underline{\underline{\underline{\underline{\pounds 8,953}}}}}} \text{ p.a.}$$

$$\text{ii) Early Superannuation} = \pounds 8,953 \times 3 = \underline{\underline{\underline{\underline{\underline{\pounds 26,859}}}}}} \\ \text{lump sum}$$

c) A 58 year old Executive Officer with 33 years service working outside London

$$\text{Salary} = \underline{\underline{\underline{\underline{\underline{\pounds 8,088}}}}}}$$

Receives:

$$\text{i) Early Pension} = \frac{39\frac{2}{3}}{80} \times \pounds 8,088 = \underline{\underline{\underline{\underline{\underline{\pounds 4,010}}}}}} \text{ p.a.}$$

$$\text{ii) Early Superannuation} = \pounds 4,010 \times 3 = \underline{\underline{\underline{\underline{\underline{\pounds 12,030}}}}}} \\ \text{lump sum}$$

## COMPULSORY EARLY SEVERANCE : EXAMPLES

a) A 48 year old Senior Principal with 28 years service working outside London

Salary 1.4.83                      £20,794

Receives:

$$\begin{aligned}
 \text{i) Compensation payment} &= \left(\frac{\text{£}20,794}{12} \times 28\right) + \left(\frac{\text{£}20,794}{12} \times 8\right) + \left(\frac{\text{£}20,794}{12} \times 3\right) \\
 &= (\text{£} 1,732.8 \times 28) + (\text{£}1,732 \times 8) + (\text{£}1,732 \times 3) \\
 &= \text{£}1,732.8 \times 39 \\
 &= \text{£}67,580.50 \text{ but maximum of 3 years pay} \\
 &\quad \therefore \text{ payment} \\
 &= \underline{\underline{\text{£}62,382}}
 \end{aligned}$$

ii) + preserved superannuation benefits.

b) A 41 year old Executive Officer with 15 years service working outside London

Salary 1.10.83                      £ 8,088

Receives:

$$\begin{aligned}
 \text{i) Compensation payment} &= \left(\frac{\text{£} 8,088}{12} \times 15\right) + \left(\frac{\text{£} 8,088}{12} \times 1\right) \\
 &= \text{£} 684 \times 16 \\
 &= \underline{\underline{\text{£}10,784}}
 \end{aligned}$$

ii) + preserved superannuation benefits.

c) A 32 year old Clerical Officer with 8 years service working outside London

Salary 1.10.83                      = £ 5,708

Receives:

$$\begin{aligned}
 \text{i) Compensation payment} &= \left(\frac{\text{£} 5,708}{12} \times 8\right) \\
 &= \underline{\underline{\text{£} 3,805}}
 \end{aligned}$$

ii) + preserved superannuation benefits.

## FLEXIBLE EARLY SEVERANCE : EXAMPLES

a) A 48 year old Senior Principal with 28 years service working outside London

Salary 1.4.83 = £20,794

Receives:

i) Compensation payment =  $(\frac{£20,794}{53} \times 10) + (\frac{£20,794}{53} \times 15) + (\frac{£20,794}{53} \times 4 \times 18)$   
 $+ (\frac{£20,794}{53} \times 16)$   
 = £ 393.34 x 113  
 = £ 44,334 but subject to a maximum of 2 years  
 pay ∴ payment  
 = £ 41,588

ii) + preserved superannuation benefits.

b) A 41 year old Executive Officer with 15 years service working outside London

Salary 1.10.83 = £ 8,088

Receives:

i) Compensation payment =  $(\frac{£8,088}{53} \times 10) + (\frac{£8,088}{53} \times 15) + (\frac{£8,088}{53} \times 20)$   
 $+ (\frac{£8,088}{53} \times 2)$   
 = £ 152.60 x 47  
 = £ 7,172

ii) + preserved superannuation benefits.

c) A 32 year old Clerical Officer with 8 years service working outside London

Salary 1.10.83 = £ 5,708

Receives:

i) Compensation payment =  $(\frac{£5,708}{53} \times 10) + (\frac{£5,708}{53} \times 9)$   
 = £ 107.70 x 19  
 = £ 2,046

COMPARISON OF NEW "FLEXIBLE EARLY RETIREMENT" (FER) AND EXISTING  
"FLEXIBLE PREMATURE RETIREMENT" (FPR) TERMS

a) A 57 year old Under Secretary with 35 years service working in London

	£ <u>FER</u>	£ <u>FPR</u>	£ <u>Difference</u>
i) Early Pension/Annual Compensation Payment	12,687 pa	13,775 pa	- 1,088 pa
ii) Early Superannuation Lump Sum	38,062	41,325	- 3,263
iii) Lump Sum Compensation Payment (most favourable assumption)	21,750	14,500	+ 7,250

b) A 54 year old Principal with 36 years service working in London

i) Early Pension/Annual Compensation	8,058 pa	8,953 pa	- 895 pa
ii) Early Superannuation Lump Sum	24,174	26,859	-2,685
iii) Lump Sum Compensation Payment (most favourable assumption)	26,859	8,953	+17,906

c) A 58 year old Executive Officer with 33 years service working outside London

i) Early Pension/Annual Compensation	3,336 pa	3,538 pa	- 202 pa
ii) Early Superannuation Lump Sum	10,009	10,615	- 606
iii) Lump Sum Compensation Payment (most favourable assumption)	4,044	4,044	—

d) A 57 year old Clerical Officer with 20 years service working outside London

		<u>either*</u>	<u>or*</u>	<u>either*</u>	<u>or*</u>
i) Early Pension/Annual Compensation Payment	1,427 pa	1,427 pa			+1,427 pa
ii) Early Superannuation Lump Sum	4,281	4,281	—	—	+4,281
iii) Lump Sum Compensation Payment (most favourable assumption)	4,281	—	10,662	+4,281	-6,381

\* At the moment non-mobile staff aged 55 and over may opt for immediate payment of accrued superannuation benefits or a lump sum compensation payment.

## COMPARISON OF PROPOSED NEW AND EXISTING COMPULSORY PREMATURE RETIREMENT TERMS

For all staff in mobile grades aged 50 and over there will be no change. For those in mobile and non-mobile grades aged under 50 the changes will be as indicated in Annex O.

a) A 54 year old Clerical Officer with 30 years service working outside London

	£	£	£
	<u>New Terms</u>	<u>Existing Terms</u>	<u>Difference</u>
i) Early Pension	2,568 pa	—	+2,568 pa
ii) Early Superannuation Lump Sum	7,706	—	+7,706
iii) Lump Sum Compensation Payment	2,854	11,416	-8,562

b) A 58 year old Clerical Officer with 15 years service working outside London

	<u>New Terms</u>	<u>Existing Terms</u>		<u>Difference</u>	
		<u>Either*</u>	<u>Or*</u>	<u>Either*</u>	<u>Or*</u>
i) Early Pension	1,213 pa	1,070 pa	—	+143 pa	+1,213 pa
ii) Early Superannuation Lump Sum	3,639	3,210	—	+429	+3,639
iii) Lump Sum Compensation Payment	1,916	—	8,077	+1916	-6,161

\* At the moment non-mobile staff aged 55 and over may opt for immediate payment of accrued superannuation benefits or a lump sum compensation payment.

COMPARISON OF NEW "COMPULSORY EARLY SEVERANCE" (CES) AND EXISTING  
"COMPULSORY PREMATURE RETIREMENT" (CPR) TERMS

a) A 48 year old Senior Principal with 28 years service working outside London

	£	£	£
	<u>CES</u>	<u>CPR</u>	<u>Difference</u>
i) Annual Compensation Payment	—	—	- 9,010 pa
ii) Early Superannuation Lump Sum	—	27,032	-27,032
iii) Lump Sum Compensation Payment	62,382	10,397	+51,985

b) A 41 year old Executive Officer with 15 years service working outside London

i) Annual Compensation Payment	—	2,190 pa	- 2,190 pa
ii) Early Superannuation Lump Sum	—	6,571	- 6,571
iii) Lump Sum Compensation Payment	10,784	4,044	+ 6,740

c) A 32 year old Clerical Officer with 8 years service working outside London

Lump Sum Compensation Payment	3,805	2,046	+ 1,759
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COMPARISON OF NEW "FLEXIBLE EARLY SEVERANCE" (FES) AND EXISTING  
"FLEXIBLE PREMATURE RETIREMENT" (FPR) TERMS

a) A 48 year old Senior Principal with 28 years service working outside  
London

	<u>£</u> <u>FES</u>	<u>£</u> <u>FPR</u>	<u>£</u> <u>Difference</u>
i) Annual Compensation Payment	—	9,010 pa	- 9,010 pa
ii) Early Superannuation Lump Sum	—	27,032	-27,032
iii) Lump Sum Compensation Payment	41,588	10,397	+31,191

b) A 41 year old Executive Officer with 15 years service working outside  
London

i) Annual Compensation Payment	—	2,190 pa	- 2,190 pa
ii) Early Superannuation Lump Sum	—	6,571	- 6,571
iii) Lump Sum Compensation Payment	7,172	4,044	+ 3,128

c) A 32 year old Clerical Officer with 8 years service working outside  
London

Lump Sum Compensation Payment	2,046	2,046	—
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TABLE 1

## NUMBER OF PREMATURE RETIREMENTS FROM THE CIVIL SERVICE (INDUSTRIAL AND NON-INDUSTRIAL)

TYPE	1981 April-December	1982	1983	1984 (January-March)
FPR	243	522	355	77
VPR	92	332	248	57
VER	-	-	790	511

Source: Paymaster General's Office  
Number of new awards made



TABLE 2

NON-INDUSTRIAL HOME<sup>(1)</sup> CIVIL SERVICE LEAVERS<sup>(2)</sup> DUE TO EARLY AND  
PREMATURE RETIREMENTS FROM 1977 TO 1983<sup>(3)</sup>

Leaving Cause (code)	1979	1980	1981	1982	1983	Total
Retirement on grounds of ill health (3)	2,440	2,383	2,064	2,217	2,327	11,431
Premature retirement on structural grounds (5)	115	35	335	478	475	1,438
Premature retirement for inefficiency (6)	77	65	84	94	110	430
Premature retirement on redundancy (12)	124	228	721	1,136	844	3,053
Premature retirement for limited efficiency (13)	38	57	321	436	311	1,163
Voluntary early retirement (16)	36	611	313	65	1,208	2,233
Total	2,830	3,379	3,838	4,426	5,275	19,748

## Notes

- (1) Diplomatic service excluded throughout  
(2) Part-time staff are counted as whole units  
(3) Figures in respect of 1983 are provisional at present

SOURCE : MANDATE  
April 1984

TABLE 3

Scheme	1977/78	1980/81	1983
VER	29	750	1376

	April-December 1981	1982	1983
<b>FPR:</b> Structure	24	28	66
Ltd efficiency	417	611	452
Total	441	639	518

Source: Cabinet Office (MPO)  
PM4 Records

## PREMATURE RETIREMENTS 1978 - 1982 (Calendar Years)

NON-INDUSTRIAL		NUMBER OF AWARDS			
TYPE	1978	1979	1980	1981	1982
REDUNDANCY	1196	954	195	486	1187
STRUCTURAL GROUNDS	329	111	123	143	104
LIMITED EFFICIENCY	59	49	75	462	91
FPR	-	-	-	322	547
INEFFICIENCY	28	42	23	41	40
VER	-	-	660	39	-
TOTAL (a)	1612	1156	1076	1493	1969

INDUSTRIAL		NUMBER OF AWARDS			
TYPE	1978*	1979*	1980	1981	1982
REDUNDANCY	-	-	443	2868	3613
INEFFICIENCY	-	-	3	3	11
TOTAL (b)	-	-	446	2871	3624

TOTAL (a & b)	1612	1156	1522	4364	5593
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\* Figures for Industrials not separately available.

