

33/79

Part 18/17

161

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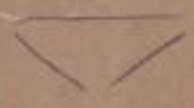

Pay + Pensions

Pay Dispute / Strike

CIVIL SERVICE

Part 1: May 1979

Part 17: April 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
31.1.89							
 Pat ends 							

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PART 17 ends:-

M/D To S/S Secund 31/1/89

PART 18 begins:-

A.T. To HMT 1.2.89



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/24L

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

31 January 1989

*Scott Malcolm,*

*NBLm  
RAG  
3/2*

CIVIL SERVICE PAY 1988-89

Thank you for your letter of 26th <sup>file with PG</sup> January about Civil Service pay. I very much share your views on the importance of relocation. My departmental commitment to this policy is demonstrated by the fact that, in the 1988 survey of the Departmental Relocation Review, the Ministry of Defence is at the top of the list. I enclose a copy of this in case you have not seen it.

I am, of course, aware of the satisfactory outcome of the ODA dispersal to East Kilbride. We are enjoying many of the same benefits in our own much larger dispersal to Kentigern House in Glasgow. Moreover, these came as no surprise to us; the Ministry of Defence is a very large employer across the country as a whole, as the enclosed map shows. It was against this background, and the knowledge derived from it, that I wrote to Nigel Lawson on 16th January drawing attention to the gravity of the staff problems in London and the South-East. As I explained in that letter, neither the scope nor the timescale of relocation options can deal with these difficulties. For example, in the last year, our permanent clerical vacancies in London have risen by nearly 50%; well over one-third of our Administrative Assistant posts in London are vacant, with no

The Rt Hon Malcolm Rifkind QC MP



prospect of filling them in the foreseeable future. But I am afraid it is a delusion to believe that relocation will provide an immediate solution to this immediate problem.

I am copying this letter to the Prime Minister and to other members of MISC 66 and to Sir Robin Butler.

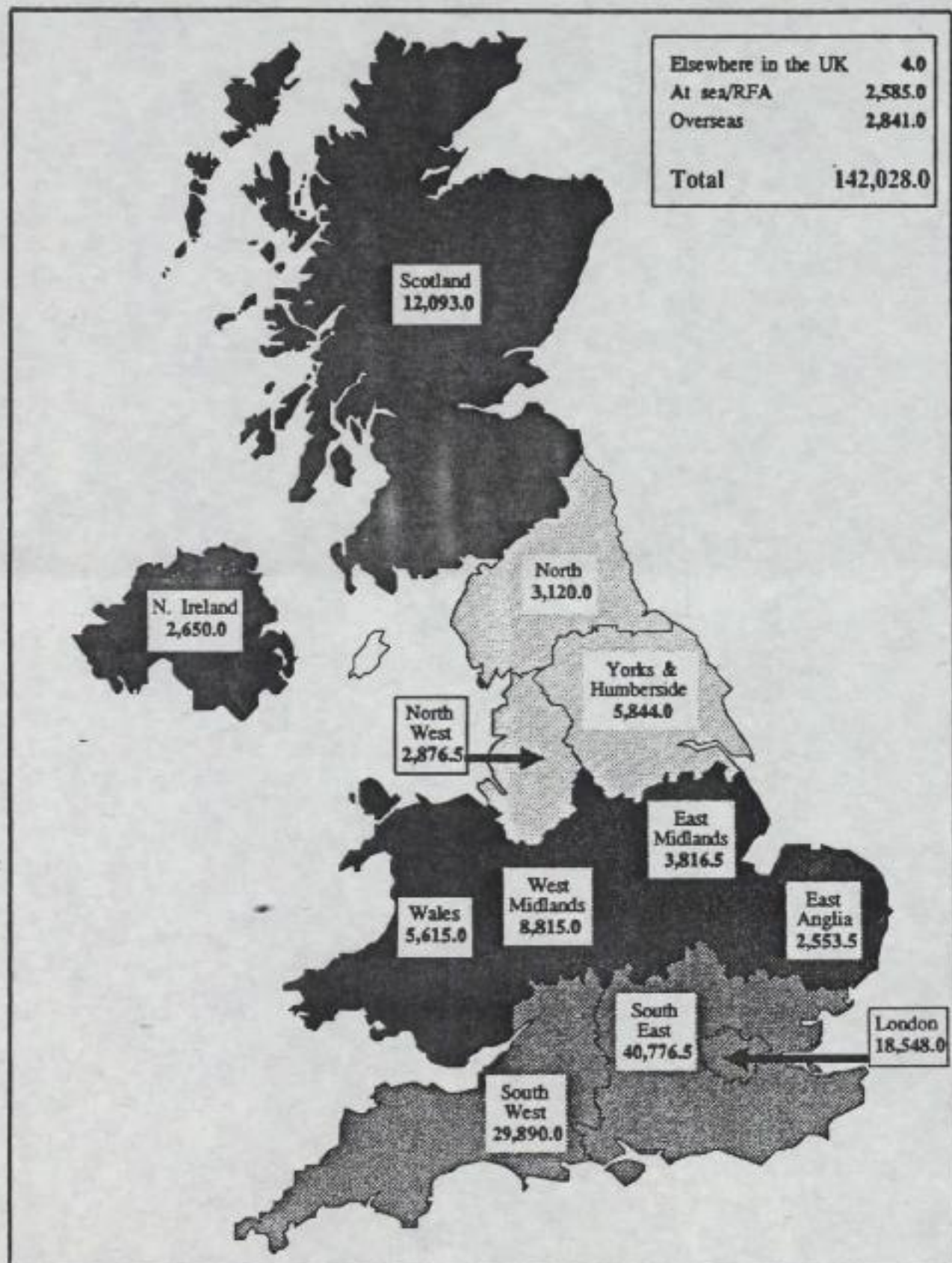
*Yours well,*

*George.*

George Younger

UK BASED CIVILIAN STAFF BY ECONOMIC PLANNING REGION  
TOTAL STAFF

MAP 1 : NUMBER OF STAFF AT 1 OCTOBER 1988



CONFIDENTIAL  
CONFIDENTIAL



1988 SURVEY: DEPARTMENTAL RELOCATION REVIEW  
(RELOCATION OF POSTS FROM LONDON AND THE SOUTH EAST)

DEPARTMENT	POSTS UNDER REVIEW
Ministry of Defence	6,100
Customs and Excise	5,700*
Inland Revenue	3,800*
DSS	upto 3,500
Home Office	3,400
FCO	2,600*
MAFF	2,500*
Land Registry	2,200
DTI	1,400
OPCS	1,400*
Employment Group	1,300
DES	1,230*
Department of Transport	1,100
IBAP	300
HM Treasury (incl CISCO)	300
DOE	300
LCD	200
CPS	150
ECGD	100
Charity Commission	100
Treasury Solicitor/LCD	90
<b>TOTAL</b>	<b>37,770</b>

\* indicates review process entirely or predominantly at Stage 1.



Prime Minister  
 Content with this outcome  
 which is as envisaged  
 earlier?

HT  
 31/1

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

PRIME MINISTER

7/10/71

**CIVIL SERVICE PAY: EXECUTIVE AND CLERICAL GRADES**

Since my minute of 24 January, my officials have had further discussions with both the National Union of Civil and Public Servants (NUCPS) and the Civil and Public Services Association (CPSA), and with the Principal and Establishment Officers of the major departments.

They have now reached a provisional agreement with the NUCPS along the lines set out in my minute, which, after some final tidying up of the text, will be put to their national executive committee on 10 February. It will remain conditional until then.

The related talks with the CPSA about a similar agreement covering clerical, secretarial and related staff are also close to a conclusion and, once the agreement with the NUCPS is finally in the bag, my officials plan to press ahead to finalise the CPSA agreement. The form of this agreement is similar to that with the NUCPS, including the same geographical and other flexibilities, performance pay and the longer-term pay determination system.

The pattern of payments will also be similar, with 4% or the equivalent on 1 April, a differential payment for staff in London and further payments on 1 October averaging close to 4%. The range of increase on 1 October will, however, be rather wider than



for the NUCPS because, as part of the CPSA settlement, we will be making a modest lengthening of the pay scales.

Excluding London, the cost of 1989-90 excluding London would be 6%, with a carry-over to the second year of just under 2% - the same as for the NUCPS.

I am sending copies of this minute to colleagues on MISC(66) and to Sir Robin Butler.

[NL]

31 January 1989





Pmm

cbs

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

30 January 1989

*Dear Malcolm,*

**THE NON-INDUSTRIAL CIVIL SERVICE  
FACILITIES AGREEMENT**

The Prime Minister was grateful for the Paymaster General's minute of 30 January and is content for the detailed results of the exercise to be published in answer to a Written Question in the terms proposed.

I am copying this letter to Clive Norris (Department of Employment), Martin Le Jeune (Office of the Minister for the Civil Service) and Trevor Woolley (Cabinet Office).

*Yours,  
Paul Gray*

Paul Gray

Malcolm Buckler, Esq.,  
Paymaster General's Office,  
H.M. Treasury.

D

010  
Prime Minister  
Content for the results of  
the 1987-88 review to be  
published by written answer.

PRIME MINISTER



FROM: PAYMASTER GENERAL

DATE: 30 January 1989

THE NON-INDUSTRIAL CIVIL SERVICE FACILITIES AGREEMENT

I have not yet reported to you the outcome of our review of facility time provided under the terms of the 1982 National Facilities Agreement for the year 1987-88.

As in the previous year the review was conducted on the basis of an actual outturn, rather than as an estimate, as had been the case formerly. The information is therefore more accurate and reliable. I am pleased to report that the downward trend has continued and that the objective of a cost for facility time of no more than 0.2 per cent of the Civil Service non-industrial pay bill has now been achieved. The cost for the preceding year was 0.21 per cent. The detailed results of this exercise are shown in the two tables attached which, if you are content, will be published in answer to a Written Question.

During the financial year 1987-88, a total of 1,044 man years of facility time was used by all non-industrial lay union officials a reduction of 75 man years - at a cost of £13.08m, a saving in real terms of £0.47m.

My officials will continue to monitor the performance of departments with the objective of maintaining the downward trend, and I will report to you further when the result of the 1988-89 exercise is known.

I am sending copies of this minute to Norman Fowler, Richard Luce and to Sir Robin Butler.

P.B.

PETER BROOKE

## TREASURY

To ask Mr Chancellor of the Exchequer, if he will give the latest estimates of the numbers of elected representatives of Civil Service trade unions in each of the main Government departments and of the cost of providing paid time off.

### DRAFT REPLY

MR PETER BROOKE

The details for 1987-88 are shown in the following tables. Compared with the position as at 31 March 1987, the total amount of paid time off for union business shows a reduction of 75 man years (6.7 per cent), with a consequential saving (in real terms) of £0.47 million. This reflects, for the sixth successive year, the tighter control and accountability measures introduced by the revised National Facilities Agreement in 1982.

CIVIL SERVICE NON-INDUSTRIAL ELECTED UNION REPRESENTATIVES  
ESTIMATES OF NUMBERS WITH PAID TIME OFF FOR INDUSTRIAL RELATIONS DUTIES & TRADE UNION ACTIVITIES (AS AT 31 MARCH 1988)

TABLE 1

	5% & LESS	6-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-99%	100%	TOTAL	FULL TIME EQUIVA- LENT
DEPARTMENTS														
1. MIN OF AGRICULTURE, FISHERIES & FOOD	474	44	16	1	3	0	1	0	2	1	0	4	546	19
2. CUSTOMS AND EXCISE	632	84	41	27	13	6	5	8	5	10	8	0	839	72
3. MINISTRY OF DEFENCE	876	157	64	21	9	12	2	2	1	1	1	23	1169	93
4. DEPARTMENT OF EMPLOYMENT GROUP	1491	276	114	39	12	7	5	5	6	1	0	15	1971	93
5. DEPT OF ENVIRONMENT/TRANSPORT ExcPSA	417	56	37	9	3	2	2	1	2	2	0	16	547	41
6. FOREIGN & COMMONWEALTH OFFICE Inc OVERSEAS DEVELOPMENT ADMINISTRATION	85	13	3	3	1	0	1	1	0	0	1	3	111	11
7. DEPT OF HEALTH AND SOCIAL SECURITY	1523	481	216	65	23	31	18	20	29	27	21	25	2279	301
8. HOME OFFICE Inc PRISON DEPARTMENT	806	155	154	37	16	7	5	1	0	6	7	12	1206	96
9. DEPARTMENT OF TRADE AND INDUSTRY	449	31	26	4	5	6	1	2	2	0	3	6	535	28
10. INLAND REVENUE	1410	316	124	38	30	16	14	4	8	2	2	7	1971	118
11. LORD CHANCELLOR'S DEPARTMENT	81	12	25	5	6	4	1	4	6	1	1	8	154	15
12. DEPARTMENT FOR NATIONAL SAVINGS	88	20	12	1	0	3	2	1	0	0	0	13	140	23
13. PSA - INCLUDING CROWN SUPPLIERS	298	52	26	6	2	2	2	0	0	1	0	4	393	22
14. SCOTTISH OFFICE Inc SCOTTISH PRISONS, SCOT REC OFFICE, & GEN REG (SCOT)	231	35	13	3	1	0	0	0	0	0	0	10	293	20
15. OTHER GOVERNMENT DEPARTMENTS	889	93	60	26	13	16	4	1	4	1	2	19	1128	92
TOTAL	9550	1825	931	285	137	112	63	50	65	53	46	165	13,282	1044

TABLE 2: COSTS OF NON INDUSTRIAL UNION ELECTED REPRESENTATIVES

Department	Total Number expressed as whole time equivalent	Cost in Salaries wages and direct benefit (£ million)	Costs as percentage of wage bill	Total number of non-industrial staff at 31 March 1988
Ministry of Agriculture, Fisheries and Food	19	0.27	0.186	9751
Customs and Excise	72	1.01	0.281	26564
Ministry of Defence	93	1.08	0.085	88626
Department of Employment Group	93	1.26	0.186	62575
Department of Environment/ Transport (exc PSA)	41	0.56	0.198	20118
Foreign & Commonwealth Office (inc Overseas Devel Admin)	11	0.15	0.110	9378
DHSS	301	3.31	0.310	101185
Home Office (including Prison Department)	96	1.28	0.229	37641
Department of Trade and Industry	28	0.43	0.230	12525
Inland Revenue	118	1.58	0.185	66592
Lord Chancellor's Department	15	0.25	0.250	10281
Department for National Savings	23	0.23	0.325	7306
PSA (including Crown Suppliers)	22	0.31	0.157	15665
Scottish Office (including General Register Office Scotland, Scottish Record Office and Scottish Prison Service)	20	0.24	0.150	9514
Other Government Departments	92	1.12	0.213	38798
TOTAL	1044	13.08	0.199	516,519

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CIVIL SERVICE PAY: EXECUTIVE GRADES

Sir Robin Butler has suggested a meeting of MISC 66 to discuss the pay agreement which is emerging with the National Union of Civil and Public Servants. He feels that the employing departments should have an opportunity to discuss the way in which the flexibilities available under the new pay arrangements are used to solve their recruitment problems.

The Chancellor is against such a meeting:

- i. He does not think these agreements can be negotiated by a committee - in any case the negotiation for this year is almost complete.
  
- ii. He has agreed to hold a discussion with the Secretary of State for Defence to go over MOD's particular problems. Mr Younger is no longer pressing at present for the meeting he sought in his minute of 16 January.

Sir Robin nevertheless feels that it is right in principle for a meeting of this kind to take place and that it can be done without making the Treasury's task impossible.

AT

Andrew Turnbull  
26 January 1989

MANAGEMENT IN CONFIDENCE



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AJ

CONFIDENTIAL

NOTED AT 21,

The Rt Hon George Younger MP  
Secretary of State for Defence  
Ministry of Defence  
LONDON  
SW1A 2HB

26 January 1989

Dear George,

1988-89 PAY

AG WITH AT

I have ~~been~~ following with interest your recent exchange of correspondence with Nigel Lawson about civil service pay.

I confess I am a little surprised that you do not make more of the relocation option. I appreciate of course that you do already have substantial relocation plans, as you pointed out in your letter of 14 November. But against the background set out in your correspondence I wonder if there is not scope for an even greater effort. The benefits of relocation in terms of public expenditure, the national and local economies and the career satisfaction of staff, have been amply demonstrated in the study of the ODA dispersal to East Kilbride, published by my Department last year. In face of that evidence, any "hard-headed management view of market realities" - to quote your letter of 16 January - must I suggest include relocation as a top option. Such a view did, I know, strongly influence the DSS in taking their recent decision to move over 1,000 posts out of London. And your own Department's experience in this field - including the move already accomplished to Glasgow - has, I am sure, provided ample evidence of the benefits relocation can bring.

I hope therefore that you will feel able to consider relocation as a serious and viable solution to your current difficulties and that you can see your way to extending your current plans if at all possible.

I am copying this letter to the Prime Minister and to other members of MISC 66 and to Sir Robin Butler.

Yours ever,  
Malcolm Rifkind

MALCOLM RIFKIND

Civil SERVICE: Pam PTA





10 DOWNING STREET  
LONDON SW1A 2AA

*From the Principal Private Secretary*

25 January 1989

*Dear Alex,*

**CIVIL SERVICE PAY: EXECUTIVE GRADES**

The Prime Minister has seen the Chancellor's minute of 24 January. She welcomes the establishment of a further flexible pay agreement, particularly for a pay group as large as the NUCPS. She has also noted the likely outcome of the first year's pay settlement under the agreement.