Any prem ret'd industrial would be included in the total figures of  
1612 & 1156

SOURCE: HM TREASURY  
SUPERANNUATION DIVISION

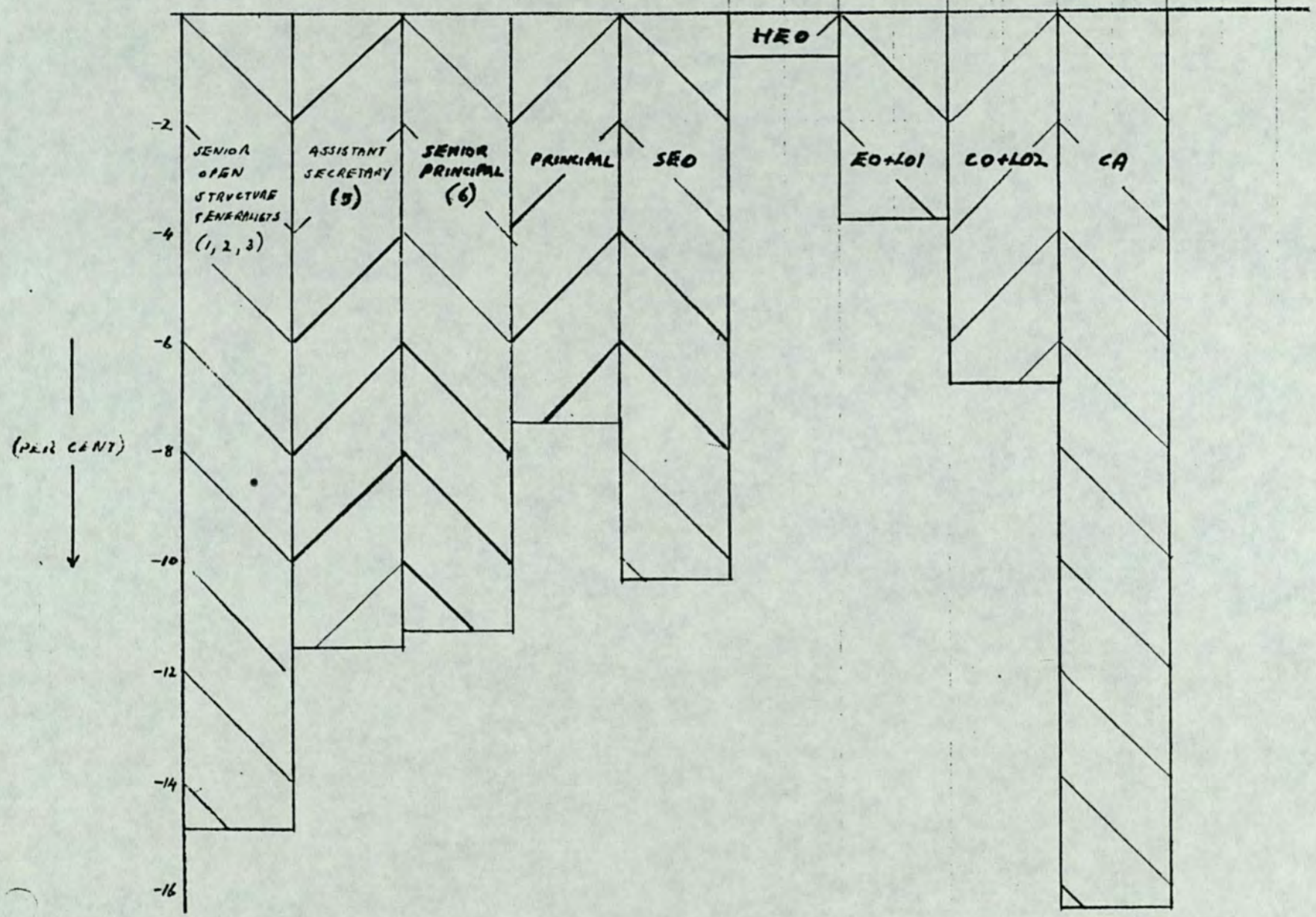
## COST OF PREMATURE RETIREMENTS FROM THE CIVIL SERVICE (INDUSTRIAL AND NON-INDUSTRIAL)

Payments made by PGO	1981 (April-December)	1982	1983	1984 (January-March)
<b>FPR</b>				
Annual compensation	1,152,368	2,718,224	1,802,870	360,856
Lump sum compensation	979,134	2,681,528	1,662,234	374,004
Early payment of superannuation lump sum	3,773,707	7,574,288	5,077,673	1,527,358
<b>TOTAL</b>	<u>5,905,209</u>	<u>12,974,040</u>	<u>8,542,777</u>	<u>2,262,218</u>
<b>VPR</b>				
Annual compensation	Not recorded	Not recorded	Not recorded	Not recorded
Lump sum compensation	(Included in figure below)	1,216,860	946,572	243,197
Early payment of superannuation lump sum	1,279,774	3,932,257	2,813,035	695,641
<b>TOTAL</b>	<u>1,279,774</u>	<u>5,149,117</u>	<u>3,759,607</u>	<u>938,838</u>
<b>VER</b>				
Annual pension	-	-	1,926,488	1,242,764
Early payment of superannuation lump sum	-	-	5,656,681	3,643,404
			<u>7,583,169</u>	<u>4,886,168</u>

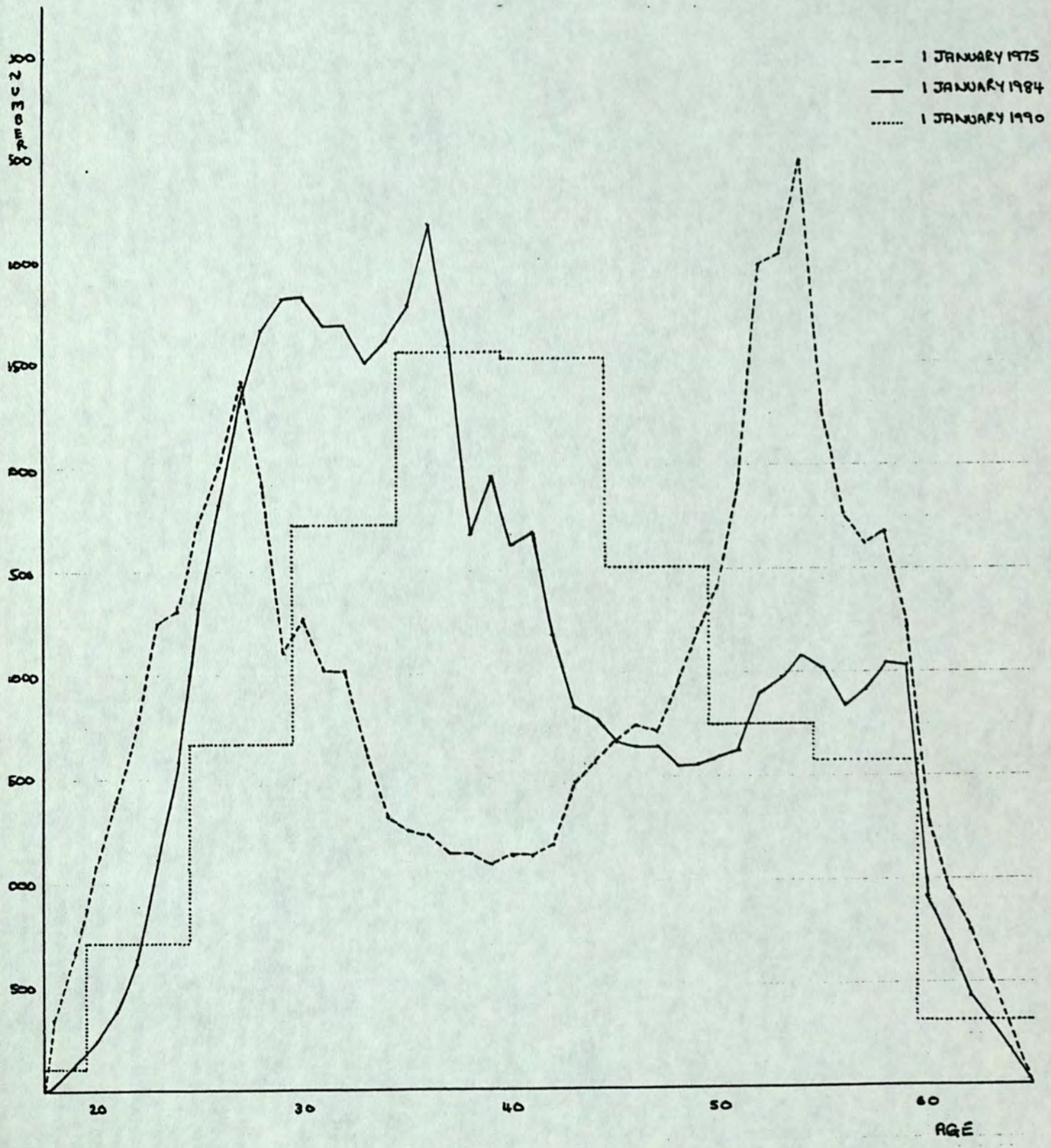
Source: Paymaster General's Office

CHANGES IN STAFF IN POST NUMBERS 1/1/77 TO 1/1/84 (PER CENT)  
 ADMINISTRATION GROUP (INCLUDING GENERALISTS IN THE SENIOR OPEN STRUCTURE)