I am sending copies of this letter to Private Secretaries to members of MISC 66 and to Sir Robin Butler.

*Yours sincerely*  
*Andrew*

(ANDREW TURNBULL)

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL - MANAGEMENT IN CONFIDENCE

*RJ*

Ref. AO89/220

MR TURNBULL

---

Civil Service Pay: Executive Grades

The Chancellor of the Exchequer has circulated a minute to MISC 66 about the agreement which the Treasury is on the point of reaching with the National Union of Civil and Public Servants. He also refers to the possibility of increasing the maximum local pay additions which can be made to other grades to deal with the problems of recruitment and retention in London and the South East.

2. This would be a good opportunity to give the main employing Ministers on MISC 66 the opportunity to discuss the question of Civil Service pay generally. The Secretary of State for Defence, in a letter copied to the Prime Minister, has explicitly asked for such a meeting. There has also been pressure from other Departments for Ministers to have a chance to discuss this.

3. I have no reason to think that the Ministers concerned will be dissatisfied with the approach which the Treasury are taking, indeed the figures proposed for the NUCPS agreement appear very generous. But now that we are in a system in which pay is determined by what is necessary for recruitment and retention, and recruitment and retention are delegated to Departments, it seems wise to give the Ministers concerned a chance to say their piece so that they cannot afterwards claim that they had no say in these matters.

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MANAGEMENT IN CONFIDENCE

4. The Chancellor of the Exchequer is not enthusiastic about having a meeting, although Sir Peter Middleton is conveying to him my suggestion that it would be a good moment to hold one.

*no* I gather that there is a slot in the Prime Minister's diary on ~~Monday~~ <sup>Tuesday</sup> afternoon when such a meeting might be arranged and I hope that the Prime Minister would agree that such a meeting might be held.

J.R.B.

ROBIN BUTLER

25 January 1989

CIVIL SERVICES PAY AT 17



CONFIDENTIAL

17



*Prime Minister*  
*This would represent a major extension of more flexible pay systems into one of the two big battalions. Despite high full year cost, it looks advantageous*

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

*Agree?*

*AT*  
*24/11*

*Yes*

PRIME MINISTER

CIVIL SERVICE PAY: EXECUTIVE GRADES

We are on the point of reaching a provisional agreement with the National Union of Civil and Public Servants (NUCPS) about a new pay determination system covering the 122,000 staff in the executive and support grades. This will be the fourth such flexible pay agreement. It follows those already reached with the Institution of Professional Civil Servants, the Inland Revenue Staff Federation, and the unions representing Grades 5 to 7.

The form of the agreement follows that of its predecessors. It includes a substantial element of performance pay and provides for flexibilities, including geographical flexibilities, which will enable us to target pay selectively to where the problems are; it should thus facilitate the development of more appropriate pay arrangements within agencies and elsewhere. It also includes the longer-term pay determination system based on the Megaw approach which we endorsed in principle in 1982. Signing up to it will require the NUCPS to reverse a fair number of conference decisions.

As part of the agreement we will begin operating the flexibilities with a substantial differential increase of up to £740 for executive staff in London, depending on grade. Our strategy is to channel additional funds to help meet the London problem through the flexible pay agreements, using the local pay additions introduced last year to top up more selectively. I am considering the possibility of increasing the maximum payment which can be made on an LPA.



Apart from the special payment for London, the agreement provides for an increase of 4% from 1 April and a further increase for the executive grades from 1 October this year which is not quite finalised but is likely also to be 4% or a little below. The cost in 1989-90 excluding London would be just below 6%. This is the number we would focus on presentationally. There would also be a further increase carried over into the second year of just under 2%. ie. by end of year pay would be 8% higher

This is broadly in line with the pay increase associated with previous flexible pay agreements. In return we get a better structured and more flexible pay system, better arrangements for rewarding good performers and commitment by the union to the principles of selectivity and geographical pay.

The final details are still being settled and the agreement has yet to be put to the union's executive committee. I will not endorse it until it has, and it must remain confidential in the meantime. The union will then put it to their members for ratification.

My officials have also been talking to the Civil and Public Services Association (CPSA) about a similar agreement covering the clerical, secretarial and related staff. These talks too are very close to reaching a conclusion and I expect to be minuting you about them shortly. If we were to reach agreement with the CPSA as well as the NUCPS we would have concluded long term flexible pay agreements covering virtually all the non-industrial civil service.

I am sending copies of this minute to members of MISC66 and to Sir Robin Butler.

*Duncan Sparkes*

P.P. N.L.

[Approved by the Chancellor and signed in his absence]

CONFIDENTIAL



*1 ELL*  
*2 NDPM*  
*GP/PU*  
*BT 16/11*

MO 5/24L

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

16 January 1989

TELEPHONE 01-218 9000

DIRECT DIALING 01-218 2111/3

*Dear Nigel,*

CIVIL SERVICE PAY

*at head*  
I am grateful for your letter of 30th December in reply to mine of 14th November about Civil Service pay.

I have to say, though, that your letter does not seem to me to take adequately on board the gravity of the staff problems Departments face in London and the South-East. These problems go far beyond mere administrative inconvenience. If they are allowed to continue, the practical penalties we are already paying in the running of our business will become increasingly severe and increasingly dangerous. Some useful palliative things have been done, as you note; but I see no evidence, and frankly no significant probability, that they amount to enough to bring us back into contention in the labour markets where we have to work, especially given the demographic trough which is nearly upon us. We must indeed pursue relocation options; but neither the scope nor the timescale of these can remove the fact of an immediate and major difficulty besetting our work.

I fully recognise that we cannot simply react with the sweeping emergency action which any private firm would take in such a situation; we have to weigh wider repercussions, notably on our

The Rt Hon Nigel Lawson MP

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anti-inflation strategy. But we ought at the very least to be clear and candid with ourselves about the trade-offs we are making, and their implications. I strongly urge that the options you develop for the handling of the forthcoming Civil Service pay round should reflect the case for an offer sharply related to a hard-headed management view of market realities (including their wide difference across the country); and that there should be opportunity for some collective discussion before the Government's course is set.

I am copying this letter to the Prime Minister, to other members of MISC 66, and to Sir Robin Butler.

Yours ever

George Younger

CONFIDENTIAL



CIVIL SERVICE: Pay

1/17

6-116 4'2 751

*copy*



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

30 December 1988

Rt Hon George Younger MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1A 2HB

*1. Mr. Turnbull - to see*  
*2. NBP*  
*RCC6*  
*2/1*

*Dear Secretary of State*

1988-89 PAY

*1101*

I am sorry not to have replied before to your letter of 14 November.

I am glad to have your endorsement of the general thrust of our policy on civil service pay, and your welcome for the recent IPCS settlement. Clearly, we need to be able to respond to market pressures with a flexible pay policy, designed to reward performance and scarce skills, and to vary pay according to the needs of recruitment and retention and motivation, without resorting to unacceptably expensive across-the-board increases.

It is of course important, as you say, that our message should be consistent. So long as the Armed Forces Pay Review Body maintains outdated notions of comparability this will be the more difficult; we will, I am sure, want to maintain the pressure on them to give primary place to recruitment and retention factors.

I am aware that some departments have difficulty recruiting and retaining staff in London in particular. As you know, we have this year increased London Weighting by 14 per cent, introduced local pay additions, and given a special London rate to IPCS grades under the recent settlement. We shall continue to keep the London problem very much in mind. But all departments need to address relocation possibilities very seriously.

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CONFIDENTIAL



I am copying this letter to the Prime Minister, to other members of MISC 66 and to Sir Robin Butler.

*Yours sincerely*

*Jonathan Trope*

*pp.*

**NIGEL LAWSON**

*[Approved by the Chancellor  
and signed in his absence]*

CONFIDENTIAL

CIVIL SERVICE Pan PT14.  
1031

PRIME MINISTER

CIVIL SERVICE PAY

This meeting is to prepare the ground before the negotiating season starts and a reconstituted MISC 66 is set up.

Papers are:

Flag A: Brief by FERB. Para 4 is important. If Departments simply pay more and their running cost provision is increased they have no incentive to relocate. So pay flexibility is not the only answer.

Flag B: Note by Policy Unit.

Flag C: Paper by the Chancellor of the Exchequer.

Flag D: Note by FERB on experience of different Departments. The position is not uniform. DSS have low vacancies because workload has declined with falling unemployment - see page 10. But Customs (page 6) Defence (page 7) and Inland Revenue (page 12) have huge vacancies.

AT

ANDREW TURNBULL

20 December 1988



10 DOWNING STREET

LONDON SW1A 2AA

*From the Principal Private Secretary*

21 December 1988

CIVIL SERVICE PAY

The Prime Minister held a meeting today to discuss Civil Service pay. Present were the Chancellor of the Exchequer, Sir Robin Butler and Sir Peter Middleton.

The Chancellor of the Exchequer said that, although there had been difficulties in some parts of the public sector, the pay of the Civil Service had been restrained. Some progress had been made in developing more flexible pay structures. A number of long term pay agreements had been established. For the next pay round, the corollary of greater flexibility was a smaller general increase, though that would not be easy to achieve with inflation at its present level.

In discussion the need for flexibility at different levels was identified. There were problems with high flyers where an ability to offer additional increments might make the difference between retention and loss, though it was difficult to deploy such flexibility without creating dissatisfaction amongst those who had not sought to leave. There were problems for particular grades, e.g. HEOs in Customs and Excise; for particular specialisms, e.g. tax inspectors; or for particular locations. It was agreed that flexibilities should be further developed which could cope with all these situations. Sir Peter Middleton said he was hopeful that a long term pay agreement would soon be agreed with clerical and executive grades. It was essential where special and local pay additions were agreed that this was within tight running cost limits. If provision were increased the incentives on Departments to relocate would be removed.

Sir Robin Butler accepted that running cost limits should be held though where relocation was undertaken help should be given to meet with the once and for all costs. He also urged the Treasury to resolve cases put to it by Departments as promptly as possible.

Discussion then turned to the problem of housing costs in London and the South East. It was recognised that there was a balance to be struck. Full compensation for higher housing costs would simply fuel house prices in the South East; but insufficient compensation in the face of competition from other employers would mean severe staff shortages for the Civil Service. The Chancellor felt that the Government's main response should be through pay whether in the form of London Weighting or local pay additions.

Sir Robin Butler suggested a shared equity scheme by which the civil servant took out a full mortgage from a building society and the Government met part of the interest and capital repayments in return for a proportionate share in the equity of the house. It was agreed to investigate shared equity schemes further though it should not be the Government which took the equity share. One possibility would be to encourage the formation of housing associations to perform this role. It was also agreed to examine the case for giving civil servants under the age of eighteen the full London Weighting. Finally it was agreed that ways of giving more help with season tickets should be explored, e.g. by negotiating a group discount for civil servants with BR.

I am copying this letter to Sir Robin Butler and Sir Peter Middleton.

Andrew Turnbull

Alex Allan Esq  
HM Treasury.

Ref. A088/3662

PRIME MINISTER

---

Civil Service Pay and Staffing  
Meeting with the Chancellor of the Exchequer  
on Wednesday 21 December

You may like this brief for the meeting with the Chancellor of the Exchequer and Sir Peter Middleton.

2. As shown by the figures attached to the minute of 19 December which I sent to you and the Chancellor, there are worrying shortages in some grades in London and the South East. But they are patchy.
3. As the Chancellor's minute says, this does not suggest the need for a large across the board increase: rather, it points to a moderate basic increase with enhanced flexibility for Departments in meeting local shortages.
4. But it should not be made too easy for Departments to recruit by paying more in London and the South East. Pressure must be maintained on them to pursue relocation seriously. We also need to ensure that they are forced to develop non-pay ways of solving their problems - eg through improved methods of recruitment (including "compacts" with local schools to take on school leavers who achieve an adequate standard); part-time working; job sharing; and other measures which make it possible for married women to work in the Civil Service.
5. This points towards two conclusions. First, while giving Departments greater flexibility, the Treasury should insist on



tight running costs limits within which Departments must work (although I hope that they would make relaxations to help with the once for all costs of relocating work outside London and the South East). Second, where Departments seek the Treasury's permission to go further with special pay additions beyond what their delegated powers allow, they should be required to show what measures they have taken to meet their recruiting problems by the non-pay methods mentioned above.

6. The Chancellor is likely to say that he is already concerned that some of the pay flexibilities introduced to meet particular shortages - eg for lawyers - are making the general administrators disgruntled. This is a point to watch, but it is inherent in the approach we are taking that there should be discriminatory measures to meet special problems, and managers need to be robust in defending these to their staff.

7. I suggest that there are two specific measures which might be looked at further:

i. a further look might be taken at ways of helping with house purchase in the South East, for example through shared equity schemes by which the civil servant takes out the full mortgage from a building society (so that it does not count as public borrowing) and the Government meets part of the interest and capital repayments in return for a proportionate share in the equity of the house.

ii. Ending the discrimination shown in paragraph 16(i) of the paper attached to the Chancellor's minute, by which recruits under 18 get lower rates of London Weighting than those over 18.

8. You may like to conclude the meeting by encouraging the Treasury to continue their discussions with Departments (paragraph 20 of the paper attached to the Chancellor's minute) with a view to developing an approach targetted on these problems in London and the South East. You might suggest that, when a package is ready there should be a meeting of MISC 66 for the Ministers in charge of the main employing Departments to endorse the package and for you to push the message that Departments must explore the full use of relocation and other non-pay measures to solve their problems.

R.R.B.

ROBIN BUTLER

20 December 1988

PRIME MINISTER

20 DECEMBER 1988

CIVIL SERVICE PAY

You are discussing this with the Chancellor of the Exchequer, Peter Middleton and Robin Butler tomorrow.

It is helpful to consider civil service pay in relation to three groups:-

- i. high-fliers in Whitehall;
- ii. skilled people who perform key functions outside Whitehall eg. tax inspectors;
- iii. clerical and secretarial staff.

A number of high-fliers are bound to be lured away by large City salaries. But many will remain because they find work in Whitehall interesting and varied. It would be very difficult to offer individual civil servants the large increases that would be needed to match city salaries. Provided the pay system continues to be regarded as broadly reasonable by those who remain, there is no need to take special any action as far as this group is concerned.

The notes sent by the Chancellor and Robin Butler rightly concentrate on the second and third groups mentioned above. It is here that the risk of haemorrhage is greatest, and could do most damage to Government functions.

A key feature is that the problem is patchy across departments and grades. The only safe generalisation is that recruitment and retention is generally more difficult in London and the South East. Beyond that, the experience of departments varies.

CONFIDENTIAL

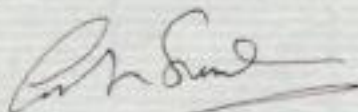
This patchy picture underlines the need for the maximum possible flexibility on pay - as between departments, locations and grades. The Chancellor's note is probably over-optimistic in suggesting that the present degree of flexibility which has been agreed with the unions will be sufficient to deal with recruitment and retention problems. It may be necessary to have more differentiation than the unions would find comfortable.

The gap between civil servants' salaries in the South East and the rest of the country will almost certainly need to widen quite a lot more - unless we get much greater uniformity of house prices across the country. Since it will be expensive to pay staff in the South East substantially more than staff elsewhere, it is right that departments should be urged to locate as much of their work as possible away from the South East.

CONCLUSION

The rapid increase in pay in the private sector is causing problems for the civil service as for other public service employers, particularly in the South East. The right response is to work for

- Maximum flexibility in pay arrangements, so that substantial additions can be given to those staff most at risk of leaving because of location, grade or skill. The Chancellor could be asked to say how he thinks greater flexibility can be secured.
- Maximum relocation of civil service offices outside the South East (even though this will incur substantial short-term costs).



CAROLYN SINCLAIR

## STAFF SHORTAGES IN LONDON AND THE SOUTH EAST

### Vacancies

1. Annex A contains tables showing current vacancies as a percentage of complement for 7 major departments in London, the South East and elsewhere.
2. The picture is far from uniform. There are wide variations between departments, locations and grades. In several departments special factors are contributing to an abnormal vacancy position. These are explained below.
3. The figures clearly show that, with the possible exception of the Secretarial grades, staffing problems are confined to London and the South East. The highest vacancy rates are in predictable areas:

- Secretarial grades: MOD (15% London and SE)  
DHSS (10% SE, 9% London)  
Cabinet Office (14% SE, 7% London)
- AA: MOD (26% London, 17% SE)  
DOE/DTP (13% London)  
Customs (16% London)
- AO: DOE/DTP (21% London)  
MOD (14% London, 7% SE)  
Customs (10% London)
- EO: MOD (13% SE)

4. Certain departments have particular problems in other grades, for example, the Cabinet Office at SEO and grade 7 and Customs and Excise at HEQ. Consistently the highest vacancy rates are to be found in MOD (whose figures, unlike some others, do not include vacancies covered by temporary promotion) but the position in Customs and Excise and DOE/DTP (especially the very high number of temporary promotions in the latter) is also cause for concern.