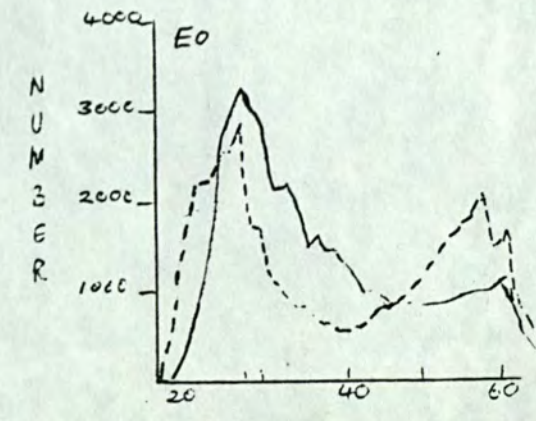
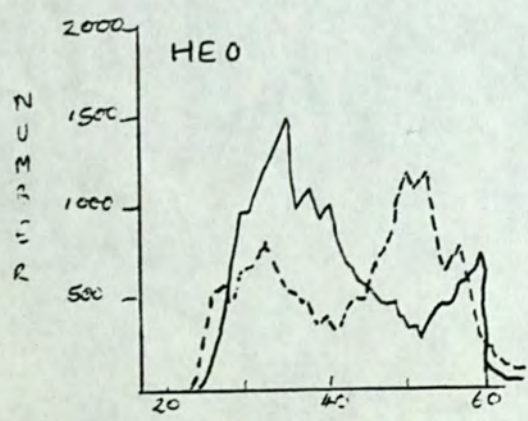
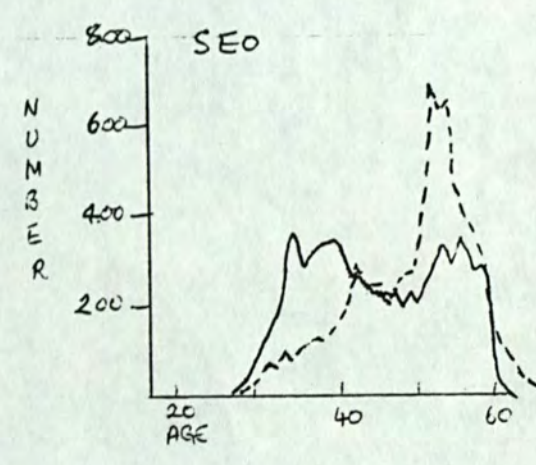
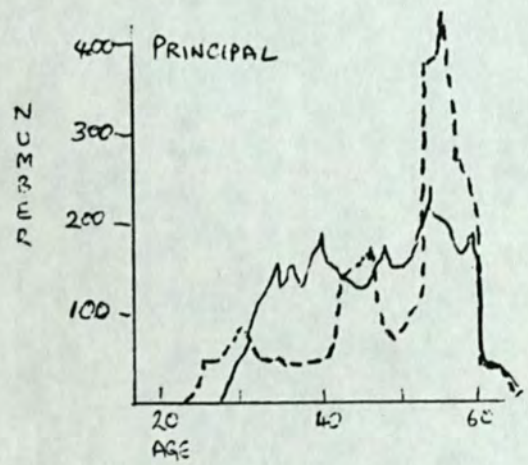
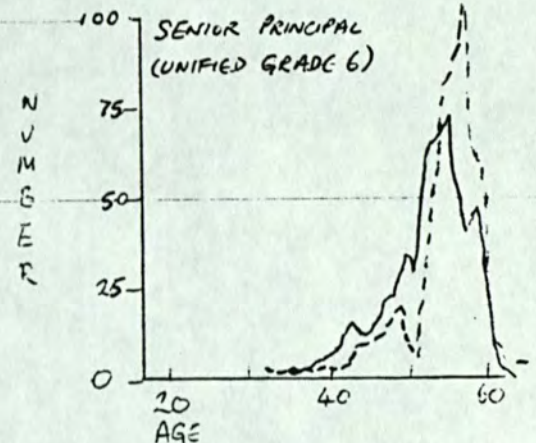
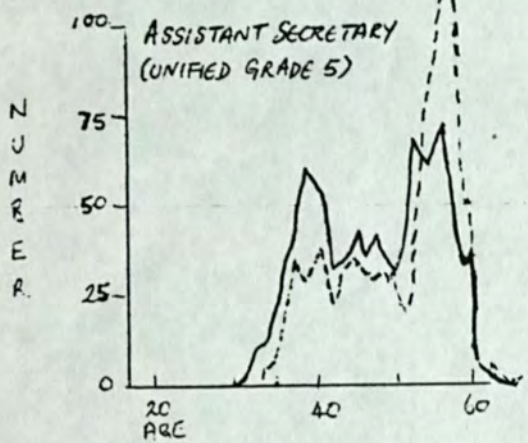
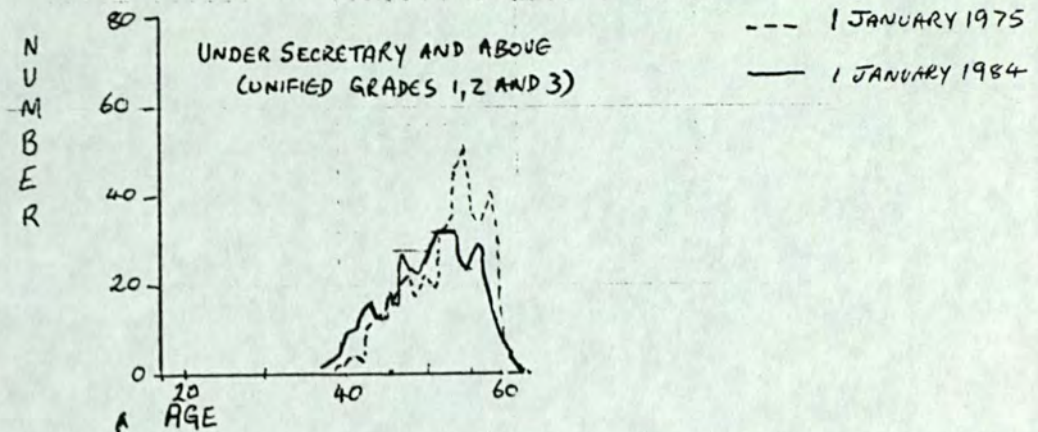
DIAGRAM 1



### STAFF IN POST IN THE ADMINISTRATION GROUP EO AND ABOVE INCLUDING OPEN STRUCTURE GENERALISTS



STRUCTURE OF STAFF IN POST IN THE ADMINISTRATION GROUP AS AT 1/75 AND 1-1-84



SECRET

Peter Warry

Dr

13

MR FLESHER

15 April 1985

15/4

MISC 66

mf

Forcing the most militant of the civil service unions (CPSA) to hold a ballot on industrial action which they subsequently lost was a significant victory. There seems little stomach amongst civil servants for a fight over pay this year, and the Government could probably stick on its present 4.4% offer.

Sticking on 4.4% would be wrong: it implies that the only way to get an increased pay offer is to strike. A better message would be given by raising the offer to 4.9% as proposed by the Chancellor. This more reasonable offer would also reduce the level of grievance stored up for later years when electoral pressures will lend strength to the militants.

The Chancellor is right to rule out arbitration this year as we need this up our sleeves for more difficult negotiations in 1986 and 1987. Similar arguments would suggest that discussions about long term pay arrangements should also be held in abeyance. However, the offer of arbitration on the minimal issue of London weighting is neat and should be endorsed.

We recommend:

1. A final 4.9% offer be endorsed.
2. Arbitration, except on London weighting, be ruled out.
3. No steps be taken to initiate talks about pay in the longer term.

SECRET

Peter Warry  
PETER WARRY



SECRET

AIDE MEMOIRE

CIVIL SERVICE UNIONS

Civil and Public Services Association (CPSA)	Clerical, typing and secretarial <u>grades</u> ; about 200,000 staff
Society of Civil and Public Servants (SCPS)	Executive and higher administrative grades; about 100,000 staff
Association of First Division Civil Servants/ Association of Inspectors of Taxes (FDA)	Higher administrative grades; Economists; Statisticians; Tax Inspectors; about <u>10,000</u> staff
Civil Service Union (CSU)	Messengers; Security Officers; other basic grades; about <u>30,000</u> staff
Institution of Professional Civil Servants (IPCS)	Professional, Scientific and Technical grades; about 75,000 staff
Inland Revenue Staff Federation (IRSF)	Inland Revenue grades; about 40,000 staff
Prison Officers Association (POA)	Prison Officers; about 21,000 staff

SECRET



12

SECRET AND PERSONAL

P.01529

PRIME MINISTER

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Non-Industrial Civil Service Pay Negotiations

(Letter of 12 April from the Private Secretary to the Chancellor of the Exchequer to the Private Secretary to the Prime Minister, covering a note by the Treasury)

BACKGROUND

Following a meeting of Ministers which you chaired on 27 March, the Treasury put an improved offer to the Civil Service trade unions, comprising the better of £4 a week or 4.4 per cent. (The original offer had been £4 a week or 4.0 per cent.) All the unions have rejected this offer.

2. Four out of the eight unions have now held ballots with the view of obtaining a mandate for strike action. The Society of Civil and Public Servants (SCPS) obtained a small majority in favour (53-47 per cent) on a 40 per cent turnout, and the Inland Revenue Staff Federation (IRSF) obtained the same majority at the second attempt. The largest union, the Civil and Public Services Association (CPSA) rejected strike action by the very small margin of 406 votes, and the small Civil Service Union (CSU) also rejected action. As a result all the unions have decided that full-scale industrial action cannot be pursued, and the one day strike planned for 15 April has been scrapped. The SCPS and IRSF are still threatening a work-to-rule and overtime ban. There was some selective action by Customs Officers over the Easter weekend, though this passed virtually without effect.

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SECRET AND PERSONAL

3. The unions are now waiting to hear whether the Government will make a further offer before deciding whether to ask for arbitration.

MAIN ISSUES

4. The Group must decide on the tactics for the next stage of the negotiations. It will need to consider:

- i. whether to make an increased offer, and if so of what amount; and
- ii. whether to agree to arbitration if the unions request it.

These issues are interrelated, and the note by the Treasury exemplifies in paragraph 5 three possible courses of action:

- a. no increased offer, and arbitration refused;
- b. no increased offer, but arbitration agreed; or
- c. an increase to 4.9 per cent, with arbitration refused.

The Case for Arbitration

5. The long-standing procedural agreement provides that either party may ask the Secretary of State for Employment to refer a dispute to an arbitration tribunal. He may, however, decline to do so on policy grounds, and last year this right was exercised on the ground of overriding public expenditure constraints. It is possible that a decision to refuse arbitration could be subject to judicial review in the High Court.

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SECRET AND PERSONAL

6. The arguments in favour of accepting arbitration are that it would offer an honourable way out of the dispute and demonstrate the Government's commitment to agreed procedures. It would thus reduce civil servants' sense of grievance. Against arbitration is the prospect that it would result in an award higher, than could be achieved by negotiation - an arbitrator seems unlikely to award less than 5 per cent. It has also been argued that arbitration might be better saved for 1986 or 1987, which the unions may regard as a better year for a fight given the timing of the next Election.

#### The Case for an Increased Offer

7. If arbitration is agreed there would be no case for increasing the 4.4 per cent offer. But if it is refused, the Government could consider an increased offer in an attempt to conclude the negotiations.

8. It is unlikely that the union leaders could positively recommend to their members any offer below the rate of inflation and the going rate in the rest of the pay round - about 5½ per cent. But the rank and file members might well acquiesce in a settlement at a somewhat lower figure, as they did last year.

9. Sticking at the present offers the prospect of the cheapest outcome, and would give a clear signal of the Government's determination to other public sector negotiators. But there might be a price to pay in sporadic industrial action (possibly resulting in significant losses to the Exchequer), while the general discontent would add to existing problems in recruiting, retaining and motivating staff.

10. The Treasury paper suggests that the offer might be increased by ½ per cent, to 4.9 per cent. This would add about £25 million a year to the pay bill. It would be under the psychologically



SECRET AND PERSONAL

important 5 per cent level, and probably could be just contained within most Departments' existing provision.

#### Shape of the Offer

11. In previous years those on scale maxima (who would therefore not receive an increment) have received a higher pay award. Within a 4.9 per cent increase in cost it would be possible to give those on maxima 5.0 per cent if the remaining third of staff received 4.75 per cent. The advantage of a differential settlement on these lines is that no civil servant would receive a smaller pay increase than last year. The disadvantage is that it introduces a further distortion in scale relativities (albeit quite small).

#### London Weighting

12. If the Government refuse arbitration on the main pay negotiations, there may be a stronger case for agreeing to it on the issue of London weighting. The annual net difference between the claim and offer is only about £16 million. Agreeing to it in respect of London weighting would help to demonstrate that the Government has an open mind about the application of arbitration to Civil Service pay disputes.

#### The Longer Term

13. There have been signs that some at least of the Civil Service unions are anxious to re-establish pay bargaining within a longer term framework which might include elements of the Megaw recommendations. The main ingredient would be a joint recognition that the "negotiating range" on each occasion should be a predetermined number of percentage points on either side of the median of pay movements elsewhere in the economy. There would be no provision

SECRET AND PERSONAL



SECRET AND PERSONAL

for comparability reviews of pay levels. The Treasury propose that they should indicate - separately from the current negotiations - their willingness to enter into discussions about longer term arrangements.

Timing

14. The unions will be expecting the Government to make a further move without delay. Settlements outside continue to show some signs of increasing, and the year-on-year rate of inflation is likely to rise temporarily above 6 per cent in May.

15. An increased offer for the Civil Service could have implications for other negotiations under way at present. The teachers have been offered 4 per cent, but the issues in that dispute are rather different and it is unlikely that there would be any read across from the Civil Service. The NHS auxiliary workers have been offered about 4.2 per cent, and the management hope to achieve a settlement at between 4.5 and 4.7 per cent. The next negotiating meeting has been arranged for 18 April; an offer in the meanwhile to the Civil Service above the top of this range could be seen as prejudicing the chance of achieving the management's objective. However, the bargaining strengths of the two groups may prove different, and a Civil Service settlement below 5 per cent could help other negotiators to stand firm.

HANDLING

16. You will wish to ask the Chancellor of the Exchequer to introduce the Treasury paper. The Secretary of State for Employment will wish to comment on the case for arbitration, and the Secretaries of State for Social Services and for Education and Science will have views about the possible impact on their negotiations. Mr Kemp (Treasury) has been conducting the

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negotiations with the General Secretaries, and will be able to give a view of the likely response of the unions to any new proposals.

CONCLUSIONS

17. You will wish to reach decisions on:

- i. whether to agree to arbitration if it is requested;
- ii. whether to make an increased offer, and if so at what amount;
- iii. whether those on scale maxima should receive a higher settlement than others;
- iv. whether arbitration should be agreed on London weighting;
- v. whether the Treasury should offer discussions on longer term pay arrangements;
- vi. the timing of any further offer.

*PLG*

P L GREGSON

15 April 1985



Prime Minister :

The Treasury  
paper canvassed  
three options :

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

12 April 1985  
i) to stick to  
the present  
offer

ii) to go to  
arbitration

iii) to make an  
increased offer within existing  
Departmental provision

You may wish to

discuss with the Chancellor

Robin Butler Esq  
10 Downing Street  
LONDON  
SW1

Dear Robin,

**NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS - MISC 66**

The Prime Minister is chairing a meeting of MISC 66 at 9.30 on Tuesday morning <sup>on</sup> Monday  
to consider the next steps in the current Civil Service pay negotiations.

... By way of background for that meeting the Treasury have prepared the attached note which sets out the options and indicates a preferred way forward. The Chancellor was able to see this only very briefly before he went abroad, but indicated his general support for the way forward that is proposed. He has emphasised, however, that he feels that whatever is done should be done very speedily. 12/4

I am copying this letter to the Private Secretaries of the other members of MISC 66, to Elizabeth Hodgkinson in Sir Keith Joseph's office, to John Ballard in Mr Jenkin's office, and to Richard Hatfield in the Cabinet Office.

Yours ever  
Rachel

MRS R LOMAX  
Principal Private Secretary



**SECRET**

AND PERSONAL

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

Note by the Treasury

The minute from the Chancellor of the Exchequer to the Prime Minister of 26 March covered the Third Report to Ministers from the Chairman of the Official Group concerned with the current pay negotiations for non-industrial civil servants. That report summarised the position as it then stood, and invited Ministers to consider the way forward.

2. MISC 66 is now to meet on Tuesday 16 April. This note by the Treasury seeks to bring matters up to date.

History

3. An opening pay offer worth about 4 per cent was made on 14 March. This was rejected by all the unions. Four (out of the eight) Civil Service unions proceeded to mount ballots with a view to obtaining a mandate for strike action. Three such ballots appear to have been held in accordance with the Trade Union Act 1984; in them the Society of Civil and Public Servants (SCPS) obtained a narrow majority in favour of strike action, on a small turnout; the Inland Revenue Staff Federation (IRSF) failed to get such a majority by an even narrower margin; and the small Civil Service Union gave a resounding majority against action. The fourth union, the Civil and Public Services Association (CPSA) were proceeding clearly outwith the provisions of the 1984 Act, but following the successful issue of a writ by the Treasury decided to rebalot in accordance with the Act. The IRSF also decided to rebalot, in the hope of getting a different result. Meanwhile, as agreed at the Prime Ministers meeting on 28 March, the offer was increased to one worth about 4.4 per cent.

4. The results of the CPSA and the second IRSF ballots are now known. The CPSA have voted against action. The IRSFs rebalot shows a slender

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majority for action, but they do not appear to intend to use it. The unions' campaign for industrial action is now at a standstill, it seems. The scene is however fast moving, and more may be known by the time MISC 66 meets on 16 April.

#### The Way Forward

5. Essentially there appear to be three broad options now for Ministers:-

- a. To rest on the 4.4 per cent offer, refuse arbitration, and sit out any ensuing industrial disruption. (It is always open to the unions to rebalot.)
- b. To rest on the 4.4 per cent offer but agree to go to arbitration, should the unions so ask, which they will.
- c. To increase the 4.4 per cent offer to say 4.9 per cent, as the last word, and refuse arbitration; again sitting out any industrial action (which could still happen, though less likely than at (a)).

Alongside, but not as part of any of (a) to (c) above would be a hint that the Government was prepared to enter into discussions about longer-term pay arrangements, perhaps on the lines of (but without spelling out in detail) the sketch at Annex C to the Third Report from the Chairman of MISC 67. Also alongside might be an agreement to go to arbitration on London Weighting (see paragraph 11 below).

#### Discussion

6. Given the apparent lack of spirit in the Civil Service, it seems possible that Ministers could succeed with option (a), which is clearly the cheapest and sets the best signal for other public service negotiations, and indeed negotiations elsewhere. On the other hand, industrial action, perhaps sporadic but potentially costly, could be expected; moreover after a number of years of ratchetting down of Civil Service pay, Departments are reporting increasing problems with recruitment, retention and motivation. The arguments for and against

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arbitration were set out in paragraphs 5-8 of the Third Report from the Chairman of MISC 67, but on the whole Option (b) seems unattractive; it would get peace with the unions but it is likely to be more expensive than any of the other options - it is difficult to see how an arbitrator could give less than 5 per cent. Option (c) appears to have most to be said for it in managerial and political terms.

7. The difference in pay bill costs between (a) and (c), leaving aside costs of any industrial action, and taking account of linked bodies, is about £25 million per annum. A 4.9 per cent increase, which would add about £100 million to Department's pay costs overall beyond the 3 per cent already provided, should in our view be just about containable within existing provision for Departments generally. But a settlement at this level would represent a stiff challenge for Departments (given also the uneven incidence of the restructuring of NIC), and could be close to the limit of what could be afforded without recourse to widespread supplementary provision. We accordingly propose that the costs of a 4.9 per cent increase should be absorbed within Departments' existing provision; but that if any Department believes that the settlement could not be absorbed or offset, the position should be considered urgently on its merits.

8. There is also the question of repercussions chiefly with the teachers, marking time on 4 per cent, and the NHS non-Review Body staff, who are currently in negotiation at 4.2 per cent. Teachers are in a very special situation, however, and there ought to be no necessary readacross between the NHS and civil servants, providing the timing is watched.

#### Structure

9. With an overall 4.9 per cent cost and taking account of the small ancillary proposals already on the table it would be possible to structure a revised offer in many ways. We do not recommend increasing the £4 per week underpinning, nor do we recommend staging. Subject always to the £4 per week (for adults) underpinning, the choices are

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AND PERSONAL

(i) a straight 4.9 per cent for all or (ii) 4.75 per cent for people still on scales and 5.0 per cent for those on maxima or flat rates (about two-thirds of staff).

10. The disadvantage of (ii) is that, albeit marginally, it further distorts scale relativities, following similar patterns in previous years. However, given the proposed numbers, the worsening is minimal, and the presentational advantages of (ii), by way of giving two-thirds of people no less than they got last year, and one-third rather more, seems to tip the balance in its favour.