### Wastage

5. Vacancy rates do not give the whole picture. In most departments, long term overall wastage rates are a greater problem. Annex B gives Treasury figures for national resignation rates by grade. In 1987 these averaged around 12.5% at AA, 7.5% at AO. By contrast, DTI's average wastage rates in London are currently 27% at AA and 19% at AO.
6. Certain locations in London and the South East have particularly acute problems as Department of Employment figures for AO wastage illustrate:

- Employment Service (London & S. East) 26%
- Health and Safety Executive (London) 40%
- Skills Training Agency (London & S. East) 69%

- Employment Service (Woking)

93%

- Training Agency (Woking)

118%

7. High wastage rates do not necessarily mean departments are carrying large numbers of vacancies. Even if they are managing to replace staff, however, the cost to departments is high in terms of:

- increased recruitment costs;
- increased training costs;
- disruption to work output;
- fewer staff fit for promotion.

8. There are no figures at Annex A for the Scottish Office, which has vacancy problems only in a few professional areas. Wastage is increasing among clerical staff, however, and has reached 13% per annum at AA level. Increased recruitment and retention difficulties are expected in the future.

#### Departments

9. There are special factors affecting the vacancy position in a number of departments which are reflected in the figures at Annex A.

#### Employment

10. Vacancy rates in the Department of Employment are generally being kept down by continuous recruitment schemes, assisted by a contraction in workload, and numbers, in the Employment Service. This masks very high wastage rates in certain locations as shown above.

#### Health and Social Security

11. Because of falling workloads, computerisation and relocation policies, DSS have full complements and even surpluses in some grades. Recruitment is necessary only in some of the most hard pressed London offices and, even there, often only on a limited period appointment basis.

#### Inland Revenue

12. Following two reviews of work at clerical level, Inland Revenue are currently undergoing a major regrading exercise. As a result their figures at Annex A show large shortfalls and surpluses in certain grades and do not reflect the underlying long term position.

13. Inland Revenue are also experiencing severe shortfalls among Tax Inspectors (where gaps are being covered by staff who are not fully trained) and in the Valuation Office (where vacancy levels are as high as 20-30% in senior grades). Details are at Annex A.

## Remedies

15. Departments have adopted a variety of different measures to help ease problems of recruitment and retention and are generally making full use of such flexibility as is allowed them by the Treasury. Measures include:

- local and special pay additions;
- special recruitment schemes;
- assistance with relocation and removal expenses;
- lowering recruitment standards;
- lowering promotion standards;
- increased temporary promotions;
- increased part time working;
- retention of staff over retirement age;
- use of agency and casual staff;

16.

Departments argue that such measures, whilst beneficial, have had only limited effectiveness, partly because of the requirement to contain expenditure within existing running costs. They are also concerned that some measures designed to ease short term difficulties are building up problems for the future.

17. There is particular concern about the extensive use of temporary promotions, agency and casual staff and about the increasing numbers of promotees and new recruits who obtain only the minimum acceptable board mark. DOE/DTp estimate that each agency employee costs an additional 15% in staff costs plus 2.5% in administrative support. MOD recently paid £450 per week for a PS.

## Conclusion

18. Although departments are convinced that the only long term answer to their problems is pay, the figures do not support a case for across the board solutions. In some departments the situation is in fact improving:

a) Declining workloads in DSS and DE, and regrading in Inland Revenue, have resulted in surpluses in some grades and a halt to recruitment of permanent staff.

b) DTI report that the outlook has improved over the past 9 months, except at EO. Much of their shortfall is in the result of the creation of 66 new posts in London during the past year.

c) The Home Office have filled their clerical vacancies in London and the situation in Croydon (included in the London figures at Annex A) has improved considerably, except for EO. Here again the shortfall is due more to increased workload, and complement, than to a deterioration in recruitment or retention.

19. Nonetheless, it is clear that there are real and continuing problems in certain departments, notably MOD, Customs and Excise and DNE/DTp.

In Customs and Excise, whilst the problem on the Customs side remains small (because of the opportunity to earn overtime and other payments) there are serious difficulties in local VAT offices in London and the South East.

20. Underlying wastage rates also remain high in many departments, which are concerned about the long term effects of the current situation, although the Treasury would no doubt argue that wastage is much higher in the private sector, and that temporary appointments are a more cost effective method of covering workload peaks than the recruitment and shedding of permanent staff.

21. The evidence suggests that these continuing problems of staff shortage would best be addressed by a further extension of current flexibilities to meet problems in specific grades and locations, through means such as local pay additions, relocation assistance and short service contracts with terminal bonuses.



## DEPARTMENT CABINET OFFICE

## LONDON

Grade	Vacancies	Percentage of Complement
7	6.5	4.1
SEO	5.5	10.8
HEO	+ 3.5	+ 4.6
EO	4.5	3.4
AO	10.5	5.9
AA	+ 2	+ 5.5
Sec	8.5	7.2
Typist	1	1.7

## SOUTH EAST

7	3	8.2
SEO	1	5.9
HEO	4.5	13.6
EO	+ 1	+ 1.7
AO	0.5	0.4
AA	4.5	6.1
Sec	0	0
Typist	3	14.0

## ELSEWHERE

7	0	0
SEO	0	0
HEO	-	-
EO	-	-
AO	0	0
AA	1	100
Sec	0	0
Typist	0.5	16.7

## DEPARTMENT CUSTOMS AND EXCISE

LONDON<sup>1</sup>

Grade	Vacancies <sup>2</sup>	Percentage of Complement <sup>3</sup>
7	3	2
SEO	9	2.5
HEO	359	28.4
EO	51	3
AO	80	9.8
AA	68	16
Sec	-	-
Typist	2	1

SOUTH EAST<sup>2</sup>

7	4	1.7
SEO	14	2
HEO	491	22.1
EO	95	3.2
AO	113	6.3
AA	86	6.3
Sec	-	-
Typist	2	0.8

ELSEWHERE<sup>2</sup>

7	1	0.7
SEO	6	0.8
HEO	105	3.8
EO	68	1
AO	73	1.8
AA	39	2.9
Sec	-	-
Typist	2.5	1

## Notes

1. London: HQ London, London North and West, London City and South, London Port.
2. South East: HQ London and London Collections plus HQ Southend, Reading and Northampton.
3. Elsewhere: All other collections including London Airport.
4. Figures include vacancies being filled by temporary promotion. Significant numbers of the HEO vacancies are being filled in this way.

DEPARTMENT MINISTRY OF DEFENCE

LONDON<sup>1</sup>

Grade	Vacancies	Percentage of Complement
7	0	0
SEO	38	9.1
HEO	61	6.4
EO	62	4.5
AO	413	14.3
AA	419	25.8
Sec	83	15.4
Typist	72	10.4

SOUTH EAST<sup>2</sup>

7	0	0
SEO	2	6.9
HEO	11	10.6
EO	28	13.3
AO	68	7.2
AA	95	16.5
Sec	15	14.7
Typist	24	15.8

ELSEWHERE

7	0	0
SEO	42	4.1
HEO	111	4.1
EO	234	4.3
AO <sup>3</sup>	40	0.4
AA <sup>3</sup>	120	2
Sec <sup>3</sup>	5	23.8
Typist <sup>3</sup>	44	1.7

Notes

1. London Weighting area.
2. The 5 major MOD establishments in South East England. No up to date figures available for area as a whole until January 1989.
3. Figures date from June 1987. Updated figures available January 1989.
4. Figures do not include vacancies filled by temporary promotion.
5. In addition, MOD currently have a 20% shortfall in ATs/HEO(D)s.

DEPARTMENT OF EMPLOYMENT<sup>1</sup>.

LONDON<sup>2</sup>.

Grade	Vacancies	Percentage of Complement
7		
SEO		
HEO		
EO	29	1.6
AO	47	1.2
AA	21	2.7
Sec )	3	11
Typist )		

SOUTH EAST<sup>3</sup>.

7		
SEO		
HEO		
EO	29	3.2
AO	54.5	3.4
AA	18	8.6
Sec )	3.5	6.1
Typist )		

ELSEWHERE

7  
 SEO  
 HEO  
 EO  
 AO  
 AA  
 Sec  
 Typist

Notes

1. Covers Employment Service, HSE, Training Agency and Skills Training Agency.
2. Covers London, Essex, Kent and East Sussex.
3. Covers the rest of Southern England.
4. Figures are average number of vacancies per month, rather than actual vacancies.

DEPARTMENT OF ENVIRONMENT AND TRANSPORT<sup>1</sup>

LONDON

Grade	Vacancies <sup>2</sup>	Percentage of Complement <sup>3</sup>
7 <sup>3</sup>	11	3 (1.9)
SEO	5 (16)	2 (6.6)
HEO	40.5 (15)	6.5 (2.4)
EO	44 (20)	6.1 (2.7)
AO	83.5 (29)	20.8 (7.2)
AA	18 (51.5)	12.8 (36.5)
Sec Typist)	10 (126.5)	2 (25)

SOUTH EAST

7	0 (0)	0 (0)
SEO	0 (2)	0 (10.5)
HEO	0 (4)	0 (6.3)
EO	4 (12.5)	2.3 (7.2)
AO	33 (17.5)	6 (3.2)
AA	2.5 (29)	1.1 (13.2)
Sec Typist)	figures included in "Elsewhere"	

ELSEWHERE

7	0 (1)	0 (1.5)
SEO	0 (0)	0 (0)
HEO	2 (7)	0.6 (2.3)
EO	7 (24)	1.2 (4.2)
AO	18.5 (34)	1.4 (2.5)
AA	11 (21)	1.3 (2.6)
Sec	2 (8.5)	0.3 (1.5)

Notes

1. Figures do not include the Property Services Agency or the Driver and Vehicle Licensing Division.
2. Figures in brackets are additional vacancies, currently filled by temporary and geographical promotions, casual and agency staff.
3. Figures include grade 7 Accountant posts.

DEPARTMENT HEALTH AND SOCIAL SECURITY

LONDON

Grade	Vacancies	Percentage of Complement <sup>1</sup>
7	0	0
SEO	42.5	3.5
HEO	3	0.8
EO	129	3.6
AO	83.3	1
AA	81	4.5
Sec Typist)	62	8.5

SOUTH EAST

7	2	2.5
SEO	62.5	9
HEO	8	6
EO	171.5	5
AO	152.5	3
AA	122	6.7
Sec Typist)	24.5	10

ELSEWHERE

7	12	4.1
SEO	132.5	4.3
HEO	38	6.7
EO	701.5	4.5
AO	615	2.4
AA	888	11
Sec Typist)	64.5	4.7

Notes

1.. Overall complements are currently being reduced because of declining workloads in Social Security offices. Figures quoted show vacancies as a percentage of the complement at 1 April 1988 and therefore understate vacancies as a percentage of current complement.

2. Figures include vacancies currently filled by temporary promotion, casual and agency staff.

DEPARTMENT HOME OFFICE<sup>1</sup>.

LONDON

Grade	Vacancies	Percentage of Complement
7	0	0
SEO	5	4
HEO	9.5	1.5
EO	95.5	8.3
AO	73.5	5
AA	11	1.5
Sec	26	10.1
Typist	16	10.4

SOUTH EAST<sup>2</sup>.

7  
 SEO  
 HEO  
 EO  
 AO  
 AA  
 Sec  
 Typist

ELSEWHERE<sup>2, 3</sup>.

7	0	0
SEO	0	0
HEO	10	12
EO	1	0.8
AO	1	3
AA	7.5	6.8
Sec	1	7.6
Typist	5	5.1

Notes/

1. Does not include Prison Establishments.
2. "Elsewhere" includes South East.
3. Primarily ADP vacancies.

DEPARTMENT INLAND REVENUE

LONDON

Grade	Vacancies	Percentage of Complement
7	6	4
SEO	7	3
HEO	32	8
EO	45	10
Tax Officer Higher Grade (EO)	120	5
Tax Officer (AO)	+140	+6
AA	160	7
Secretarial	60	5
Others	20	5

SOUTH EAST

7	0	0
SEO	0	0
HEO	0	0
EO	0	0
Tax Officer Higher Grade (EO)	55	7
Tax Officer (AO)	+180	+22
AA	220	18
Secretarial	+ 10	+ 5
Others	-	0

ELSEWHERE

7	2	2
SEO	8	5
HEO	20	5
EO	20	2
Tax Officer Higher Grade (EO)	+175	+ 2
Tax Officer (AO)	+510	+ 4
AA	930	8
Secretarial	+230	+ 8
Others	5	1

Notes

1. Inland Revenue is undergoing significant manpower changes following implementation of two reviews on the grading of clerical work. The operation involves shedding 1100 posts at EO and 250 at AO and adding 1600 at AA.
2. Whilst the downgrading exercise is taking place, many posts are being left vacant on a temporary basis. These vacancies are being covered by 600 casual staff.



## DEPARTMENT INLAND REVENUE

## LONDON

Departmental Grades	Vacancies	Percentage of Complement
Inspector (Grade 7)	100	20
Inspector (Senior)	10	6
Inspector (iii)	190	20
Technical Trainee	+240	+150
<b>SUB TOTAL</b>	<b>60</b>	<b>3</b>

Valuer (Grade 7)	-	-
Senior Valuer	75	29
Valuer	30	23
Valuation Technician	50	19
Valuation Clerk	20	7

## SOUTH EAST

Inspector (Grade 7)	30	27
Inspector (Senior)	3	9
Inspector (iii)	65	18
Technical Trainee	+ 80	+ 36
<b>SUB TOTAL</b>	<b>20</b>	<b>3</b>

Valuer (Grade 7)	-	-
Senior Valuer	30	38
Valuer	10	17
Valuation Technician	15	18
Valuation Clerk	5	4

## ELSEWHERE

Inspector (Grade 7)	50	7
Inspector (Senior)	5	1
Inspector (iii)	95	3
Technical Trainee	+ 130	+169
<b>SUB TOTAL</b>	<b>20</b>	<b>0</b>

Valuer (Grade 7)	-	-
Senior Valuer	25	3
Valuer	10	2
Valuation Technician	15	2
Valuation Clerk	5	1

## Notes

1. The shortfall in qualified Tax Inspectors across the Inland Revenue is being made good by extensive use of Technical Trainees.

ome Civil Service: Non-industrial staff  
esignations from selected grades during 1985, 1986 and 1987<sup>1</sup>

Grade	Numbers			Rates		
	1985	1986	1987	1985	1986	1987
<b>Open Structure</b>						
Grade 5	25	16	29	1.2	0.8	1.4
Grade 6	32	38	40	0.9	1.0	1.0
Grade 7 <sup>2</sup>	231	173	161	2.0	1.5	1.3
<b>Administration Group</b>						
Senior Executive Officer	64	68	76	0.8	0.9	0.9
Higher Executive Officer	401	414	436	1.7	1.7	1.7
Executive Officer (All)	1,401	1,520	1,639	3.2	3.3	3.3
Executive Officer (Direct Entrant)	671	699	839	7.2	7.0	8.0
Administrative Officer <sup>3</sup>	6,184	6,637	6,508	7.3	7.7	7.4
Administrative Assistant <sup>3</sup>	7,541	7,891	8,252	10.9	11.5	12.4
<b>Social Security Group</b>						
Local Officer 1	374	358	452	2.3	2.1	2.5
Local Officer 2	2,790	2,882	3,320	8.8	8.8	9.4
<b>Inland Revenue Grades</b>						
Inspector	126	138	150	3.1	3.3	3.6
Tax Officer (Higher Grade)	340	311	438	3.3	2.8	3.9
Tax Officer	865	716	673	6.0	5.0	4.8
Collector	49	78	79	2.2	3.4	3.4
Assistant Collector	333	310	342	7.0	6.7	7.5
<b>Science Group</b>						
Senior Scientific Officer	69	50	30	2.3	1.7	1.0
Higher Scientific Officer	116	84	84	3.4	2.6	2.6
Scientific Officer	219	183	147	9.0	7.5	5.8
Assistant Scientific Officer	188	209	156	8.8	10.4	7.9
<b>Professional and Technology Group</b>						
Senior P & T Officer	91	79	86	1.9	1.6	1.7
Higher P & T Officer	178	175	155	2.6	2.5	2.3
P & T Officer <sup>4</sup>	..	407	380	..	2.6	3.0
<b>Other Grades</b>						
Personal Secretary	284	278	228	7.1	6.8	5.4
Typist <sup>5</sup>	1,663	1,678	1,493	8.1	8.3	7.4
Messenger	156	165	169	3.0	3.2	3.3
Paperkeeper	43	97	76	1.9	4.1	3.3
Telephonist	114	100	110	6.4	5.7	5.4
Cleaner	350	283	216	11.4	10.4	8.5
Prison VII (E&W)	4	8	6	0.2	0.3	0.3
Prison VIII (E&W)	162	203	159	1.3	1.5	1.2
Police Constable	65	73	77	2.4	2.4	2.4
Instructional Officer I (1987)	117	92	114	3.0	2.6	3.3

Source: Mandate

<sup>1</sup> Figures for the latest year are provisional, and subject to increase, as departments submit late notifications

<sup>2</sup> Grade 7 was introduced on 1 January 1986. Comparable figures for 1985 have been compiled and reported to those for 1986.

<sup>3</sup> Administrative Officer and Administrative Assistant were introduced on 1 January 1987. Comparable figures for 1985 & 1986 are shown.

<sup>4</sup> P & T Officer was introduced on 1 January 1986, incorporating the obsolete PTO III grade and some of the staff in the obsolescent PTO IV grade. Figures for 1985 are not available.

<sup>5</sup> The grades of Typist and Specialist Typist were restructured and combined in March 1986. The figures for 1985 have been adjusted to reflect this.