#### London Weighting

11. We have a subsidiary disagreement over increase in London Weighting. Arbitration may be asked for here. It would be difficult for the Government to block this on grounds of public expenditure policy, as the difference between the claim and the offer is only about £16 million (compared with the difference between claim and offer on the main pay negotiation estimated at over £500 million.) There could be advantage in being seen to be ready to go to arbitration on London Weighting this year, as showing that the Government is not opposed to arbitration in the Civil Service in principle.

#### Timing

12. Timing is of great importance. Settlements outside continue to show signs of increasing, and from May we shall, temporarily, be seeing RPI figures in excess of 6 per cent. In addition, the Review Body recommendations, again likely to be in excess of 6 per cent may well leak. A quick outcome at under 5 per cent may well soon look inexpensive. Fortunately the Civil Service unions may also be anxious for a speedy settlement, having regard to their wish to get increases into payment and their May Conferences, though their mood is hard to gauge. On the other hand timing needs to be fitted in with moves on the NHS negotiations, where the next meeting is on 18 April.

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Conclusion

13. On balance it appears to us that the best way forward would be a package as follows :-

a. A revised offer worth 4.9 per cent on the pay bill, (on the basis of the financing arrangements set out in paragraph 7) comprising ~~4.75~~ per cent for those on scale points and 5 per cent for others, plus £4 per week underpinning for adults and £3 per week for those on 16 and 17 year age points.

b. No arbitration on the main claim, but consideration given to arbitration on London Weighting.

c. An offer of constructive talks about longer-term pay arrangements.

This package should be made known to the union as soon as possible, in an effort to bring things to a speedy conclusion.

---

H M TREASURY  
11 April 1985

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12 APR 1985

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JF7936

Secretary of State for Trade and Industry

12 April 1985

Robin Butler Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Dear Robin,

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS - MISC 66

My Secretary of State has seen the Treasury note/circulated by Rachel Lomax under cover of her letter of 12 April. He agrees with the Chancellor that the proposed way forward should be supported but has stressed that the Government should move quickly.

2 I am copying this letter to the Private Secretaries of the other members of MISC 66, to Elizabeth Hodgkinson in Sir Keith Joseph's office, to John Ballard in Mr Jenkin's office, to Rachel Lomax in the Treasury and to Richard Hatfield in Cabinet Office.

Yours ever,

John Mogg

J F MOGG  
Private Secretary

610

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



From the Minister

The Rt Hon Peter Rees MP  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

WBPm.  
12 April 1985

TRANSFER OF COSTS OF EARLY RETIREMENT TO DEPARTMENTAL VOTES

Thank you for your letter of 1 April. —

I welcome your assurance that you will consider sympathetically a change in my programme to meet the cost of any redundancies which may arise as a result of the decisions we took last year on advisory services and research and development. Naturally I accept the need to minimise any such cost through natural wastage, to the extent that this does not involve measures which seriously damage the structure of the services concerned. The extent to which payments by the industry can substitute for the reductions in government funding and the accounting arrangements which are made to deal with such receipts, on which my officials have already been in touch with yours, will also be very relevant.

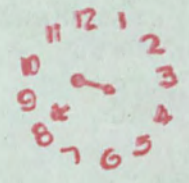
I must, however, reserve my position on the question of offsetting savings. As I said in my last letter, last year's PES decisions were taken on the clear understanding that redundancy costs did not fall on my programme.

I am copying this letter to the Prime Minister, Willie Whitelaw, George Younger, Douglas Hurd, other members of MISC 106, Sir Robert Armstrong and Sir Robin Nicholson.

MICHAEL JOPLING



12 APR 1985





~~hand~~

I think this is Ok - but  
the Chancellor may want to  
add a comment. I will phrase  
paragraph if he does.

RL.

10/4.

MRS LOMAX

FROM D A TRUMAN  
DATE 10 April 1985

cc Sir P Middleton  
Mr Kemp.

CIVIL SERVICE UNIONS: BALLOTS FOR INDUSTRIAL ACTION

No. 10 have asked for urgent briefing tonight about the current state of play on Civil Service pay negotiations.

As I explained the SCPS had already voted by a small majority in favour of industrial action in connection with the original 4% pay offer, while the IRSF had rejected such action. The offer was increased to 4.4%. The IRSF chose to reballot while, following a writ, the CPSA held a ballot under the provisions of the Trade Union Act 1984. The second IRSF poll is still being counted, but we have just heard that the CPSA have voted against industrial action, by 41,600 against 41,100 in favour. *None of the other unions have threatened industrial action.*

As a result of all this we understand that there will almost certainly be no industrial action by any trade union on Monday, 15 April (the planned "day of action") and probably no action during the rest of the week.

The CPSA result is a vindication of the Treasury's use of the Trade Union Act 1984. (We understand that the original poll, which did not comply with the Act, looked likely to show a considerable majority for action.)

It is difficult at this juncture to forecast what happens next. The unions campaign of industrial action is in disarray. Meanwhile, the stance is that pay negotiations continue. [Ministers meet on Tuesday to decide the next step.]

Could you please pass this on to No. 10.

D A TRUMAN



## CABINET OFFICE

From the Chancellor of the  
Duchy of Lancaster

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

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

1 April 1985

*NSM*

*Law Nigel*

CIVIL SERVICE RETIREMENT AND RE-EMPLOYMENT POLICY

In his letter of 16 January, Patrick Mayhew provided advice on the legal aspects of ending the practice whereby civil servants can retire formally at age 60 and collect their lump sum superannuation benefit even though they are immediately re-employed in the same grade. As I mentioned in my letter of 1 May 1984 (to which Patrick Mayhew was responding) while the new policy has been implemented administratively in most departments, this has not been possible in several major departments covering some 30% of the Civil Service; the problem being that the staff who remained in service after age 60 have under those departmental staff rules an entitlement to the option of formal retirement and re-employment in order to get the lump sum under the PCSPS.

Patrick Mayhew's letter explains clearly the legal objections to proceeding either by amending the PCSPS to postpone the payment of the lump sum until final retirement or by unilaterally removing the option of formal retirement and re-employment that appears to exist as a legal entitlement in some departments. We are, therefore, thrown back on primary legislation as the only way to ensure application of the policy throughout the Civil Service. But quite apart from the objections to this which Patrick Mayhew identifies, it would be a highly controversial step to take in a matter of this sort and I do not think we would wish to contemplate it.

This leaves us in a difficult situation. The new policy has been implemented in over two-thirds of the Civil Service but not in the remaining one-third. My understanding is that Patrick Mayhew's advice does not affect the position of

departments which no longer allow the option of formal retirement and re-employment (though they will need to check with their legal advisers that the change has been effectively and lawfully made). It could of course be argued that in the circumstances we should, on policy grounds, cancel the changes that have already been made given that we cannot apply a standard practice. But this would be administratively difficult; and it would still not produce a uniform situation since departmental practices varied before 1984 (and responses to my letter of 1 May 1984 suggested that colleagues would be equally opposed to backtracking).

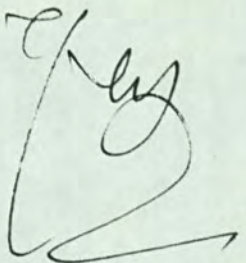
Unless you or others see objection, I therefore propose that:-

(a) we should seek to maintain the present position, while recognising that, at least for the time being, there are no practicable steps we can take unilaterally to remove completely the option of formal retirement and re-employment in the same grade, where that option arises from a legal entitlement;

(b) it should remain our objective to extend the new policy Service wide. So those departments where the new policy has not been applied should seek to make the change, with the agreement of their Trade Union Sides, as and when opportunities arise to do so, for example in the context of wider discussions about age retirement policy and practices.

I am sending copies of this letter to the Prime Minister, other Ministers in charge of departments, to Patrick Mayhew and to Sir Robert Armstrong.

GOWRIE

Yours,  
 2

Civil Service Pay  
# 15



9 APR 1961



10 DOWNING STREET

S/S DHSS requested  
this minute is NOT  
circulated round  
members of meeting

Duty  
Clerk  
28/3

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DSG

Subject

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10 DOWNING STREET

cc Master

28 March 1985

From the Principal Private Secretary

Dear Rachel,

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

The Prime Minister held a discussion this morning with colleagues about the Chancellor of the Exchequer's minute of 26 March, about which the Prime Minister also had a word with the Chancellor at their bilateral yesterday evening. In addition to the Chancellor of the Exchequer, the Secretaries of State for Defence, Trade and Industry, Social Services, Environment, the Chancellor of the Duchy of Lancaster and the Minister of State, Treasury, were also present at this morning's meeting. The Secretary of State for Education and Science and the Secretary of State for Employment were not able to attend at the short notice with which the meeting had to be arranged.

The Chancellor of the Exchequer said that there was a strong case for making a move on civil servants' pay and the issue was one of timing. In his view, there was a case for making a move to 4.4% now without prejudice to a subsequent decision whether arbitration should be allowed. In any case the arbitrator would take into account any reasonable moves which the Government had made. But the present juncture, when the trade unions were in some disarray over their plans for balloting their members, was an advantageous one for making an offer which might swing a majority against voting for industrial action. This was also the view of those involved directly in the negotiations. In putting forward the offer, it would be made clear that no extra public expenditure could be made available to finance it.

In discussion, it was pointed out that the report by officials attached to the Chancellor's minute discussed two options, either an offer of the order now proposed combined with arbitration or a larger offer without arbitration. The present proposal fell between these two alternatives. It could also make more difficult the achievement of a settlement with the NHS Non Review Body groups which enabled the funds provided for the Health Service to be used to achieve some real growth in services. Negotiations with NHS ancillaries were due to start on 3 April. However, the majority of Ministers, while recognising the importance of

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supporting the Secretary of State for Social Services in regard to the NHS negotiations, agreed that there would be advantage in making a limited move on civil servants' pay on the lines proposed by the Chancellor of the Exchequer. The remaining scope for increasing efficiency in the NHS was probably greater than that in the Civil Service where considerable recruitment difficulties were being experienced, particularly in some specialist grades. It was understood that the Secretary of State for Employment supported an offer on the lines proposed by the Chancellor without prejudice to a decision on arbitration.

Summing up the discussion, the Prime Minister said that the meeting accepted the Chancellor's recommendation that an improved offer worth 4.4% on the 1985-86 pay bill could now be made, without prejudice to a subsequent decision on arbitration. When the offer was made it should be made clear that no additional public expenditure could be provided to finance it.

I am sending copies of this letter to the Private Secretaries to the members of MISC 66, to John Ballard (Department of the Environment), Elizabeth Hodgkinson (Department of Education and Science) and to Sir Robert Armstrong.