CIVIL SERVICE: Pay Act

DEPARTMENT OF TRADE AND INDUSTRY

LONDON

Grade	Vacancies <sup>1</sup>	Percentage of Complement <sup>1</sup>
7	0 (1)	0 (0.3)
SEO	8 (13)	4 (6.5)
HEO	12.5 (0)	2 (0)
EO	37.5 (10.5)	3.7 (1.3)
AO	70.5	5.5 (0)
AA	53	6.5 (0)
Sec	1 (18)	0.4 (6.5)
Typist	0	0

SOUTH EAST<sup>2</sup>

7  
 SEO  
 HEO  
 EO  
 AO  
 AA  
 Sec  
 Typist

ELSEWHERE<sup>2</sup>

7	1 (1)	1.3 (1.3)
SEO	11.5	10.1 (0)
HEO	+6 (4)	0 (2.5)
EO	+14.5	0 (0)
AO	26.5 (8)	2.6 (0.8)
AA	46	9.2 (0)
Sec	-	-
Typist	-	-

Notes

1. Figures in brackets are additional vacancies currently filled by temporary promotion or agency staff.

2. The figures for "elsewhere" include the South East.



FILE  
274 (63)

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Principal Private Secretary*

SIR ROBIN BUTLER

---

CIVIL SERVANTS: HOUSE PURCHASE

The Prime Minister has seen your minute to Nigel Wicks of 12 December on the proportion of after-tax income of a Grade 7 which would be needed to buy a terraced house in London in 1979 and today. Having seen the figures, the Prime Minister commented that this surely means increased London (and South East) allowance.

ANDREW TURNBULL

14 December 1988

MANAGEMENT IN CONFIDENCE

CU

Ref. A088/3642

PRIME MINISTER

---

Civil Service Pay and Staffing

You are due to have a meeting with the Chancellor of the Exchequer, Sir Peter Middleton and myself on Wednesday 21 December. The Chancellor of the Exchequer has sent you a note about Civil Service pay.

2. This meeting provides a good opportunity to review the overall staffing situation in the main departments, to see where the main shortages are occurring and to consider what action is best directed to dealing with them. A note and some tables based on information provided by the main employing departments have been provided to me and it would be useful for you and the Chancellor also to see them. A glance through the figures will give you the broad picture.
3. You will see that the picture coincides substantially with the Chancellor's minute and the enclosure to it. The problems are patchy, and they are clearly worse in London and the South East than elsewhere.
4. I am copying this minute to the Chancellor of the Exchequer and Sir Peter Middleton.

*at hand*  
R.B.

ROBIN BUTLER

19 December 1988



file J03BPP

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Principal Private Secretary*

SIR ROBIN BUTLER

**CIVIL SERVICE PAY**

As you will have seen, I have written to the Treasury to ask them to provide a note which would form the basis for a discussion between the Prime Minister, the Chancellor and yourself, of the issues raised in your minute of 15 November and in the Defence Secretary's letter of 14 November.

As regards wider collective discussion, you should know that the Prime Minister has commented that she sees no need for a new MISC Committee. She suggests that E(S) Committee, augmented as necessary, could provide a suitable forum. You will no doubt wish to consider this possibility, and advise the Prime Minister appropriately.

NLW

21 November, 1988.

A handwritten signature in the bottom right corner of the page.

Ref. A088/3413

MR WICKS

Civil Service Pay

*attached* Thank you for your minute of 21 November. I welcome the discussion with the Prime Minister and Chancellor of the Exchequer about the difficulty of filling certain Civil Service grades especially in London.

2. I understand the Prime Minister's reluctance to create a new MISC Committee and would be content to reconstitute the existing MISC 66. The present membership of MISC 66 is very out of date. For example, it includes the Secretary of State for Education and Science, whose Department employs very few civil servants but who was put on the Committee when Sir Keith Joseph held that post.

3. If MISC 66 is to be used at all - even for the purpose of circulating correspondence on Civil Service pay, it needs to include the main employing Departments - Defence, Social Security, Employment, DTI, Home Office, Environment, Scotland and Northern Ireland - as well as those concerned with the more general aspects of pay policy. That is what the new membership attached to my minute of 15 November was designed to achieve.

--- 4. The problem about ES (the membership of which I attach) is that it does not include the main employing Departments who can give a view on the grades and areas in which problems of recruitment and retention arise.

5. I hope therefore that we can, instead of creating a new MISC Committee, reconstitute MISC 66 with the membership which I suggested previously.

*no Woolley*  
(Private Secretary)

*RB* ROBIN BUTLER

24 November 1988



CONFIDENTIAL

ES

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

(Authority: ES(83) 1)

Composition

Prime Minister  
Secretary of State for Foreign and Commonwealth Affairs  
Chancellor of the Exchequer  
Secretary of State for Employment  
Secretary of State for the Environment  
Secretary of State for Trade and Industry  
Secretary of State for Energy

Terms of Reference

"To keep under review the broad development of the Government's economic strategy, both internal and external."

Secretariat

Sir Robin Butler, Cabinet Office  
Mr R T J Wilson, Cabinet Office  
Mr G W Monger, Cabinet Office

CONFIDENTIAL



SRW

10 DOWNING STREET

LONDON SW1A 2AA

*From the Principal Private Secretary*

SIR ROBIN BUTLER

CIVIL SERVICE PAY

The Prime Minister discussed with you this morning your minute of 24 November about the creation of a new MISC Committee which would re-constitute MISC 66 with the membership suggested in your minute. The Prime Minister agrees that MISC 66 should be re-constituted as you suggest in your minute. This would provide the format for any discussion of the difficulties of filling certain Civil Service grades, especially in London, following the Prime Minister's discussion with the Chancellor of the Exchequer and yourself.

N.L.U

(N. L. WICKS)  
25 November 1988

KK

Ref. A088/3580

*increased London* *Surely what means**Prime Minister  
to note.*

MR WICKS

*(and South East) allowance.**N. L. U.**12.12**These figures are impossible, not*Civil Servants: House Purchase

I mentioned to the Prime Minister on Friday some calculations which I have <sup>had</sup> done on the proportion of the after-tax income of a Grade 7 (eg Mr Morris) which would be needed to buy a terraced house in London in 1979 and today. The Prime Minister may be interested to see the figures\*.

2. The steps in the calculations are as follows:-

- i. A terraced house which cost £16,000 in 1978-79, would cost £89,000 today (source: Nationwide Anglia Building Society).
- ii. The salary of a Grade 7 at the bottom of the scale with London Weighting (net of tax, superannuation and national insurance) was £432 per month in July 1979 and £1,028 per month in July 1988.
- iii. If the person concerned had no capital and borrowed the whole purchase price on a 25 year repayment mortgage, the monthly payment of interest and capital in the first year, after tax relief, would have been £115 in 1979 and would be £916 today (assuming mortgage interest rate of 11.75% in 1979 and 12.75% today).

\*The figures give an accurate broad picture but if the precise numbers were to be used publicly they would need to be checked by experts in the Treasury and Inland Revenue.

iv. £115 represented 26.6% of after tax monthly salary in 1979: £916 represents 89% of after tax monthly salary today.

3. This is, of course, the result of a combination of factors - the increase in house prices, the £30,000 cut-off for mortgage interest, the (slight) increase in mortgage interest rate. But it explains the pressure for higher salaries among young people trying to buy their first house in London and the South East and the value to them of help from their employers with mortgages. A similar calculation could also be done for the cost of running a car.

FR.B.

ROBIN BUTLER

12 December 1988



Wed 21

December

11.15 am -

12.15.

10 DOWNING STREET

AT

1. Mr. Turnbull to see.
2. Mrs. Gairn

PL arrange meeting

C/ER

FERB

PM.

No hurry - before  
Christmas if possible.

N. C. W.

12.12



Prime Minister  
The next step is to discuss with the Chancellor and Sir

Treasury Chambers, Parliament Street, SW1P 3AG

01-270 3000

Robin Butler. Agree?

PRIME MINISTER

CIVIL SERVICE PAY

cap

Yes mt

N.C.U.  
9.12

I attach a note on Civil Service pay, and on recruitment and retention in London. You requested this in Nigel Wick's letter of 21 November.

The keystone of our policy as an employer is flexibility. We need to be able to respond to market pressures by making appropriate payments for performance and for scarce skills, in the areas where we need them. We need also to urge the advantages of flexibility on the review bodies (including the Armed Forces Review Body) and in relation to other public sector employees, including firemen, teachers and the police. We shall only be open to accusations of inconsistency, as George Younger suggested, if we continue to maintain outdated notions of comparability for particular categories of public servants.

For Civil Service pay, the recent IPCS settlement shows that we can use long term flexible pay agreements to achieve the results we need - responding to difficulties of recruitment and retention without resorting to unacceptably expensive across-the-board increases. This is the way we must go - if possible in agreement with the Civil Service unions if we can get it on our terms, but if necessary without such agreement.

I recognise that some departments do have difficulties in retaining staff, especially in London and the South East. We have introduced local pay additions this year, and are looking at the



future of such additions and of London Weighting in the context of possible agreements on long term pay covering the executive, clerical and secretarial grades. The TSRB is, I understand, likely to recommend a London allowance for Grade 3 of £2,000.

There is of course a limit to what we can afford by way of Civil Service pay increases, however well targeted. Departments must be clear about their priorities within their running cost limits, and make realistic assumptions about pay increases when deciding how to budget within those limits. All departments must also address the question of relocation outside London and the South East very seriously.

I am copying this minute to Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'NL' with a flourish.

NIGEL LAWSON

CIVIL SERVICE PAY: NOTE BY TREASURY OFFICIALS

Civil service pay is based on the need to recruit, retain and motivate sufficient staff of adequate calibre, within what can be afforded. It is not directly related to the salaries paid by other employers, or to the cost of living, but both are of course indirectly relevant as they can affect recruitment and retention.

2. Recruitment and retention difficulties are not always due to pay. They can reflect non-pay benefits offered by competing employers, and also factors specific to the particular civil service establishment - for example, the nature of the work, the promotion prospects, the state of management, the exact location of the office. Thus the existence of a recruitment or retention problem does not necessarily point to a pay increase - and certainly not an across-the-board one.

THE EVIDENCE

*to come*  
3. Data on non-industrial civil service resignations show that the rate is significantly higher in London and the South East of England than in the rest of the country. Annex A illustrates the overall picture. The figures are, as might be expected, higher at the more junior grades, and the contrast between the South East and elsewhere is most marked for these grades, although it also appears at more senior levels.

4. The position on recruitment is more difficult to analyse because recruitment at more junior levels is done by Departments themselves, while the Civil Service Commission do most recruitment at and above EO levels. However, there appears to be the same contrast between London and the South East, and the rest of the country. As for higher grades, the Civil Service Commission's annual report for 1988 says:



"A persistent problem, across all our recruitment, has been to fill vacancies in London and the South East."

---

A broadly similar pattern appears with industrial craftsmen.

5. These results are not surprising when the evidence on the regional economy is considered. North/South contrasts in unemployment rates, average earnings and house prices have all been increasing in recent years. This obviously has an effect on large organisations like the civil service with a mainly national pay structure.

6. However, this overall picture conceals further variations. An inter-departmental working party on geographical pay, which reported in February 1987, found wide variations between Departments and towns - and indeed between different offices of the same Department in the same town. These differences appeared inside and outside the South East of England. The area with the most serious problems extended beyond London itself, to include a South East zone, with a boundary a little outside the M25, with extensions along the M3/M4 corridor. This zone contained the most seriously affected areas - although the position was patchy even within it, and there were pockets elsewhere with severe problems.

7. Recent evidence has broadly confirmed both the definition of the zone and the variations within it. But there are also signs of stress outside the South East; in particular, difficulties are increasing in parts of East Anglia, especially in Cambridgeshire, and parts of the South West.

#### FUTURE TRENDS

8. On the demand side, a key factor is relocation to other parts of the country. The relative positions of the North and South, and the growing sophistication of technological links point to moving much work as possible out of London and the South East. At

---

present there are about 115,000 non-industrial civil servants in London (about 23 per cent of the service-wide total), and a further 80,000 in the rest of the South East (16 per cent). Decisions about relocation are taken by Departmental Ministers, taking account of analysis of the costs and benefits. The benefits already include items such as savings in office rent and London Weighting; if pay in the South East is further increased, this will add to the advantage of moving. The easier availability of good quality junior staff is a further important advantage even if less easy to quantify. But although the numbers of civil servants needed in and around London should decline as a result of the relocation policy, the effects will take time to appear. It will continue to be important to attract and retain sufficient staff of adequate calibre.

9. On the supply side, the number of school leavers will continue to decline for some years. This effect is more marked in the South East than in most other regions, although it should be offset to some extent by a continuing rise in activity rates, especially among women.

10. The behaviour of other employers is hard to predict. Polarisation of pay between London and the South East, and the rest of the country, is increasingly evident partly due to the concentration of relatively high paid jobs in the South East. For instance the financial sector is the leader in increasing London Weighting; figures of £3,000 are not uncommon in this sector, as compared with a median of about £1,600. Some employers are finding the labour market situation in the South East so difficult that they are considering relocation. But there is also some tendency to move to less expensive parts of London and the South East, rather than right out of the region. The opening of the Channel Tunnel, combined with the European market in 1992, is likely to further stimulate employment in the South East.

## EFFECTS ON THE WORK OF DEPARTMENTS

11. There is no rule to determine what overall level of turnover is wasteful. For example, high wastage of cleaners probably matters little as long as vacancies can be filled; but a much lower level for tax inspectors, for example, may be serious because of the investment in training and the experience needed to do the job effectively. Even at AO level, the extent to which high turnover matters depends on the type of work.

12. Nor are the carrying of vacancies and frequent recruitment exercises necessarily inefficient. Complement figures are unreliable guides to actual needs, and a few vacancies can lead to greater concentration on the work with highest priority and greater efficiency. Recruitment exercises are time-consuming and expensive, but are not wasteful if they attract candidates of the right calibre at a relatively low salary.

13. However, there comes a stage where high levels of resignations, problems of recruitment and continuing vacancies causes real inefficiencies and costs. Departments consider that this point has been reached in a number of offices in and around London. They report that the quality of new recruits is often low, and that there are genuine vacancies which have to be carried for long periods, to the detriment of the departments' functions and the moral of other civil servants.

h 14. The high cost of housing is often identified as a particular cause of resignations. The availability of jobs offering not only higher pay but also help with housing costs is a cause of resignations, in particular among people whose skills make them attractive to the financial sector. The high cost of rented accommodation, even of very basic quality, makes it very difficult to attract young people from the less prosperous parts of the country who would otherwise be willing to come to London to work. It is also becoming more difficult for management to persuade

staff to move into and out of London. Help with relocation is available, but does not necessarily reflect the full difference in house prices. Mobility, which can be important for management purposes (and to ease the problems in the South East), can be difficult to achieve.

#### ACTION

15. Overall, the labour market in the South East is likely to remain tight. The problems faced by departments in and around London are severe enough to justify action, including measures on the pay front. However, the nature and extent of the problem varies by Department and location. These variations will continue, but not necessarily in the same form as at present. The action therefore needs to be flexible, able to discriminate between varying needs and to respond quickly to changing circumstances.

16. On the pay front, the following mechanisms are available:-

- i. London Weighting. There are three zones. Payments are the same for all staff up to and including Grade 4, apart from those under 18 who receive a lower rate. Current rates are:-

	Adults	Under 18
Inner London	£1750	£1313
Intermediate London	£1000	£ 700
Outer London	£ 725	£ 544

These rates include 1988 increases of about 14% - well above the percentage increase in other civil service pay rates.

- ii. Local Pay Additions (LPAs), introduced from July this year, are payments of up to £600 p.a. (£700 for secretarial group in Inner London) to groups of staff with recruitment and retention problems. Unlike London Weighting they can vary according to Department, location, grade and seniority in the grade. Most payments are to staff in the clerical and secretarial groups and to EOs within the South East zone. Proposals are made by individual Departments and approved by the Treasury following local consultation.
- iii. Special Pay Additions can be made to groups of staff with particular recruitment and retention problems. There is no formal upper limit but a very strong case has to be made. The SPA applying to secretarial staff in Inner London has now been converted to an LPA. Other SPAs have mainly been for specialised groups of staff, including industrial staff, usually at particular establishments in the South East of England including for instance Aldermaston Atomic Weapons Establishment. Some of these are being subsumed within basic pay scales as part of the flexible pay agreements.
- iv. Movements under the flexible pay agreements

There are at present three long-term pay agreements which provide for variations in pay according to location. They cover staff represented by the IPCS and IRSF, and Grades 5-7. The very recent settlement following the IPCS levels survey gave an extra spine point for all staff in London, and the Grades 5-7 agreement is starting to be used to give extra for particular specialisms in London eg fully trained Inspectors of Taxes. Possible agreements of a similar type are being discussed with NUCPS and the CPSA.

17. There are also non-pay measures; in particular, there is a relocation package, which includes provision for an on-going allowance to help with cost of buying a house in a more expensive area (but not when moving to a cheaper one), and an advance of 6-months salary. Other measures include detached duty, to assist people moving location on a temporary basis for managerial reasons. In general the civil service does not provide its staff with financial help for housing. But there are arrangements to give interest-free loans for season tickets, which are particularly important in and around London.

18. There are cost constraints on what more we can do for London, without imposing unsustainable pressures on the civil service paybill and hence on departmental running costs.

19. The recent IPCS settlement will cost over 6 per cent in a full year, though part of that cost will be offset against the August 1989 settlement. The full impact of the 14 per cent increase in London Weighting from July 1988 will be felt by departments in 1989-90, and the unions will be looking for a further increase from April 1989. Local pay additions already cost some £25 million a year. We will have to deal with a settlement for Grades 5-7 and for Inland Revenue staff from August 1989 which will be informed by surveys of pay levels outside the public services sector. In negotiations on flexible pay agreements, NUCPS and CPSA will have very much in mind that previous such agreements have given staged increases of up to 7 per cent per annum at a time when the immediate outlook for inflation was more favourable than now.

#### RECOMMENDATIONS

20. The Treasury has been discussing these problems with departments in a working group, which will produce its final report shortly. While the detail of its recommendations is yet to be finalised, the main direction of our policy is clear.

21. Departments are agreed that a flexible pay policy is needed to deal with the special problems of London and some parts of the South East. London Weighting is too inflexible an instrument to address these problems. A combination of use of the provisions of flexible pay agreements, and local pay additions, provides a more targeted approach.

22. Currently, negotiations are in progress with NUCPS (for executive grades) and with CPSA (clerical and secretarial grades) on flexible pay agreements which would, like the earlier agreements, incorporate the ability to move posts up and down a pay spine to meet recruitment and retention difficulties of a geographical nature. We hope to conclude negotiations in time for the April 1989 settlement. In considering the shape of this settlement, we shall have the London problem very much in mind.

23. We may also wish to propose certain changes in the rules on local pay additions, possibly to increase the ceiling on payments from the present £500 p.a. and to widen the range of grades to which payments may be made.

24. It will of course be necessary for departments to absorb extra costs arising from any of these recommendations within their running costs plans agreed in the 1988 Survey. The targeted nature of the proposals should make it easier for them to do so.

HM Treasury

6 December 1988

CIVIL SERVICE Pay Pt 17





RESIGNATION RATES IN 1987

	London	Rest of South East	Other Regions	Total UK
	%	%	%	%
SEO	1.4	0.8	0.7	0.8
HEO	2.3	2.7	1.0	1.5
EO	5.6	3.9	1.9	3.0
AO	14.6	11.0	4.8	7.5
AA	20.0	17.1	9.2	12.1
Secretarial Group	8.9	9.1	5.1	6.8

FILE WITH AT

Please attach:

Revised Annex to Chancellor of the Exchequer's minute of 9 December  
to PM on Civil Service Pay



*File JD3BPP*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Principal Private Secretary*

21 November, 1988.

CIVIL SERVICE PAY

The Prime Minister would like to discuss with the Chancellor of the Exchequer some of the issues raised in the Defence Secretary's letter of 14 November about Civil Service pay.

*BF* *||*  
The Prime Minister has noted the Defence Secretary's point about the difficulty of recruiting certain Civil Service grades, especially in central London. She understands that the Treasury is considering proposals to meet this problem, and would like to discuss them with the Chancellor and the Head of the Civil Service before there is any collective consideration. As a basis for their discussion, she would be grateful if the Treasury could provide a note of their assessment of the recruitment situation in London and of the other issues raised in the Defence Secretary's letter, together with an indication of, if anything, what needs to be done.

I am copying this letter to Sir Robin Butler.

N.L. Wicks

Alex Allan, Esq.,  
HM Treasury.

cc B  
cc B/A

Ref. A088/3278

MR WICKS

*at 11:15*  
Civil Service Pay

The letter of 14 November from the Secretary of State for Defence, while endorsing the approach to the 1988-89 Civil Service pay round proposed in the Chancellor of the Exchequer's letter of 2 November, proposes a collective discussion.

2. I think that this would be a good idea. The Treasury has reached long-term pay deals covering three of the main Civil Service groups (the Institute of Professional Civil Servants, the Inland Revenue Staff Federation and Grades 5 to 7). But there are still very substantial groups of staff at middle and junior levels in the executive, clerical, typing and secretarial grades who are not yet covered by such deals and whose next settlement date is 1 April 1989. It is in these groups that some of the more persistent problems about recruitment and retention rates arise. The resignation rates among executive and administrative staff in London and the South East, for instance, are still causing difficulties (see charts attached). Measures targeted on particular problem groups such as this might well be worth considering, without jeopardising the overall level of settlement at the national level.

3. The Treasury have begun negotiations to see whether it would be possible to bring these groups within long-term pay agreements, but the negotiations still have some way to go. If the Prime Minister thought that it would be helpful to have a meeting at a convenient time in the next few weeks to go over

the ground and sound out Treasury thinking, she might like to have a word with the Chancellor first. Other Departments, I know, would welcome the chance to contribute their views. We can then make the necessary arrangements.

4. As to the appropriate forum, the membership of MISC 66 has not been changed since January 1986 and looks a little outdated. In particular it includes Ministers who were on the Committee in their own right, not because their Department was a large employer. It might be better to start afresh with a new MISC Committee drawn from the employing Departments rather than amend the membership of the old Committee. I would suggest that the new membership might be as set out in the attached note (MISC 66 membership is set alongside for comparison).

FRB.

FRB  
ROBIN BUTLER

15 November 1988

Letter referred to enclosed is

On Edison Co. Public Sector  
May 19 19



CONDENSER

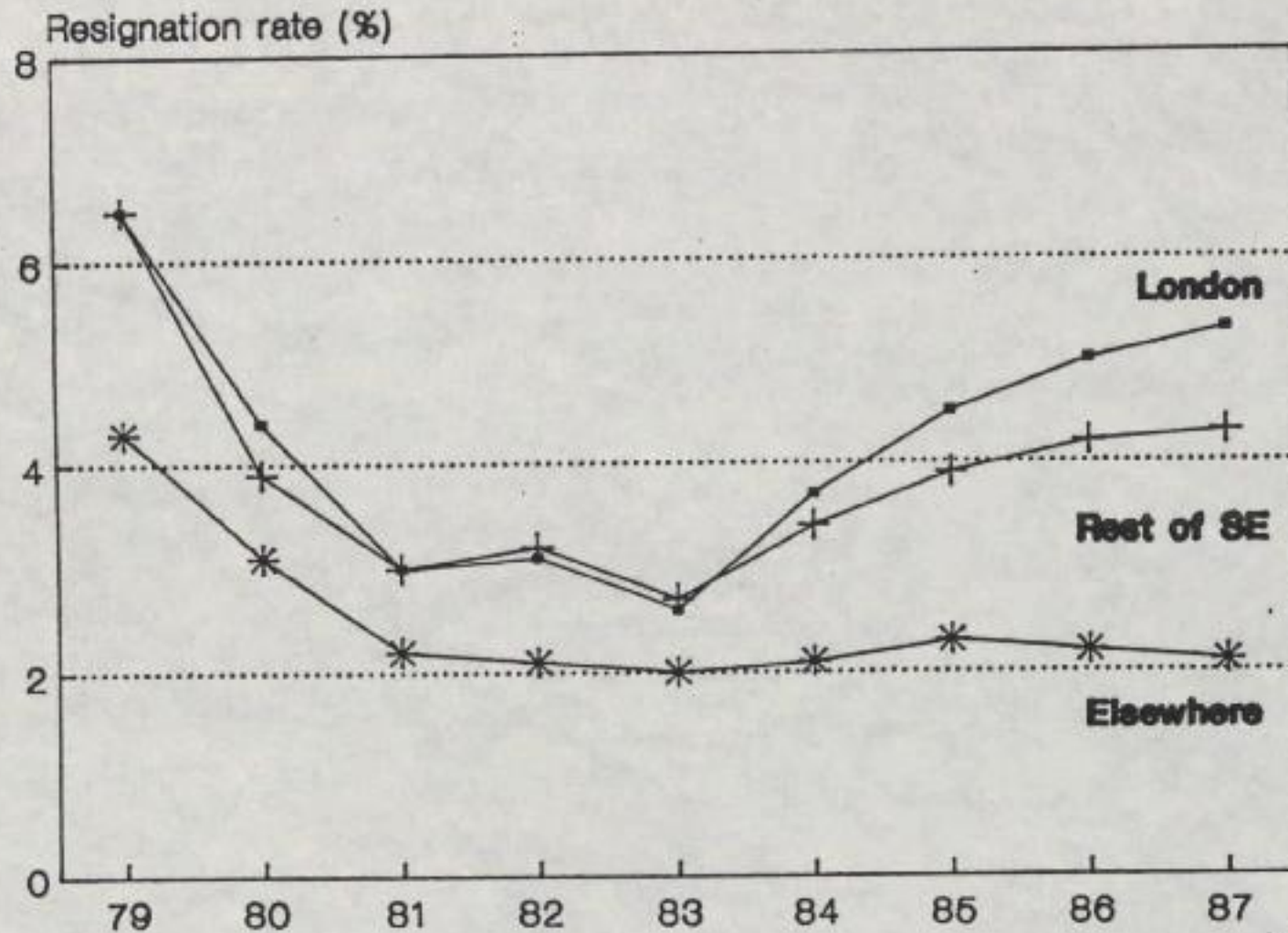
Prime Minister  
Chancellor of the Exchequer  
Secretary of State for Defence  
Secretary of State for Trade  
and Industry  
Secretary of State for  
Education and Science  
Secretary of State for Social  
Services  
Chancellor of the Duchy of  
Lancaster  
Secretary of State for Employment  
Minister of State, Treasury  
(Mr Brooke)  
Minister of State, Privy  
Council Office

PROPOSED NEW MISC

Prime Minister  
Chancellor of the Exchequer  
Home Secretary  
Secretary of State for Defence  
Secretary of State for Trade and  
Industry  
Secretary of State for the Environment  
Secretary of State for Social Security  
Secretary of State for Employment  
Secretary of State for Northern  
Ireland  
Secretary of State for Scotland  
Paymaster General  
Minister of State, Privy Council Office

Chart 5

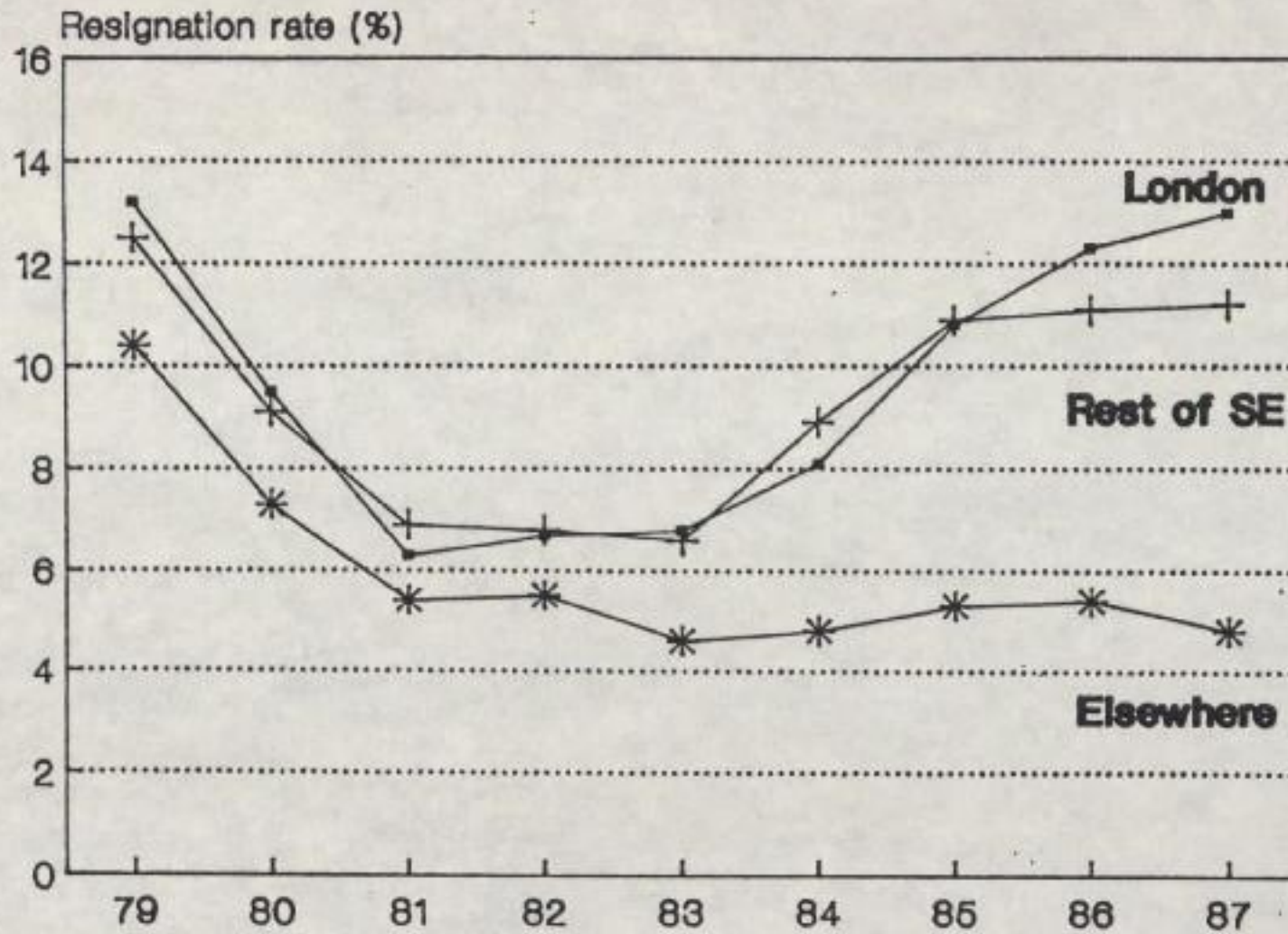
### EO Resignation Rates 1979-1987



MANAGEMENT IN CONFIDENCE

**Chart 6**

**AO Resignation Rates  
1979-1987**

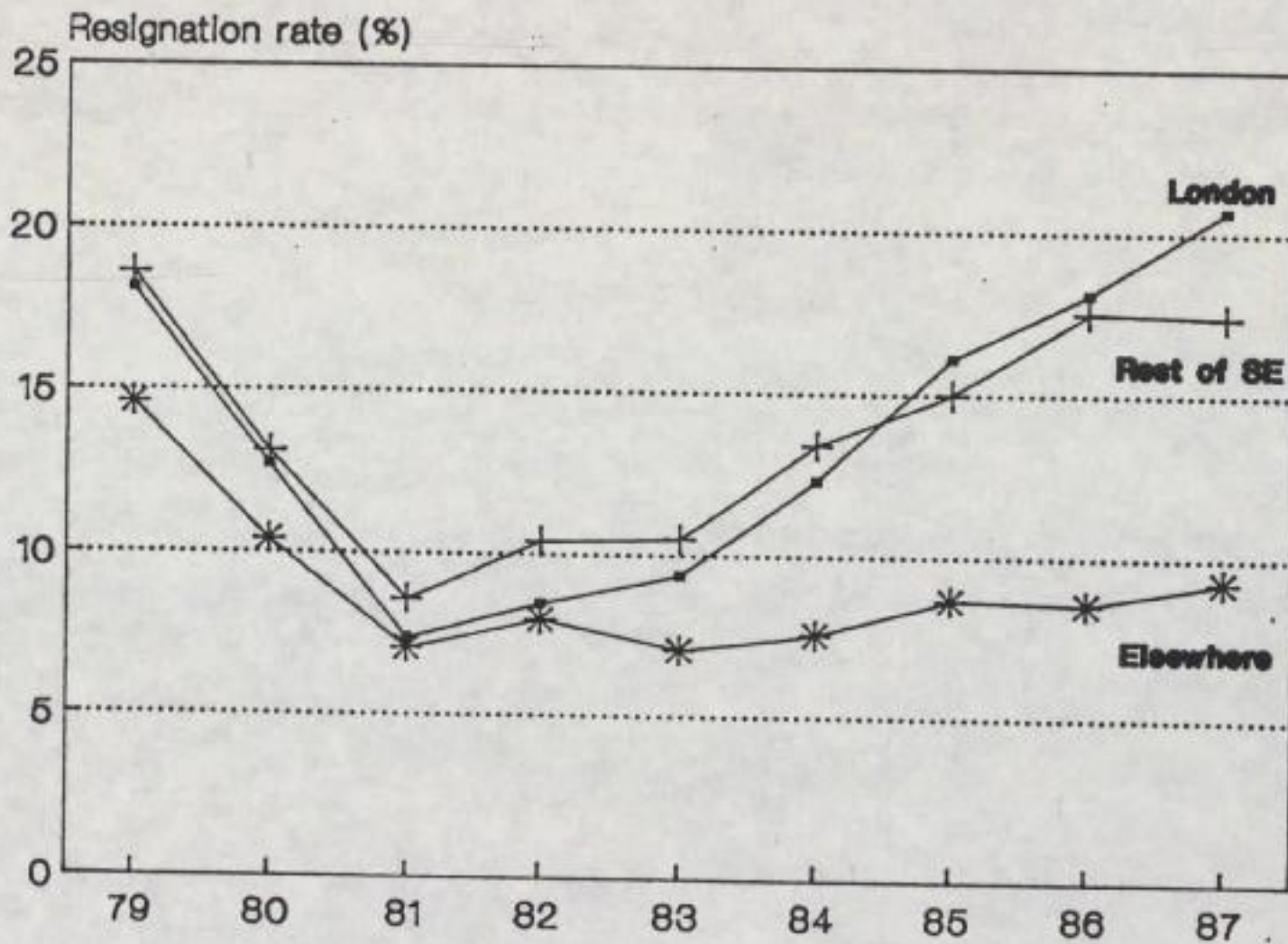


**MANAGEMENT IN CONFIDENCE**



Chart 7

AA Resignation Rates  
1979-1987



MANAGEMENT IN CONFIDENCE

PRIME MINISTERCIVIL SERVICE PAY

In his minute at Flag A, Robin Butler suggests that you should chair a meeting, of a specially established MISC made up of Treasury Ministers and Ministers from major Civil Service-employing Departments, to discuss Civil Service pay and the difficulty of recruiting and retaining certain grades, especially in London. Robin's minute has been, in part, prompted by the Defence Secretary's minute of 14 November at Flag B.