*Yours ever,*

*Robin Butler*

Mrs. Rachel Lomax,  
H.M. Treasury.



Chancellor of the Duchy of Lancaster

NBPM

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

27 March 1985

*Dear Chancellor,*

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

You asked for comments by this evening on the proposals in your minute of 26 March to the Prime Minister.

We are to meet on Tuesday morning to discuss the major options which now lie before us for bringing these negotiations to a speedy and satisfactory conclusion. It is important that any step which we take this week should not prejudice or inhibit our choice in any way.

In view of the current disarray among the unions, I would not disagree with your judgement that an increase in the offer to 4.4% at this stage would be helpful.

I am copying this to the Prime Minister and other recipients of your letter.

*Yours sincerely*  
*G. P. Heras*

MP GOWRIE (Approved by Lord Gower and signed in his absence)

Civil Service P.T. 15

Pay

28 MAR 1968

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7

PRIME MINISTER

MT

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

FLAG A

The Chancellor's proposal - in his minute of 26 March - to increase the offer to the Civil Service concerns me both in terms of Civil Service industrial relations and the implications for NHS pay negotiations. I have to say that I doubt the wisdom of a quick improved offer to the Civil Service Unions. It seems to me an open question whether an increased offer now will be seen as an olive branch in advance of the ballots or as evidence of the impact of the threat of industrial action. It certainly seems the wrong response to the current disarray among the Civil Service Unions. More importantly, I do not think we can leave on one side the question whether or not we are going to arbitration. If we are, then any improved offer immediately becomes the base-line and is likely to rebound to our cost later.

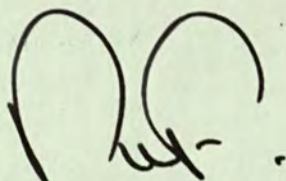
I am also concerned about the possible impact of a 4.4 per cent offer on our negotiations with the NHS non-review body groups. Our first offer, to the ancillaries, will be made on 3 April. The background to our negotiations is the 5.5 per cent cash increase in NHS funding which was agreed in last year's PES. We can keep within that limit and at the same time secure anything like the intended level of services only if pay can be kept down. With that in mind we are trying to exploit the Unions' apparent desire for an early settlement to settle significantly below 5 per cent. The negotiating limit which I propose to give to the Management Side is 4.7 per cent. We cannot afford to go more than marginally above that without embarrassing damage to the financial position of the health service and to the credibility of our claims to be providing for service developments.

E.R.

The Management Side's probable tactic, other things being equal, will be to offer rather less than 4 per cent on 3 April and move up grudgingly to around 4.2 per cent. A move beyond that, whether on 3 April or later, would be made only if there was a clear signal that a settlement was available. If we are to get an early settlement at all, I would expect the negotiations to be concluded very shortly after Easter.

The Management Side's position is already difficult in the light of the local authority manuals' settlement. An offer of 4.4 per cent to the Civil Service would much reduce the credibility of opening shots at the levels I have mentioned. If the Management Side consider that they have to move much above 4.2 per cent in the opening discussions, there will be very little scope for further movement to reach a settlement. My judgement therefore is that the Chancellor's proposed offer would significantly reduce our chances of a favourable outcome for the NHS. I realise this is awkward in relation to your proposals, but I do believe it is important for us to take account of the implications elsewhere in approaching each public sector pay issue.

I am copying this minute to the other members of MISC 66, the Secretaries of State for the Environment and Education and Science and to Sir Robert Armstrong.



27 March 1985

N F

SECRET



Prime Minister ! 6

To be discussed  
with H.G. Chancellor  
tomorrow afternoon.

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

FERB

26.3.

PRIME MINISTER

A handwritten signature in dark ink, appearing to be 'MF'.

### 1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

You are chairing a meeting of MISC 66 next Tuesday morning.

--- I attach a paper from the Chairman of the Official Group (MISC 67) which sets out the position and the decisions to be taken.

2. Our successful use of the 1984 Trade Union Act against the CPSA has thrown the union side into disarray. As I understand it, the CPSA are now planning to abandon their one day strike on 1 April (though there may still be sporadic action) in favour of 15 April. The Civil and Public Service Association (CPSA) are also balloting to seek a similar mandate and the Inland Revenue Staff Federation (IRSF), having failed with their first ballot, may now try again to get a majority for action.

3. The best chance of preventing the unions from getting the mandates they seek would be to make a slightly improved offer this week, rather than wait until after Tuesday's meeting. I suggest, therefore, that we now make an offer worth 4.4 per cent on the 1985-86 pay bill, without prejudging any of the matters we shall want to discuss in MISC 66. Our offer would then comprise the better of £4 per week or 4.4 per cent for full-time adults, and £3 per week for juveniles, plus minor improvements already on offer. It would represent an



improvement on our earlier offer for all except some 60,000 people still on the £4 per week minimum; but these will, of course, stand to benefit from the Budget.

4. We would not need to take a decision this week on arbitration nor need we decide whether or when we might improve our offer yet further - perhaps as far as the 5 per cent which the paper by officials suggests. We can discuss these points next Tuesday and also the shape of any further improvements in the offer, whether in the form of Annex B to the paper by officials or perhaps, as last year, by distinguishing between those on scale maxima or flat rates and those still having the benefit of increments, or by increasing the underpinning.

5. We must clearly take account of the implications of such an offer for other public service pay negotiations, particularly those for the teachers and the NHS non-Review Body staff. I do not believe my proposal would have harmful repercussions for the teachers' negotiations where the position is already very complicated. I also hope it should not significantly prejudice the negotiations for NHS non-Review Body staff due to start on 3 April, given that the local authority manuals have now settled at a touch over 5 per cent over 10 months. I shall, of course, keep closely in touch with Keith Joseph and Norman Fowler and with our other colleagues over progress in the Civil Service negotiations.

6. I should be grateful to know by tomorrow (Wednesday) evening whether colleagues are content for me to proceed in this way. I am sorry to give such short notice but we clearly need to move very quickly if we are to reap the full advantages of an improved offer.



SECRET



7. I am copying this minute to the other members of MISC 66, to the Secretary of State for the Environment, the Secretary of State for Education and Science and to Sir Robert Armstrong.

*N.L.*

**N.L.**

26 March 1985

**SECRET**

AND PERSONAL

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

THIRD REPORT TO MINISTERS FROM THE CHAIRMAN OF THE OFFICIAL GROUP

Our opening pay offer to non-industrial civil servants as set out in the report circulated under cover of the Chancellor of the Exchequer's letter of 25 February was duly made to each of the Civil Service unions on 14 March. This offer, worth about 4 per cent overall on the 1985-86 pay bill, has, predictably, now been rejected by all of them. This note sets out possible next steps for Ministers to consider.

The unions views

2. Since we made the offer, the Treasury have had intensive discussions with each of the separate unions. They regard the offer as wholly inadequate in quantum, and in any case wrong in structure. On quantum, as before they base themselves on arguments about "catching up" and the like; Annex A sets out in more detail the points that they have made to us. They also had points on structure, albeit the structure of the offer reflected the claims that had been put.

The present position

3. The position is fast moving. Four of the unions (the CPSA, the SCPS, the IRSF and the CSU) have balloted their members to seek support for a one-day strike on 1 April followed by an escalating campaign of selective action thereafter. It seems all but the CPSA aimed to comply with the Trade Union Act 1984. The Government took legal action against the CPSA. As a result the CPSA are now holding a ballot under the terms of the 1984 Act with a view to industrial action on 15 April and, possibly, sporadic action on 1 April. The SCPS got a narrow majority in favour of strike action albeit on a poor turnout. The CSU and the IRSF voted against taking action, but the IRSF are said to be re-balloting with a view to seeking a different result. In the circumstances the effectiveness of action on 1 April is doubtful but unions are beginning to focus on 15 April; an oral report will be made at the meeting of MISC 66 on 2 April.

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AND PERSONAL

4. MISC 66 on 2 April will have to decide on the next steps. These include (a) resting on the existing offer, (b) increasing the existing offer to a lesser or greater extent, and (c) deciding to go to arbitration. This last point is crucial; if Ministers are prepared to go to arbitration then the next step should obviously be very small; if they are not prepared to go to arbitration then we believe that it could be rather larger.

Possible outcomes

5. We have tried to assess where it might be possible to achieve a settlement with the unions in the absence of arbitration. On the whole we think it unlikely that they would settle, or even acquiesce in a figure much below 5 per cent. However, we have had indications that they might be content around 5 per cent. An improved offer is set out at Annex B. If account is taken of minor improvements already proposed the total pay bill cost in 1985-86 roundsto 5 per cent.

6. On the other hand, it seems certain that an arbitrator would award more than 5 per cent and possibly more than 6 per cent, having regard to the likely rate of inflation at the time and the going rate for settlements elsewhere, widely perceived as 6 per cent. Each percentage point is worth about £50 million on the pay bill. Arbitration could be costly (but so of course could industrial action).

Arbitration

7. There are other arguments for and against going to arbitration this year. The arguments in favour include :-

a. This would offer an honourable way out of a potentially messy dispute; it would be well received by staff and would help to improve industrial relations in the Civil Service, which are much in need of improvement.

b. The Government having invoked the 1984 Trade Union Act against the CPSA, may not want to risk being accused of breaking agreements.

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AND PERSONAL

c. Refusing arbitration for the second year running on "policy" grounds - the policy being the need to contain public expenditure - would be politically difficult. The Government is on record as having said that last year's decision did not rule out arbitration in the future.

Those against include :-

d. Allowing arbitration for civil servants could make it difficult to turn down a request for arbitration from other bodies eg the NHS non-Review Body groups. With the teachers (if that offer is picked up) this would mean that the pay of some 1½ million public servants would be effectively in the hands of a third party.

e. Arbitration could not be guaranteed to solve industrial relation problems in the longer term, particularly if the award is low (cf teachers award in 1984).

f. If there is to be row with the Civil Service unions it is probably better to have it this year rather than next. Our assessment is that there is not in fact much of a mood for industrial action this year, and politically we understand that the unions see 1986 (or possibly 1987) as a better year to choose for a fight, having regard to the Electoral timetable. An enervating, expensive and fruitless struggle in 1985 would weaken them for these further battles.

8. If Ministers did decide in principle to go to arbitration this year, there would be a lot of further matters to consider. For instance there is the question whether the arbitration should be of the normal kind, or of the "pendulum" nature. There is also the question whether the unions would agree on a single reference so that arbitration could be mounted for the whole Civil Service at one hearing, or whether there would have to be 8 separate hearings for the 8 separate unions, and whether the Government would bind itself in advance to accept the award.