Before establishing any new MISC, I think it would be worthwhile, as Robin recognises, for you to meet the Chancellor and himself first. The issue has considerable public expenditure consequences and it would not be right, without first talking to the Chancellor, to establish a new MISC which could simply be a pressure group within Government for extra public spending. If you agree, I will write to the Treasury (but not at this stage to other Departments), with a copy to Robin, saying:

- you have seen the Defence Secretary's letter of 14 November;
- you are aware of the difficulties of recruiting certain grades, especially in London;
- you understand that the Treasury is considering proposals;
- you would welcome a discussion with him and the Head of the Civil Service before there was any wider collective discussion; and

- you would be grateful if the Treasury could provide their assessment of the position with an indication of what needed to be done.

Agree that I should write to the Treasury along these lines?

Yes. no need for a red

N.L.W.

time. We can have

strategy & - augmented

N. L. WICKS

17 November 1988

as necessary

nd

DS2ALT

CONFIDENTIAL



*file JD*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

31 October, 1988.

*Dear Alex,*

**IPCS 1988 Pay Review**

The Prime Minister was grateful for the Chancellor's recent minute, and welcomes the successful outcome of the negotiations with the IPCS.

I am sending copies of this letter to the Private Secretaries to the members of MISC 66 and to Sir Robin Butler.

*Yours,  
P.G.*

Paul Gray

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL

*(Handwritten initials)*



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/24L

TELEPHONE 01-218 9000

DIRECT DIALING 01-218 2111/3

B  
CCFO  
Nelson de line stage

RACG  
14/11

14 November 1988

Dear Nigel,

1988-89 PAY

Filed on Ecan  
Pol: Public Sector  
Pay P7 14  
WIPa? / WILL REQUEST IF BEAVILLO

Thank you for sending me a copy of your letter of 2nd November to David Young.

I agree with the approach to the 1988-89 pay round that you have proposed. I also very much agree with your point that it is important that we ensure that our internal arrangements for considering pay proposals work effectively. On this point, I would welcome an opportunity for a collective discussion on our future strategy in regard to Civil Service pay.

My reason for this proposal is by no means that I disagree with the thrust of recent Civil Service pay developments. I very much welcome the recent pay agreement that has been reached with the IPCS, and I believe that Treasury officials are to be congratulated on this achievement. But I am conscious of a great deal of dissatisfaction about pay among our civilian staff, and in many areas the problems which spring from this are growing steadily worse. They stand to be aggravated moreover by the current demographic trend, with over a million fewer 16-19 year olds coming into the labour market in the mid-1990s. I am doubtful whether from a pay point of view the Civil Service is in good shape at present to meet this

The Rt Hon Nigel Lawson MP



situation. I am also not totally confident that the various elements of our policy in regard to Civil Service pay fit together as a coherent strategy either in themselves, or in relation to what is happening to other parts of the public sector; in the Ministry of Defence, for example, the Armed Forces with their different pay regime co-exist with a quarter of the entire Civil Service, and substantial numbers of police and teachers, all of whom have been accorded notably different treatment in pay terms in recent years. We badly need a more coherent strategy to resolve or at least explain the significant differences, not merely to the staff themselves but also to their senior line managers who are having to cope with the practical results.

I welcome the selectivity which is a feature of recent pay agreements. But I do not think that in developing this policy we should allow ourselves to be unduly constrained by the views of some Civil Service Unions which are irresponsible and largely unrepresentative. We need an agreed management policy on Civil Service pay which can then be developed in consultation but not necessarily in agreement with the Trade Unions.

I share your doubts about the concept of a "going rate"; such a concept is plainly incompatible with selectivity. Nevertheless it must be accepted that in relation to some areas and some staff there is a "going rate" in the sense that if an employer does not pay it his staff go. We are now in that situation in regard to clerical and secretarial staff in Central London. This time last year the Department had 428 clerical vacancies in Central London. We have now got 670 such vacancies. In the last twelve months we have lost, through resignation and retirement, 107 Personal Secretaries and 82 Typists; in the same period we have managed to recruit only 12 Personal Secretaries and 9 Typists. It is becoming increasingly difficult to get routine work done with shortages of this order, and



security standards are becoming threatened. We have substantial relocation plans, and we make extensive use of agency staff - to whom we pay more than our own staff. But our problems are growing nevertheless. This is merely one of a number of specific problems that are growing rapidly worse because our rates of pay are well below those available in the private sector. Another example concerns craftsmen, especially in the South-East, where the rates of pay we can offer are sometimes no more than those paid by others to unskilled employees. The resultant staff shortages, as well as the sense of unfairness felt by the staff who do remain, damage efficiency and impose costs which I suspect we do not always recognise.

Finally, while I endorse your proposed approach to the 1988-89 pay round, I hope that this will not lead to unreal assumptions being made in our forward estimates about Civil Service pay. We are finding increasing difficulty in reconciling realistic pay increases under the new pay agreements, plus the special measures needed to alleviate particular shortages, with running cost targets.

I think it would be helpful to have a collective discussion of issues like these.

I am copying this letter to the Prime Minister, and to other members of MISC 66 and to Sir Robin Butler.

Yours truly,  
*George Younger*  
George Younger



Prime Minister  
Content to welcome  
this settlement?

Recd  
28/10

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

Yes - very much so  
not

#### IPCS 1988 PAY REVIEW

You will be glad to know that we have brought to a successful conclusion the 1988 pay negotiations with the IPCS. These were the first set of annual pay negotiations under one of the new Flexible Pay agreements. Under the Agreement signed last year the settlement date for these grades was changed from 1 April to 1 August.

Although surveys of outside pay levels and pay movements were conducted, the negotiations in this first year were not constrained by them. The settlement we have reached will cost in aggregate 5 per cent in the first 12 months and a further 1½ per cent in the next 12 months, which will be counted against the cost of next year's settlement.

The settlement involves an across the board increase of 3½ per cent and about 70 per cent of staff get only this: we shall stress this figure in public presentation. The balance is concentrated on the other 30 per cent. All staff in London (where vacancy rates are almost double the national average) will receive more, and scientists and engineers working in London in scarce disciplines such as computing, mathematics, operational research, telecommunications, electronics, valuing and estates surveying will receive more still. This represents an important advance in putting the money selectively where the problems are.

The settlement shows that the new Flexible Pay Agreements can be operated successfully, and that the Government is prepared to honour them and do deals with unions that are willing to negotiate sensibly. As such it is a significant step towards establishing a





more stable basis for pay and industrial relations in the Civil Service.

We plan to announce the settlement and issue messages to staff on 31 October. It should be treated as confidential until then.

I am sending copies of this minute to the members of MISC 66 and to Sir Robin Butler.

[N.L.]



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

The Rt Hon Lord Young of Graffham PC  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

4 July 1988

*Handwritten signature*

**GOVERNMENT COMPUTER SYSTEMS: VULNERABILITY TO INDUSTRIAL ACTION**

You wrote to me on <sup>2</sup> September last expressing concern about the vulnerability of Government computer systems to industrial action and suggesting that a report should be prepared on the extent of departments' contingency measures and the options for reducing vulnerability further. Peter Brooke replied on <sup>17</sup> September saying that departments had already been asked earlier in the year to review their contingency arrangements but that he agreed officials in the Treasury and other departments should get together to review the overall situation as you had suggested.

My officials have prepared a report on the subject following discussions with major departments and in liaison with the Cabinet Office, who as you know are responsible for civil contingency planning. The report concentrates mainly on problems posed by industrial action and does not attempt to consider in detail other sources of disruption to computer systems, which - since you wrote - have been the subject of reports by the NAO and PAC.

The report recommends, and I very much agree with this, that the past ad hoc exercises to remind departments of their responsibilities should in future be placed on a more formal footing, and that Ministers should receive regular reports about the current state of contingency planning for industrial action affecting computer operations in their departments. Departments are asked by the Cabinet Office each year for information about contingency arrangements and it might be convenient for reports to Ministers to coincide with that. My private office will be writing



to those of Cabinet colleagues suggesting that regular reporting arrangements should be set up along these lines.

I am copying this letter to the Prime Minister and Sir Robin Butler.

*Yours  
Nigel*

**NIGEL LAWSON**

05.10

CIVIL SERVICES : Pm PTT



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

From the Secretary of State

CB  
6/6

Dear John

at flap

I saw the good news in your letter of 27 May on my return from my recent trip to the Far East. I really am most grateful to you for meeting me over this package of improvements in the terms of service for the Diplomatic Service overseas. As you know, I have been particularly concerned about the conditions in which many Diplomatic Service officers now have to live and work abroad: and this package will provide much needed further help for them, particularly those in the most difficult places and the junior staff.

You will recall from my minute of 6 May to Nigel Lawson that the issue of improvements in health care for the Diplomatic Service overseas was withdrawn from the original package so that we could handle this important issue separately. We are still at work on this and will need to return to you on this front soon. But apart from this, I agree that there should be no need to look again at Diplomatic Service allowances in the near future.

As far as the manpower review is concerned, a great deal of work has already been done by the FCO and the Treasury. I understand that your officials are now

/considering

The Rt Hon John Major MP

CONFIDENTIAL



considering detailed information which we have already provided. Like you, I hope that the review can soon be brought to a mutually satisfactory conclusion.

I am copying this letter to the Prime Minister.

*I very much appreciate your help on this important question*

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

A second handwritten signature in dark ink, appearing to be 'S. ...', written in a cursive style.

CONFIDENTIAL

CIVIL SERVICE pay + Pension pt 17



CONFIDENTIAL



File 80  
CEBF

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

1 June 1988

*Dear Alex*

CIVIL SERVICE PAY

The Prime Minister has seen the Chancellor's minute of 27 May, and is content with the proposals therein.

I am copying this letter to the Private Secretaries to members of MISC 66 and Sir Robin Butler.

*Z ~*  
*Andy*

(P. A. BEARPARK)

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL





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

PRIME MINISTER

CIVIL SERVICE PAY

I know that my office have been keeping yours informed of the progress of pay negotiations with the CPSA. I am glad to report that the new Executive, with the moderates once more in control, have now agreed to recommend to their members an offer of £5.40 or 4½ per cent, costing in total 4½ per cent, combined with the resumption of talks on long-term pay without pre-conditions. We have therefore put this offer to them formally. Settlement is subject to consultation with their membership, rather than a ballot. This process will be completed by 10 June.

As far as the other Civil Service unions are concerned, we should have the outcome of the NUCPS ballot on their 4½ per cent offer by 17 June, or very soon thereafter. And finally, we now have formal confirmation in a satisfactory manner from all three unions concerned (FDA, the IPCS, and the NUCPS) of their agreement to the Grades 5 to 7 pay deal.

Assuming that no problems arise on the CPSA consultation, or the NUCPS ballot, we have therefore now effectively dealt with most of this year's pay round. The main outstanding issues are the first settlement under the IPCS long-term pay agreement (due from 1 August), Local Pay Additions, of which the first will be paid from 1 June, and London Weighting. Our first offer on London Weighting was for an increase of 10 per cent, which would take the inner London rate to £1680. In the light of the opinion you earlier expressed in favour of more generous London Weighting, my officials now expect to settle on £1750 (14.6 per cent), but paid from 1 July.

*Price Minister*  
*Extremely satisfactory. Contact with*  
*the revised approach on London Weighting*  
*OK? REC 22/5 Yes mb*

X



rather than 1 April, with the result that the additional cost this year is 11 per cent.

I am copying this letter to MISC (66) colleagues and to Sir Robin Butler.

*N.L.*

[N.L.]

27 May 1988

CONFIDENTIAL



Prime Minister

The result of your  
intervention: a lot of  
people in distant posts  
will be very grateful  
to you.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Geoffrey Howe QC MP  
Secretary of State for Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Kings Charles Street  
London  
SW1

27<sup>th</sup> May 1988

CDP  
27/5

Dear Geoffrey,

**PAY AND CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE**

When we discussed this matter early this week I promised to reflect further on your proposals.

I do still have considerable doubts on the intrinsic merits of your proposals to improve pay and conditions of service in the Diplomatic Service. But I was impressed by your personal concern that these changes were essential on management grounds and I am therefore prepared to accept the package you propose subject to your finding £300,000 from within the FCO budget as you have already offered. This year I would meet the balance of the £1.8 million from the Reserve and future years would fall to be discussed in the normal way in the Survey.

I hope in view of the exceptional treatment I have been able to agree following your personal intervention, we can assume that the issue of Diplomatic Service Allowances can now be regarded as settled between us for the foreseeable future. As I am sure you will realise, I would find it very difficult to entertain any fresh proposals.

I hope you in turn will be able to agree that our officials should pursue the manpower review without delay.

I am copying this letter to the Prime Minister.

Yours Ever,  
John

JOHN MAJOR

PERSONAL

Pl. file  
CGL

PRIME MINISTER

I will speak to the

Chancellor tomorrow morning.

DIPLOMATIC SERVICE

MB

Last August you agreed to support a package of measures to improve conditions of service for the Diplomatic Service worth some £2.35 million. I attach a copy of my note which you saw then. You subsequently spoke to the Chancellor.

Since then Treasury officials have fought the proposal every inch of the way, and ten months later there is still no agreement as the attached note by the Foreign Secretary shows. The Foreign Secretary is now trimming his proposals to £1.7 million in the hope of reaching early agreement, towards which he is offering to find £300,000, leaving £1.4 million to find. However his most recent sessions with the Chief Secretary have failed to break the log-jam. The Treasury are proposing a £1 million package, financed half and half by the FCO and the reserve. They have deployed a number of rather sophistic arguments; but what it comes down to basically is that Treasury officials do not want to see the FCO treated any differently from other Civil Servants.

I am not normally inclined to special pleading in favour of my own Service (least of all at present). But I think the present situation is absurd:

- the Foreign Secretary is humiliated. You gave a clear steer to the Chancellor but it has not been implemented;
- the sum of money is relatively speaking very small and has been considerably reduced in negotiation;
- the effect on the morale of those in difficult and unpleasant posts of failure to implement last summer's agreement is bad. It affects mostly those at the bottom end of the Service;

PERSONAL

- the problems quite frankly arise largely from a traditional (and often understandable) antipathy on the part of those concerned in the Treasury for the FCO.

The choices are:

- to let Treasury and FCO continue to bicker and negotiate whatever outcome they can;
- to see the Chief Secretary privately (or with the Foreign Secretary) and say plainly that you endorsed the original package, that you are astonished that it has not been implemented and that you expect the Treasury to agree without delay to the Foreign Secretary's reduced bid.

I am troubled that this may seem a one-sided account and recommendation. But I do genuinely believe that an injustice is being done to those who serve in the least pleasant overseas posts and who - unlike Home Civil Servants - do not have the right to say no.

C.D.P.

C. D. POWELL

25 May 1988

SL3BBL



Foreign and Commonwealth Office

London SW1A 2AH

*From the Secretary of State*

25 May 1988

CJP  
26/5

Dear John

Conditions of Service in the Diplomatic Service

We agreed, during our meeting on 23 May, that you would write to me with proposals after discussing the matter further with your officials. I look forward to that; but I believe it is important that I should straight away attempt to resolve some of the misunderstanding which was apparent at our meeting.

You expressed concern that the case had edged away from an attempt to meet the difficulties of junior staff to a more general proposition; and suggested that the £1 million package proposed by your officials was aimed largely at improving the conditions of junior staff. Neither proposition is accurate.

In the annex to my minute of 10 September 1987 to the Chancellor I listed eight areas in which improvements are needed. Of these only junior staff supplements and start-up costs (the latter was subsequently removed from the package) were specifically targetted at junior staff. In the protracted negotiations on this issue my officials have consistently aimed at three main areas of concern - difficult posts, family-related problems and junior staff. And again only the last of these is specifically aimed at juniors. As recently

The Rt Hon John Major MP



as 28 April your officials wrote (Painting/Bache) "the main thrust of your proposals - and of our response to them - concerns staff serving in the most uncivilised and unpleasant places in the world. You have also (my underlining) pressed to us to consider the extra work performed by junior staff". And, in an annex to the same letter, the following paragraph appears on the subject of special discretionary payments:

"The total sum of money to be available for this purpose should not exceed £1,000 a head for all Diplomatic Service staff (and those on DS terms funded by FCO) in DPA Group 1. No limits or restrictions will apply to individual discretionary payments. However all (my underlining) staff at a given post would be expected to receive the same amount and the scheme, by definition, should normally apply only to Group 1 posts."

Neither of the above passages suggest that there could have been any misunderstanding on the part of your officials that our proposals, consistently advocated, were for wide-ranging improvements for all staff. Junior staff are certainly one of our major concerns, and the balance of our package reflects this; but they are by no means our only concern and we have never disguised that fact.