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AND PERSONAL

9. If Ministers are minded in principle to go to arbitration, then there is an argument for making no move at all but simply starting off from the present 4 per cent. There is, however, also an argument for a limited move, so as to demonstrate to the arbitrator reasonableness. A package worth about  $4\frac{1}{2}$  per cent could be devised.

10. It is very difficult to estimate precisely what Departments can afford. In the recent past they absorbed increases between  $1\frac{1}{2}$  and 2 per cent above provision without recourse to the Reserve. This should mean that Departments generally ought to be able to absorb 5 per cent. More than this could cause difficulties.

#### Wider considerations

11. We also need to take account of the implications for pay bargaining elsewhere. There is no risk of repercussions on the trading sector. Private sector settlements in this round appear to be running at around 6 per cent. There are few nationalised industry settlements so far in this round, but all the indications are that settlements are unlikely to be lower, and could be higher, than the 5 per cent average in the last pay round. The impact on other public service negotiations is however clearly important. The local authority manuals have accepted an offer of £4 a week (a touch over 5 per cent) over 10 months which annualises at 6 per cent. The English and Welsh teachers are locked in industrial action having been offered 4 per cent and arbitration/or conciliation. The local authority white collar groups (who have unilateral access to arbitration) have launched a claim reportedly worth up to 11 per cent. Negotiations with NHS collectively bargained groups are about to begin. Review Body reports for Doctors and Dentists, Nurses and the Armed Forces are due in April and are almost certain to recommend unwelcome increases.

12. Indeed, far from being unhelpful, there are arguments that an early settlement for the non-industrial Civil Service at around 5 per cent would be advantageous. With the possible exception of the NHS ancillaries, it is not realistic to assume that other public service

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settlements will come out any lower than this; and a settlement at about 5 per cent for civil servants would help to reduce the pressures for bigger settlements, whether in negotiation or from arbitration.

Long-term pay arrangements

13. It has been made clear to us by all the unions that they would like some kind of acceptable long-term pay arrangements for the future. The general message is "We cannot go on like this". Two of the unions specifically want to pick up Megaw and move with it; indeed they have asked that even if the other unions will not join in we should be prepared to discuss with them alone possible long-term arrangements. These are matters which Ministers ought to consider in a longer timescale. But they are immediately relevant to the present position, in that clearly the hint that the Government would be prepared to pick up the Megaw negotiations and carry them forward (albeit under a new name) would make it more likely that the unions, or some of them, would come quietly at a lower figure than would otherwise be the case.

14. A sketch of a possible approach is at Annex C. Its essential features are bargaining on pay movements within wide constraints, no compulsory machinery for a review of levels, and arbitration by agreement.

Conclusion

15. It is not desirable to allow this year's negotiations to drag on in the same way as did last year's, if this can be avoided. Time is not on our side. The industrial relations position will be updated for Ministers at the meeting of MISC 66. Depending on the position then and in the light of the considerations outlined above, Ministers are invited :

a. To note the Civil Service unions' rejection of the pay offer made, and the reasons given for its rejection.

b. To say whether or not they favour arbitration over Civil Service pay for 1985.

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- c. If the answer to (b) is Yes, to agree that the offer should be increased (if this has not already happened) to say 4.5 per cent on the pay bill or some lesser figure, coupled with an intimation that the Government would be prepared to see arbitration for 1985, on a basis to be settled in informal discussions with the unions.
- d. If the answer to (b) is No, to agree that the offer should be increased to around 5 per cent per cent on the pay bill whether at one step or by stages.
- e. To agree that a hint be given that the Government is prepared to enter into discussions about long-term pay arrangements.
- f. To agree that the precise timings of the next moves should be settled in the light of events, but without unnecessary delay.

E P KEMP

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ANNEX A

**ARGUMENTS PUT FORWARD BY THE UNIONS IN CURRENT PAY NEGOTIATIONS**

The main arguments put forward by the unions in support of their claims for substantial increases in pay have been as follows; some of these of course are interdependent :-

a. "Falling behind" since 1980, which the unions take as a base date because that was the last agreed settlement before the demise of PRU. On their calculations they argue that Civil Service pay settlements since then have amounted to 25 per cent, while the RPI has increased by 43 per cent and earnings outside by 60 per cent.

In reply we have argued that nobody has any particular right to maintain their pay at any particular level in relation to the past and that, in any case, there is nothing magic about 1980 and the unions' calculations are flawed.

b. Civil Service pay is now below the rates being paid by outside employers for equivalent jobs. One or two specific examples have been tabled.

In reply we argue that comparability is not the name of the game; but in any case it is well known that such comparisons are extremely difficult to do accurately.

c. The Civil Service is being discriminated against in relation to outside pay movements and current inflation rates; and also even within the public services in relation to the Review Bodies last year. Reference is made to the statement

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Sir Geoffrey Howe gave to the Megaw Inquiry, which has been endorsed by current Ministers, that "The Government as employer does not believe it should seek year after year to pitch Civil Service settlements below market rates in the private sector".

In reply we point out that this is just one variant on the comparability argument. There are many other factors besides what is happening elsewhere and, so far as Sir Geoffrey Howe's statement goes, this is simply a reflection of the facts of life in the market place.

d. The unions argue that there are serious recruitment and retention problems, particularly in some Departments, which our offer does not recognise.

In reply we argue that the facts do not bear this out, as a generalisation. We shall deal with particular difficulties as we come on them; and indeed part of our offer this year has done just that (eg so far as Accountants go).

e. The unions claim the Government are in breach of the "European Social Charter" so far as the lower paid go, and that we ought to be prepared to give a minimum wage of £100 per week or £104 per week (the calculations vary), in accordance with that Charter.

In reply we argue that we are under no obligations under this Charter but the £100 or £104, if recalculated to take account of the special circumstances of the Civil Service,

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becomes a rather smaller figure of the order of about £90 per week. In any case, help for the lower paid is not necessarily a matter for the employer but for the tax or social security system (as the recent Budget has indeed shown).

f. The unions claim that the greater efficiency, effectiveness and productivity of the Civil Service is not being recognised in pay, and that the staff are not seeing the benefits of changes for example those resulting from the introduction of new technology; indeed in the Civil Service the reverse of the Government's "Pay and Jobs" argument is found, in that as pay is held back so jobs disappear.

In reply we argue that we are not in business to "pay" for efficiency etc savings but if pay settlements are bigger than the pay assumption made then there necessarily have to be economies elsewhere.

g. The unions argue that the pay assumption or pay factor introduces an arbitrary and unfair element into the negotiations.

In reply we argue that the pay assumption is not a limit or a norm nor has it constrained proper bargaining. But it is necessary for the Government, no less than other employers, to have some concept of affordability. Otherwise cost simply does not get a look in, notwithstanding the fact that even the unions accept that it is a factor to be taken into account.

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h. Finally, and in effect sweeping up all the arguments, the unions make much of the motivation argument and the fact that the Civil Service does not feel they have been treated fairly by the Government over pay over the past few years. This, it is argued, will start to come out in lowering of levels of service, failure to co-operate wholeheartedly with new developments such as the FMI, and so on and so forth. In short, good managers and employers would do more.

In reply we say that we are very conscious of the need to watch this point, but the public services as a whole are not suffering in the way the unions suggest.

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ANNEX B

## PERCENTAGE INCREASE IN AVERAGE PAY RATES AND TOTAL PAY COSTS

DATE	I JUVENILES		II GRDS UP TO & INC CO & EQUIVS		III GRDS ABOVE CO & BELOW GRD 7		IV GRDS 5 TO 7 & EQUIVS		OVERALL INCREASE
	BEST OF	AVERAGE	BEST OF	AVERAGE	BEST OF	AVERAGE	BEST OF	AVERAGE	
MAR 21 1985									
STAFF ON SCALE MAX OR FLAT RATE	//////////	//////////	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	//////////
	//////////	//////////	£4.00PW	£5.39PW	£4.00PW	£8.81PW	£4.00PW	£18.37PW	//////////
OTHER STAFF	0.00%	5.13%	5.00%	5.08%	5.00%	5.00%	5.00%	5.00%	//////////
	£3.00PW	£3.00PW	£4.00PW	£4.54PW	£4.00PW	£7.83PW	£4.00PW	£15.61PW	//////////
	PERCENT	£ P.W.	PERCENT	£ P.W.	PERCENT	£ P.W.	PERCENT	£ P.W.	PERCENT
AVE INC IN RATES	5.13	3.00	5.04	4.99	5.00	8.58	5.00	17.36	5.01
INC IN PAYBILL COSTS(PERCENT)	5.01	//////////	4.97	//////////	4.95	//////////	4.76	//////////	4.94
CCBU COVERAGE	CPSA		CPSA IRSF CSU		SCPS IRSF IPCS FDA		SCPS FDA/AIT IPCS		
NUMBERS OF STAFF	2,000		249,000		212,000		22,000		

In short: £3 for juveniles and the better of 5 per cent or £4 per week for others.

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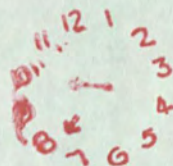
ANNEX C

POSSIBLE LONG-TERM ARRANGEMENTS FOR DETERMINING CIVIL SERVICE PAY:

1. Annual pay negotiations within parameters set by outside pay movements. These need not be quartiles; we could propose a bargaining range of 'x' percentage points on either side of the median. Another variant would be either the interquartile range, or 'x' percentage points on either side of the median, whichever gives the wider bargaining range. A wide range would provide some latitude to respond to recruitment and retention problems.
2. There will be no formal or regular survey of pay levels. Ad hoc adjustments could be made to pay for individual groups where this was necessary eg on recruitment and retention grounds (ie virtually a continuation of the present position).
3. Access to arbitration would be on a jointly agreed basis. The arbitrator would be bound by the parameters of the negotiating range. In addition, there might also be arrangements for conciliation or mediation. The Government would want arrangements for override.

Note: If 'x' (see paragraph 1) = 2 percentage points the increases in 1983 and 1984 would both have fallen within the negotiating range, as would 5 per cent for 1985.

26  
26 MAR 1985



FROM: D A TRUMAN  
DATE: 19 March 1985

CS Part  
1. MR TRUMAN *1/13*

2. PARLIAMENTARY CLERK

cc Mr Kemp  
Miss Sinclair  
Mr Corcoran

**CIVIL SERVICE PAY 1985: TRADE UNION ACT 1984**

The 1985 Pay negotiations for non-industrial civil servants are underway and the offer made on 14 February is now being discussed with each of the non-industrial civil service unions. It is worth about 4 per cent on the pay bill (3.9 per cent on average, plus 0.1 per cent for detailed improvements). The shape of the offer takes account of, among other factors, the individual claims of the unions. The Government intends genuine negotiations and these are continuing.

2. The unions are making much of planned industrial action from 1 April. One union, the CPSA, has indicated that it will not comply with the Trade Union Act 1984 by not holding a properly constituted secret ballot before calling its members out on strike. The Times this morning carries a report (copy attached) which shows that all non-industrial civil service unions have been made aware of management's position in considering the application of the Trade Union Act 1984.

3. Whether or not legal proceedings are taken against the CPSA will depend on legal advice, which is urgently being provided, as to any breach of the Act's provisions and the chance of successful legal challenge. However, management's ability to involve the Act's provisions has been strengthened by recent advice from the Attorney General that for the purpose of the application of the Trade Union Act it can be argued that civil servants have a contract of employment. The outcome may be affected by the way in which CPSA go about consulting its members on the recommendation to take strike action. Ministers will be consulted before the final decision is taken.

4. Attached is Question and Answer briefing on this and the state of pay negotiations, in case questions are raised at Prime Minister's questions today. The more detailed briefing on the pay offer provided previously is also attached.

*Alan Hurst*

**A F HURST**

IRD



Q State of civil service pay negotiations?

A Claims have been received ranging from 12 per cent to 20 per cent, averaging about 15 per cent. Treasury have made an offer which amounts to about 4 per cent.

Q Unions' planned industrial action from 1 April?

A I believe the offer made is a fair one and realistic in today's circumstances. Negotiations are continuing and it is too soon for the unions to be talking of industrial action.

Q CPSA to defy the Trade Union Act 1984?

A I regret very much that the CPSA, unlike the other civil service unions, will not allow its members to vote in secret ballots as provided for under the Trade Union Act 1984.

Q Will the Government use its legislation against the CPSA?

A I hope this will not be necessary, but if the CPSA go ahead and blatantly disregard the 1984 Act then the Government will act accordingly.

Q Is application of the Trade Union Act yet another example (like GCHQ) that the Government is intent on removing trade union representation from its employees?

A Not at all. The main aim of the Act is to ensure that all the unions' members who are called upon to take industrial action, are given the chance, in secret, to vote for or against taking industrial action.



SECRET

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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

13 March 1985

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

*NBPW*  
*N*

*Dear Chancellor,*

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

*See Pt 14*

I have, belatedly, received a copy of your letter of 25 February to Michael Heseltine and the enclosed note by officials.

2 After several years of restraint we are clearly facing some difficult issues on Civil Service pay this year, particularly amid signs of somewhat accelerating pay awards in the rest of the economy. There are conflicts between our objectives as an employer and what we are trying to achieve nationally with regard to pay.

3 In the circumstances I am content to be guided by your judgement on the appropriate negotiating tactics. But I do feel uneasy over the flat rate offers to juveniles and the lower paid, which will give them larger percentage rises, and which will be difficult to reconcile with our stance on the need both for moderation in real wage increases and for realistic wage rates for juveniles and apprentices. I am also concerned that the flat rate element does not sit comfortably with other measures under consideration to reduce the cost to employers of the lower paid.

4 I am copying this letter to the Prime Minister, to other members of MISC 66, to the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

*Yours Sincerely,*  
*A. Shanks*

*pp* NORMAN TEBBIT

JH3BLR

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

SECRET

CS: Ray

Pt 15

13 MAR 1985



cc P. Namy.



NBPM  
AT  
12/3

4

**CABINET OFFICE**

*From the Chancellor of the  
Duchy of Lancaster*  
**Lord Gowrie**

**MANAGEMENT AND PERSONNEL OFFICE**  
Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

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

11 March 1985

*Dear Nigel,*

**1985 PAY NEGOTIATIONS FOR NON INDUSTRIAL CIVIL SERVANTS**

Your letter of <sup>see Pt 14.</sup> 25 February proposed that we should proceed on the basis recommended in the note by officials.

I accept your judgement that an early offer of approximately 4 per cent, tailored in the manner described in paragraph 9 of the note, would give the right signals while leaving room for us to make further decisions later on in the light of the unions' reaction.

While a meeting would not be worthwhile at this early stage, I sense that a number of issues will arise very shortly on which we shall need to have a discussion. There is no doubt from recent experience that industrial action in certain areas can be both damaging and costly, and we shall need to consider if there is more we can do to reduce our vulnerability. The Trade Union Act 1984 should help, though it will not prevent all action. I understand that guidance is to be issued shortly on its applicability to the situation which may confront us. I look forward to seeing this.

Copies of this letter go to the Prime Minister, to the other members of MISC 66, to the Secretaries of State for Education and Science and the Environment, and to Sir Robert Armstrong.

*Yours,  
r/gw  
2*

GOWRIE

CIVIL SERVICE: Pay: Part 15.

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MAR 12 1985

MAR 12 1985

S E C R E T



five

RM

B/c: Mr. WARRY

10 DOWNING STREET

3

*From the Private Secretary*

11 March, 1985

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

The Prime Minister has seen the Chancellor of the Exchequer's letter of 25 February to the Secretary of State for Defence. She is content with the approach suggested.

(Andrew Turnbull)

Miss M O'Mara  
HM Treasury

S E C R E T

RESTRICTED

NBPM

AT 8/3 C/NW



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALING 01-218 2111/3

MO 20/17/6

8th March 1985

*De l'at*

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL  
CIVIL SERVANTS

*with AT*

Thank you for your letter of 25th February 1985. I am content to proceed as you propose.

I am copying this letter to the other recipients of yours.

*yes see  
lll*

Michael Heseltine

The Rt Hon Nigel Lawson MP

RESTRICTED

Civil Service Party  
PAY



Prime Minister <sup>①</sup>

SECRET

2.

Agree?

AT 7/3

MR TURNBULL

7 March 1985

*Yes  
but I expect it will  
have to rise in  
view of inflation  
for exerts*

CIVIL SERVICE PAY

Against a background of settlements running at 5.75% and earnings at 7½%, Nigel Lawson wants to open the civil service pay round with an offer equal to 4%. This equates with the lowest figure currently being offered to any public sector body.

4% is more than one might like but, unless the Civil Service is to have a significantly lower rise than other public sector employees, then it is probably the lowest credible opening offer that can be made. (Future negotiations would be undermined by too large a gap between opening offer and ultimate settlement).

We recommend that the Prime Minister endorses Nigel Lawson's approach.

*Peter Warry*

PETER WARRY

SECRET

**SECRET**

Copy 7 of 10

CC40

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

NBPM

The Rt Hon Nigel Lawson MP  
 Chancellor of the Exchequer  
 Treasury Chambers  
 Parliament Street  
 W1P 3AG

7 March 1985

*Dear Nigel,*

1985 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

I was glad to have a copy of your letter of 25 February <sup>with AT</sup> to Michael Heseltine. It is helpful to see the MISC 66 correspondence because of the Burnham negotiations on teachers' pay.

I intervene to support your proposal for an opening offer worth 4.01 per cent on earnings which is consistent with my stance on Burnham. A final offer of more than 5 per cent for civil servants would however create difficulties for my cash limit because of the degree to which we are struggling to move forward on ~~many~~ <sup>many</sup> policy fronts within an already very tight staffing constraint. Among minor points the proposal to recognise long hours worked by some Principals is particularly welcome.

I am copying this letter to the Prime Minister, to members of MISC 66, to the Secretary of State for the Environment and to Sir Robert Armstrong.

*Ever,  
 Kevin*

Civil Service Pt 111

E7 MAR 1985

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1985

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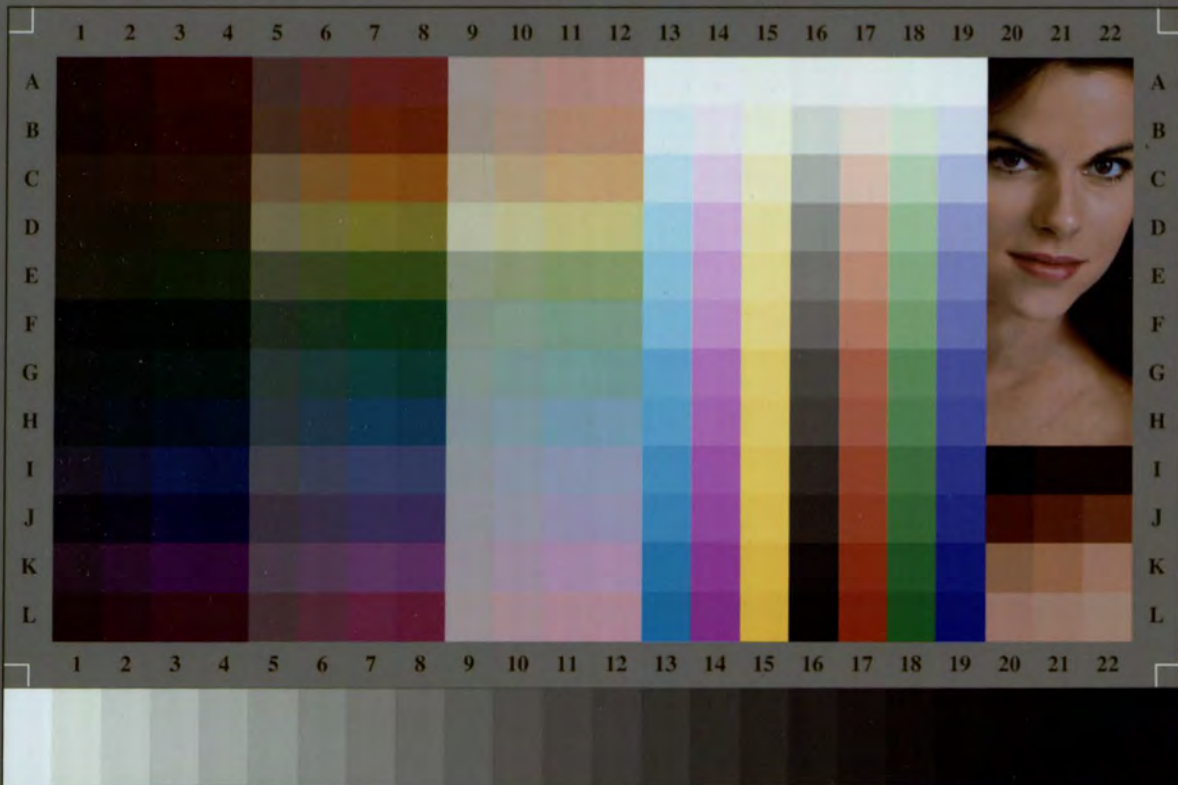
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PART 15 begins:-

S/SIDES to CH/EX 7.3.85

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