I should also record again very briefly why I do not accept arguments about repercussivity. I went into this in some detail in my minute of 10 September 1987 to the Chancellor. The essential differences between the Diplomatic Service and the Home Civil Service are:

- (i) DS officers are scattered more thinly over a wider area (207 posts in 165 countries) than HCS who are mainly grouped in large concentrations in the more comfortable posts; and



(ii) DS officers with a career-long world-wide mobility obligation cannot pick and choose their overseas postings, as can the HCS, to fit in with family concerns, children's education, spouses' careers etc.

These differences are crucial. They are already recognised to a degree by the differences between DS Regulations and the Pay Code. They render invalid any attempt to make comparisons and the Treasury should have no difficulty in resisting such attempts.

You have rightly drawn attention to the very small sums of money involved. But I would stress that the measures they would enable us to take would have a very significant impact on those areas about which I am most concerned; difficult and distant posts, families and junior staff.

I hope that this will clear up any misunderstandings that there may have been and that we can now progress quickly to an acceptable solution.

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a horizontal line above it and a small mark below it.



CONFIDENTIAL/MANAGEMENT IN CONFIDENCE

DRAFT

RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE AND THE  
CHIEF SECRETARY ON 23 MAY ON CONDITIONS OF SERVICE

Present: Secretary of State                      Chief Secretary  
                 Mr A C Galsworthy                              Ms Jill Rutter

1. The Foreign Secretary said that he was worried about the morale impact of increasingly serious adverse conditions in some difficult posts overseas, for which there was inadequate compensation. The posts concerned were usually remote ones which were not often visited by Ministers or officials from London. In some cases there were problems with health. He did not feel that the concerns about repercussivity which had been expressed by the Treasury were relevant: the problems faced by Home Civil Servants were quite different because of the different patterns of their careers. Home Civil Servants did not go to most of the difficult posts, and in any case could only be sent if they volunteered. If others were to claim the right to the same compensation as members of the Diplomatic Service, they would need to be told firmly that the situations were simply not the same. Comparisons with the private sector showed that the sort of compensations offered to their employees in difficult posts were very much more generous.

2. That was the basis on which he had made the bid for £2.5 million a year ago, which he thought had been accepted in principle. This had now been whittled down to £1.7 million, of which the FCO had offered to pay £0.3 million. He could not go any further than this without risking losing the benefits of the package. The Chief Secretary would see from the FCO PESC bid how tight his situation was.

3. The Chief Secretary said that his understanding in several respects was different from the Foreign Secretary's, and repercussivity was not his only concern. He found it deeply distressing that he and the Foreign Secretary should need personally to discuss a matter involving such small sums. The Foreign Secretary said that that was the reason for his own anguished note to the Chancellor. The Chief Secretary went on that he did not agree that agreement in principle had been reached on the package at an earlier stage. He was sympathetic on the problems faced by junior staff in difficult posts. He had himself served in Lagos. However, the Government was about to make significant reductions in allowances to members of the Armed Forces, and were in the middle of difficult discussions with the Home Secretary on policemen's allowances. This was a difficult backcloth against which to look at the merits of the Diplomatic Service case. But he was concerned that that case had edged away from

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an attempt to meet the difficulties of junior staff to a more general proposition. The differences of cost (as opposed to funding) seemed to be between the £1.8 million package we were proposing and the £1 million package which the Treasury were prepared to accept. The latter was the package which would apply to improving the conditions of junior staff. He understood the morale argument, and agreed that the proposals should be looked at on their merits. He believed that agreement could be reached quickly if it was limited to improvements for low-paid staff in junior posts.

4. The Foreign Secretary said that he had never seen the package as being intended to apply to junior staff only, though naturally there would be more junior staff than senior staff in the difficult posts concerned. Nursery education for instance, which was an agreed element in the package, must apply to all staff. He himself was so aghast at some of the conditions faced by our staff that he was surprised at the moderation of the claim he was making.

5. The Chief Secretary repeated that the case for improvements in supplementary payments to junior staff was strong. However they were presumably all volunteers. The Foreign Secretary said that on the contrary their conditions of service obliged them to go wherever they were sent. On the question of supplementary payments for junior staff, the only difference appeared to be the application to DS9 grades, which meant a difference of £220,000. On breather visits, we were quite content for inclusion in the "bag of gold" provided that the total funds were sufficient. The Chief Secretary commented that the Foreign Secretary's figures seemed to be different from those in his brief. The Foreign Secretary showed the Chief Secretary the chart attached to his own briefing.

6. The Chief Secretary said that whatever the differences in detail, it appeared to be agreed that the total difference lay between a package of approximately £1.7 million and £1 million. It was ludicrous that he and the Foreign Secretary should have to discuss such small sums of money. But there were principles involved and a danger of infringing sensitivities in the Home Civil Service. The Foreign Secretary said that he could not accept this argument. The Chief Secretary said that the usual criteria for judging the need to make extra compensation available was problems of recruitment and retention. The Foreign Secretary was citing morale, and asserting that those concerned were not volunteers. It was difficult to see how progress could be made. He came back to the difference between extra compensation for junior staff and more general compensation. His officials had been talking on the basis of a package to meet the former need, and that was what the Treasury proposals of approximately £1 million were based on. The Foreign Secretary pointed out that some of the proposals even in the

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Treasury package went beyond junior staff. The Chief Secretary said that that did not negate his general point. The package would be sufficient to cover extra leave for junior staff, but not others. There was also the question of what constituted a difficult post: postings like Australasia hardly seemed to fit this category. The Foreign Secretary said that the problem was the burden of contact with the family which afflicted those who had to spend any amount of time in such posts and who could not choose the time at which they did so. The Chief Secretary said that nevertheless if the purpose was to help junior staff in difficult posts, it was necessary to define who was junior and what was a difficult post. The Foreign Secretary again pointed out that several of the agreed elements of the package applied to all staff. The Chief Secretary said that that was not his impression.

7. The Chief Secretary continued that he was concerned about the element of double-counting involved in breather visits. DPA was supposed to cover breather visits. The Foreign Secretary said that he did not really think this was a difficulty. The need to escape from the sort of posts we were talking about was inescapable and very important to morale. The Chief Secretary said that he understood that the total of what we were proposing involved a bid for more than double the existing compensation in difficult posts. The Foreign Secretary observed that nevertheless the total difference between the figures proposed by the Treasury and those proposed by the FCO was not that great. He felt very strongly that having started off at £2.5 million, he could not go below the present proposal of £1.7 million. The Chief Secretary said that now he and the Foreign Secretary had discussed the matter and knew each other's minds, he thought the best thing would be for him to discuss the matter further with his officials and then put forward a proposal to the Foreign Secretary. If they were unable to agree, there might be no alternative but to go colleagues. He would hate to do that given the small sums involved. The Foreign Secretary agreed that we should try to resolve the matter as the Chief Secretary suggested.

8. The Chief Secretary then turned to funding. He understood that the FCO were prepared to find £300,000 but wished to claim against the reserve for the balance in this financial year and no doubt to include an appropriate bid in future years. The Treasury did not see matters in those terms, though they were prepared to share the costs. The Foreign Secretary said that he had heaved a great sigh of relief a year ago when he had thought the Treasury had accepted the figures we had then proposed. The Chief Secretary said that it should have been clear from the attitude his officials had adopted thereafter that the Treasury had not conceded them. He did not know how a misunderstanding could have arisen. The Foreign Secretary said that the FCO would have to squeeze

CONFIDENTIAL/MANAGEMENT IN CONFIDENCE

expenditure to the limit to find the £300,000. The Chief Secretary said that there had never been an occasion in the past when there had been significant differences between the FCO and Treasury on running costs. He found it difficult to believe that the FCO could only find £300,000. The Foreign Secretary's colleagues had been asked to absorb far more significant sums. The Foreign Secretary said that our running costs were a very much higher proportion of our total expenditure. He would be putting in a very significant bid on running costs in his forthcoming PESC letter. The Chief Secretary remarked that that was deeply ominous. The Foreign Secretary said that we would nevertheless be putting in a claim very much more modest than most other departments.

9. Concluding, the Chief Secretary agreed to write to the Foreign Secretary with further proposals in a few days. He did not want to waste too much time on what amounted to petty cash. There were however some fundamental disagreements on principles which could not be ignored. He would look at the case on its merits.

23 May 1988



CONFIDENTIAL

FCS/094/88

CHANCELLOR OF THE EXCHEQUER

Conditions of Service in the Diplomatic Service

1. Almost a year ago, on 17 June 1987, I discussed with you the urgent need for a package to alleviate the deteriorating conditions overseas in which so many Diplomatic Service officers now have to live and work. Last September the Prime Minister made clear her support. I therefore find it difficult to understand why, 8 months later, your officials have not been able to agree the details of these badly needed measures or yet to offer any help whatsoever over funding (although the Prime Minister made clear that the Treasury should contribute new money).

2. This unnecessary delay risks damaging the beneficial impact of the package on the staff affected. It is all the more annoying because the gap between us is in fact so small. Your officials have offered that the FCO should introduce a package of measures worth about £1 million a year. My original package totalled only £2.35 million (without health improvements, which we are handling separately). To enable agreement to be reached straight away, I am prepared to trim the proposals further. The enclosed annex lists the minimum resources needed for each element and the total is now only about £1.8 million a year. That is a modest outlay for a carefully targetted selection of remedies for real and pressing problems.

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3. I have looked hard at how far my Department can make a contribution from offsetting savings. We are already under great pressure, for reasons you understand, including our real self-restraint in recent PES rounds. With great difficulty we could find a further £300,000 a year from savings. This leaves just £1.5 million to find, which for survey years 1989/90 to 1991/92 ought to be incorporated in our PES base line (in the current year we shall need to call on the Reserve for a pro rata sum). My officials can supply at once any further details you need on the funding or the content of the package.

4. I believe that Ministers recognise that the dangers and special problems faced by the Diplomatic Service, with people serving worldwide and often in increasingly difficult posts, are not the same as those encountered by Home Civil Servants in this country or by the Armed Forces or Home Civil Servants living in major centres abroad. To try to maintain comparability between the two is artificial and unacceptable. We owe it to DS staff to put these proposals into effect quickly and in full. I hope you can ask your officials to adopt a more positive approach so that the necessary agreement, including £1.5 million a year of finance from central funds, can be reached before the end of this month. I repeat that for HMG the costs are tiny: the justification is self-evident: and the benefits, not least to DS morale, are enormous.

5. I am copying this minute to the Prime Minister and the Chief Secretary.

Foreign and Commonwealth Office  
6 May 1988

(GEOFFREY HOWE)

CONFIDENTIAL



CONFIDENTIAL

£1.7 million of  
which FCO can  
bid £300,000.

CAF

ANNEX

1. Difficult Post Allowances

The FCO's original proposals were estimated to cost £650,000. They included enhanced payments for especially difficult posts. The Treasury are unable to accept such a level of payment as a tax-free allowance and this element is now considered under "discretionary payments" at 2 below. Treasury proposals for the remainder include increasing the rates (expressed as percentages of the mean of appropriate salary scales) and raising the minimum from DS7 level to DS6 level at a total cost of £242,000. The proposed new rates are acceptable but the FCO believes it essential that they be flat-banded on the DS5 scale. The revised cost of FCO proposals is £364,000.

2. Discretionary payments for selected posts

This heading now includes enhanced payments to very difficult posts as well as provision for breather visits away from the most isolated posts. The Treasury approach of discretionary payments within an overall cash limit is acceptable but the costs will be greater than the suggested £337,000. The FCO's revised costings, which take into account the need to compensate for tax which will have to be paid on enhanced allowances at the toughest posts, indicate that £480,000 will be required.

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CONFIDENTIAL

3. Recreational Journeys

It is important for morale and efficiency reasons that staff be allowed to make an additional visit to the UK from distant standard tour length posts. The cost could be held to £55,000. Treasury officials consider this a low priority and have not included it in their proposals. But staff at such posts are manifestly disadvantaged in comparison with Western Europe and North America in terms of access to their families, and this proposal would go some way to rectify that.

4. 18-21 Year Old Children

This age group, whether as students, vocational trainees or those unemployed, is a continuing concern for families overseas. The cost of increasing to two the number of journeys allowed to full-time students and offering one journey to other unmarried children up to the age of 21, and not in full-time employment, could under our new Travel Contract be held to £70,000. Treasury officials are unwilling to accept the need for this concession, but its inclusion is important.

5. Nursery Education

The original estimate of costs for an official contribution for 3-4 year olds was £50,000. Officials have agreed in principle that costs may be partially funded with officers also making a contribution. This is acceptable. The cost would be £25,000.

CONFIDENTIAL





CONFIDENTIAL

6. Supplements to Junior Staff

The increased responsibilities of our junior staff, their vulnerability to hostile intelligence services and the fact that they receive no overtime for the out-of-office hours they work require recognition. Treasury officials have accepted this, suggesting that the supplement might cost £447,000. This would not go far enough. The supplement needs to cover our DS9 grade at the full rate, as well as those below. The cost would be £778,000.

7. Start-up Costs

Junior staff face considerable initial capital outlay costs when posted abroad. It is accepted that it would be difficult for the Treasury to agree to fund the purchase of capital goods. The FCO hope to meet this need through advance payments of the supplements described above.

8. Total Costs

The estimated cost of the total package of measures put forward in September 1987 to improve conditions of service was £2.335 million. The Treasury have suggested that the total cost might be £1.051 million. The FCO is ready to revise its bid in the light of the official discussions and more details costings, but it considers the minimum necessary to fund the package would now be £1.77 million.

CONFIDENTIAL

(Answered by the Prime Minister on Thursday 21st April)

UNSTARRED No. Mr Edward Leigh: To ask the Prime Minister if she will make a statement on the latest report by the Review Body on Doctors' and Dentists' Remuneration.

THE PRIME MINISTER [Pursuant to her reply of 9th February 1988, col 135]:

I am now in a position to make a statement on the latest Reports of the Pay Review Bodies. The 1988 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, the 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.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body Reports	Average increase per cent	Range of increase per cent	Cost (1) £ million
Nurses, midwives and health visitors	15.3	4.2-33.6 (2)	803
Professions allied to medicine	8.8	7.6-9.5	45

Doctors and dentists	7.9	7.3-8.1 (3)	318
Armed Forces	6.4	2.5-7.3	232
Top Salaries			
Senior civil servants and senior officers of the armed forces	5.4	5.2-5.5 )	5.5
Judiciary	7.4	5.3-11.9(4)	

(1) UK public expenditure cost including employers' national insurance and superannuation contributions, where appropriate. Figures include cost of additional payments to staff working in the London area, where appropriate. The figure for doctors and dentists includes payments for GPs' expenses and hospital doctors' insurance, not counted as pay.

(2) The recommendations include implementation of a new clinical grading structure. Most increases fall within the range shown. Increases could be up to 60 per cent for some nurses. No nurses will receive less than 4 per cent.

(3) About 95 per cent of staff fall within this range. The remainder get higher increases up to 14.5 per cent and in a few cases possibly more.

(4) Most increases fall within the range shown, although in six cases the increase will be 23.7 per cent. The upper end of the range reflects structural changes for certain groups.

The increases recommended for nursing staff, midwives and health visitors include implementation in the Autumn of a radical new grading structure to provide more attractive career prospects and proper recognition of qualifications, skills and responsibilities for staff directly involved in patient care. The Review Body's recommendations are on the basis that there should be an immediate interim payment of 4 per cent from 1 April 1988 and that once the new structure has been introduced, consequential pay increases would be backdated to 1 April 1988.

The Government have decided to accept in full the Review Body's recommendations on nursing staff, midwives and health visitors. They have also decided that the increases recommended by the Review Bodies on the pay of Professions Allied to Medicine, Doctors and Dentists and the Armed Forces should be paid in full from 1 April 1988. The recommendations of the Top Salaries Review Body will be implemented as to 4 per cent from 1 April 1988, with the balance from 1 October 1988.

The full cost of the awards for the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals for this year. In the case of the health service groups the Government have decided that the cost in excess of the allocation already made for this year should be met from the Reserve. They will provide an extra £749m from the

Reserve within the planned total of public expenditure for this year, of which £683m will be added to health authority cash limits. The remaining £66m is for the Family Practitioner Services. Together with the increases in allocation already announced, the increase in provision for the National Health Service in 1988-89 over 1987-88 will therefore be £1,852 million.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned. 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, at column 383.

CONFIDENTIAL

PRIME MINISTER 2 *PA*

## CIVIL SERVICE PAY

You agreed that the Treasury could make an increased offer to the NUCPS - which represents executive staff - of 4 1/2 per cent, as long as the union executive recommended this to its members and undertook to enter immediate talks without pre-conditions oA a long-term pay agreement. I understand that agreement was reached on this basis early today, and that an announcement has been made to this effect.

*ms*

*Rec.*

PG

27 April, 1988.

CONFIDENTIAL

PERSONAL

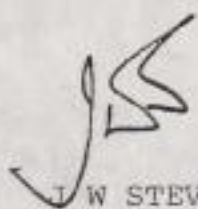
S.03121



*Principal Establishment Officer*

MR POWELL

I attach a note showing revised rates of pay for the Senior Open Structure which result from the Prime Minister's announcement yesterday. I also attach a copy of the Prime Minister's statement.

  
J W STEVENS  
22 April 1988

SENIOR CIVIL SERVICEREVISED PAY RATES AS FROM 1 APRIL AND 1 OCTOBER 1988

<u>Grade</u>	<u>Pay as at</u> <u>31 March 1988</u>	<u>Pay from</u> <u>1 April 1988</u>	<u>Pay from</u> <u>1 October 1988</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Head of the Civil Service (and Secretary to the Cabinet)	81,000	84,240	85,250
Permanent Secretary to the Treasury	75,750	78,780	79,750
Permanent Secretary	65,000	67,600	68,500
Second Permanent Secretary	59,500	61,880	62,750
<u>Grade 2</u>			
	43,500	45,240	45,800
	45,500	47,320	48,000
Discretionary points	48,000	49,920	50,600
	51,000	53,040	53,800
	54,000	56,160	57,000
<u>Grade 3</u>			
	34,000	35,360	35,800
	35,500	36,920	37,400
	37,000	38,480	39,000
Discretionary points	39,000	40,560	41,100
	41,000	42,640	43,200
	43,000	44,720	45,300



1. The rates of pay from the dates indicated are the operative ones for pension purposes. They do not attract London Weighting. Rates for Grade 4 will be promulgated shortly.

2. The cost of the increases are to be absorbed within existing running cost limits.

W Gray,  
I told Alex Allen  
the PR's response.  
N. C. U  
22.4

AA  
PRIME MINISTER

CIVIL SERVICE PAY

The Chancellor is planning to make a further move to come to a settlement on pay for the Civil Service below Grade 7.

The present offer on the table is 4 per cent on national rates and 10 per cent on London Weighting.

The Treasury's objectives are to get a low settlement and if possible a commitment from the lower grades to enter into discussions on performance pay agreements without pre-conditions.

The NUCPS (which represents grades from EO to SEO and the messengerial grades) is making noises suggesting that in return for an offer of about 4½ per cent they would both:

- recommend it to their members;
- agree to long term pay talks without pre-conditions.

The CPSA (which represents AOs and AAs, i.e. the bulk of the staff in departments like DHSS, Department of Employment and the Revenue Departments) currently shows no signs of willingness to enter long term pay negotiations.

The Treasury now propose next Monday to start talking to the NUCPS in an attempt to secure the 4½ per cent deal described above. No formal offers will be made at this stage, but once the negotiating process is started it would be hard to draw back. The aim would be to reach such a deal with the NUCPS and then tell the CPSA they either have the choice <sup>of</sup> an unchanged 4 per cent pay offer (which might eventually be imposed) or a small addition in return for the same quid pro quos as NUCPS.

The Treasury propose no further move on London Weighting. And

they are not consulting other Departments at this stage.

Content for the Treasury to proceed as proposed?

PRCG.

Yes not

PAUL GRAY

21 April 1988

EL3CRW



ROYAL COURTS OF JUSTICE

LONDON, WC2A 2LL

02:026:8201

01 936 6602

*17.5/5*

*NBPM*

*ALG*

*19/4*

The Rt Hon Peter Brooke MP  
The Paymaster General  
HM Treasury  
Parliament Street  
London  
SW1P 3AG

15 April 1988

*Dear Paymaster General,*

LAWYERS' PAY

Thank you for your letter of 13 April, with which you enclosed a table showing the proposed new pay scales.

I am glad to see that these proposals have been well received by unions representing the majority of staff at the relevant levels, and that the outcome of consultations with their members should be known not later than 7 May.

As I noted in my letter to you of 22 March, we will need to take careful account of any recommendations that Sir Robert Andrew may make concerning pay in his report later this year on the organisation of the Government Legal Service, especially in relation to Grade 5 lawyers. In the meantime, however, I should like to thank you for the manner in which you have responded to my own representations. I have advanced these very forcibly, I know, but the needs of the Crown Prosecution Service in particular were compelling.

I am encouraged now to believe that your proposals generally represent a sensible and fair response to the needs of the CPS, and of the Government Legal Service as a whole, and I



MANAGEMENT IN CONFIDENCE

hope with some confidence that they are going to prove sufficiently competitive. That, of course, will be the proof of the pudding.

I am very grateful for your help, and for that of your perceptive official team.

I am copying this to the Prime Minister, James Mackay, Geoffrey Howe, Douglas Hurd and David Young, and to Sir Robin Butler.

Yours sincerely,  
Robert Newell

(Approved by the Attorney General and signed in his absence).

MANAGEMENT IN CONFIDENCE



*NBM*

*R2C6*

*13/4*

Treasury Chambers, Parliament Street, SW1P 3AG

Sir Patrick Mayhew QC MP  
Attorney General  
Attorney General's Chambers  
Royal Courts of Justice  
LONDON WC2A 2LL

13 April 1988

*Dear Patrick,*

LAWYERS' PAY

*at flat*  
Thank you for your letter of 22 March. I am also grateful for the letters from James Mackay, David Young and Douglas Hurd.

2. As you know my proposals on lawyers' pay at Grades 5 to 7 were made in the context of the new longer term pay arrangements planned for these grades. I am glad to report that unions representing the majority of staff at these levels are recommending acceptance of these new arrangements, and intend to consult their members over the next fortnight or so. We should know the outcome not later than 7 May. The FDA are also recommending acceptance of the specific proposals we have agreed on lawyers' pay for these grades.

3. As far as lawyers below Grade 7 are concerned, the proposal is that Senior Legal Assistants (which James asked about in his letter) should be offered pay increases broadly in line with those for Grades 5 to 7 lawyers. The Treasury has also made the FDA an offer, covering Crown Prosecutors and Legal Officers, which we understand is likely to prove acceptable. This offer is broadly as indicated in my letter of 18 March.

4. The one remaining point is David Young's suggestion that Sir Robert Andrew should be asked to produce an interim report on the pay of Grade 5 lawyers. I very much agree with the Lord Chancellor's view that it would be inappropriate to ask him to do this. I understand, too, that Sir Robert would not welcome such a change in the terms of his review.

5. I attach a table showing the proposed new pay scales as they now stand. I should mention that the highest performance

MANAGEMENT IN CONFIDENCE


point for Grade 5 staff in London is slightly lower than the figures given in my letter of 18 March, but other points on the Grade 5 scale (including the interim performance point) are higher. For Grades 6 and 7 the new scales and ranges are generally higher than before.

6. I am copying this letter to the Prime Minister, James Mackay, Geoffrey Howe, Douglas Hurd and David Young and to Sir Robin Butler.

*J  
Lumsden*

*PB*

PETER BROOKE



NEW PAY SCALES WITH EFFECT FROM 1 APRIL 1988

(Grades 5-7 scales are part of the new long-term arrangements for these grades)

	<u>Minimum</u>	<u>Maximum</u>	<u>Interim Performance Point</u>	<u>Highest Performance Point</u>
<u>Grade 5</u>				
Basic	27,087	30,387	31,563	35,371
Including London weighting	28,767	32,067	33,243	37,051
<u>Grade 6</u>				
Basic	19,905	27,087	28,154	31,563
Including London weighting and allowance	23,906	29,834	30,935	34,464
<u>Grade 7 (and Senior Crown Prosecutor)</u>				
Basic	16,692	21,737	22,715	25,921
Including London weighting and allowance	19,908	25,417	26,485	29,834
<u>Crown Prosecutor</u>				
			<u>Performance Pay</u>	
Basic	13,125	17,736	18,623	20,532
Including London weighting and allowance	15,805	20,416	21,303	23,212
<u>Legal Officer</u>				
Basic	11,942	15,608	-	-
Including London weighting and allowance	14,622	18,288	-	-

NOTE: London weighting calculated at inner rate ie present offer is £1,680



CIVIL SERVICE : Pay and Pensions Pt 17



CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

31 March 1988

*Dear Simon,*

Civil Service Pay: Grades 5 to 7

The Prime Minister was grateful for the Paymaster General's minute of 28 March. She is pleased to note the progress being made with the FDA and the IPCS on a new pay determination system.

I am copying this letter to the Private Secretaries to members of the Cabinet, Eleanor Goodison (Office of the Minister for the Arts), Michael Saunders (Law Officers' Department), Myles Wickstead (Overseas Development Administration) and Trevor Woolley (Cabinet Office).

*Yan,  
P*

(PAUL GRAY)

Simon Judge, Esq.,  
Paymaster General's Office.

CONFIDENTIAL

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VC*

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CONFIDENTIAL



FROM: PAYMASTER GENERAL

DATE: 28 March 1988

PRIME MINISTER

CIVIL SERVICE PAY: GRADES 5 TO 7

I am pleased to be able to tell you that we expect shortly to reach a provisional agreement with the First Division Association and the IPCS on a new pay determination system covering the 20,000 staff at Grades 5-7. The third union with members at these levels, the NUCPS, seems likely to stand aside for the present, although they may find this an unsustainable position.

2. The provisional agreement has still to be approved by the unions' executive committees and is then subject to confirmation - after consultation with, or a ballot of, those affected. It has much in common with those reached with the IPCS for the main grades they represent and with the Inland Revenue Staff Federation. Like them, it is based on a spinal pay system which includes a substantial element of performance pay and provides for other flexibilities, including geographical pay variation. It is coupled with the longer-term pay determination system, based on the Megaw approach, which we endorsed in principle in 1982.

3. The agreement effectively settles pay negotiation for these grades for the next 18 months. It provides for three transitional steps over this period of 4 per cent, around 3 per cent and 4 per cent as staff are moved on to the new spine, with the first review of the pay levels on the spine coming in August 1989. The cost in 1988-89 amounts to 5.65 per cent on the pay bill. In return, as with the other deals, we get a better structured and more flexible pay system - including better arrangements for rewarding the better performers.

4. The agreement is in my view an important and worthwhile one, not just for its own sake but also because it will help

ie Assistant Secretary to Principal - the next grades below those covered by the TIRB.

PRCCG.

no  
Prime Minister  
Contact with this  
package?  
PRCCG  
10/3

CONFIDENTIAL

to increase the pressure on the CPSA and NUCPS to enter into similar agreements with us. As such, it will form part of the background to our response to the pay claims from these two unions this year, on which the Chancellor minuted you on Friday.

5. I am copying this minute to Cabinet colleagues, to Richard Luce, Patrick Mayhew, and Chris Patten, and to Sir Robin Butler.

The Treasury needs the rebound offer  
of 4% to these unions, plus the 10%  
offer on London weighting, yesterday.  
P.B. 35/7

P.B.

PETER BROOKE



PRIME MINISTER

RA

Prime Minister <sup>2</sup>

REC G  
2/13

INDUSTRIAL DISPUTES

There have been further noteworthy developments over the weekend.

#### FERRIES

The National Union of Seamen have called off their strike ballot after Sealink were successful today in obtaining a High Court injunction against them. This follows the similar ruling granted to P&O by the High Court last Friday. I have not yet seen the actual terms of the judgment but reports suggest the judge has said the union must not in future try to induce its members to take any unlawful action in breach of their contracts of employment.

This should further reinforce the pressure on the NUS to seek a negotiated settlement at Dover though the timing of that remains uncertain.

#### JAGUAR

The company are meeting the unions today and are still confident that they can resolve the dispute satisfactorily over the next few days at no extra cost.

#### LAND ROVER

The workforce has voted by 4,332 to 1,158 to end the 5 week strike at the Solihull plant and accept the company's two-year pay deal at no extra cost. The plant is back at work today.

**BENEFIT OFFICES AND JOBCENTRES**

A strike in some London benefit offices and DHSS offices is also about to end. This dispute has been running since the beginning of this year over the issue of staffing levels in London local offices and the right of management to move staff from one office to another. Management have remained firm throughout and benefit payments have been maintained by adopting contingency measures.

The CPISA, recognising that we were not going to shift our position, balloted for an all out-strike without pay - at present the 400 or so strikers have received from the CPISA 50 per cent of gross earnings. The ballot formula is that normally adopted by the CPISA when they realise it is pointless to continue a dispute. The ballot result showed 920 in favour of a return to work - though significantly 630 voted to strike without pay. The CPISA are now negotiating with Management a return to work.

I am copying this to Nigel Lawson, David Young, Paul Channon and to Sir Robin Butler.

N F

28 March 1988



Prime Minister  
Contact for the Treasury  
to make the offer of  
X and Y?

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

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I think that  
London is right  
is not  
enough  
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PRIME MINISTER

CIVIL SERVICE PAY IN 1988

I need to respond early next week to this year's pay claims from the CPSA and NUCPS.

The CPSA have claimed a flat rate increase of £25 per week, the NUCPS 15 per cent. There are a number of other items in both claims.

I propose to make opening offers to the NUCPS of 4 per cent and to the CPSA of 4 per cent or £5 per week, whichever is the greater, which is equivalent to 4.3 per cent. The combined cost of the two offers would be 4.2 per cent.

With 1987 recent in their members' minds, and with several other unions (including the IRSF and the ex-CSU members of the NUCPS) already having had their pay settled for this year under existing agreements, neither union is in my judgement very likely to be able to win a ballot on industrial action, or, if they do, to mount a substantial national campaign effectively. Nevertheless, I do not think that we could sensibly offer less than 4 per cent, even though this is above the rate of increase in the RPI and even further above the increase in the TPI.

Nor, on the other hand, would I want this year to go much above 4 per cent, for the following reasons:

- i. Whatever the unions say, we do not face recruitment and retention difficulties across the whole country. Our



problems are concentrated in particular areas (mainly London and the South East) and in particular functions or skills. Our response should continue to be selective as with Local Pay Additions (LPAs), not across the board increases which go to everyone. For the longer term we should encourage departments to adopt the relocation policies that the Paymaster General has recently proposed and you have agreed.

- ii. We want to give both unions an incentive to sign up to long-term deals despite their current opposition to any arrangements of this kind which include geographical and merit pay. They need to see that this is the route they will have to go down if in future they want to enjoy the kind of increases which have been made available to other unions who have signed such deals (the IPCS and IRSF). It will help that we are now also very close to a long-term agreement covering grades 5 to 7, on which I will be minuting you separately.
- iii. Finally we need to have regard to the ability of departments to absorb any increase for these grades within existing running costs.

Depending upon the reaction, we may need to increase both offers slightly in a second and final offer - but not by very much.

We also need to decide what to do about London Weighting. The unions are about to submit as claim for current rates to be roughly doubled, to £3,000 in the inner zone. There clearly is a London (or South East) problem, which we need to address. But our present vehicle for doing so is LPAs, for the very good reason that they are selective and avoid the substantial deadweight costs associated with London Weighting. I do not think we should now abandon this strategy. This would imply a fairly neutral offer on London Weighting. Specifically, I propose an increase of 4½ per cent to £1,600 in the inner zone, with broadly similar increases elsewhere.





I would propose to combine this with a promise to look again at the situation before next year, when we can see how LPAs are bedding down. I also see advantages in making an offer on London Weighting fairly quickly, at about the same time as our response to the pay claims, rather than wait as in previous years until after these have been dealt with.

I am copying this letter to members of MISC 66 and to Sir Robin Butler.

N.L.

N.L

24 March 1988

CONFIDENTIAL AND PERSONAL

slw



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

28 March 1988

*Dear Alex,*

**CIVIL SERVICE PAY 1988**

The Prime Minister and the Chancellor earlier this afternoon discussed the Chancellor's minute of 24 March. In the light of that discussion the Prime Minister agreed to the opening offers proposed in the minute for national pay scales, and to an offer on London Weighting of an increase of 10 per cent.

I am copying this letter to the Private Secretaries of members of MISC 66 and to Trevor Woolley (Cabinet Office).

*Yours,  
Paul*

(PAUL GRAY)

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL AND PERSONAL

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CG/80



HOUSE OF LORDS,  
LONDON SW1A 0PW

MANAGEMENT IN CONFIDENCE

25 March 1988

The Rt Hon Peter Brooke MP  
The Paymaster General  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

NBAM

R27

REC 6  
29/3

Dear Paymaster General,

will request if reqd

LAWYERS PAY

I have seen your letter of 18 March about the proposed increases in pay for lawyers.

I am sure that the package of measures proposed represents the best way to take this matter forward and I accordingly support the proposals. As you know, I have always favoured the assimilation of lawyers into a pay spine and by incorporating the increases into a general settlement for grades 5-7, some of the particular problems which might otherwise have been experienced in my Department, where lawyers and administrators can often hold the same jobs, may be avoided. I also welcome the emphasis placed upon performance related increments.

Whilst I appreciate the particular problems experienced by David Young in respect of grade 5s, we do not experience any particular difficulties in retaining good lawyers at this grade and I would not therefore think it necessary myself to provide a more favourable package than is proposed here. This is certainly a question that should be considered further in the light of the Andrews Report, once completed, but for my interests, I would not consider an interim report to be necessary. It would also be helpful to know what is proposed for the grade of SLA. We have a number of able lawyers in that grade in my Department, whom it has not so far proved possible to regrade to 6 in spite of their recognised merit. It would be most important to ensure that they were not prejudiced by a settlement of this sort.

I am copying this letter to the recipients of yours.

Yours sincerely,  
*Peter Brooke*

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

C SERVICE Pay pt 17

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# dti

the department for Enterprise

*ceby*

The Rt. Hon. Lord Young of Graffham  
Secretary of State for Trade and Industry

Rt Hon Peter Brooke MP  
The Paymaster General  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

Department of  
Trade and Industry

1-19 Victoria Street  
London SW1H 0ET

Switchboard  
01-215 7877

Telex 8811074/5 DTHQ G  
Fax 01-222 2629

*MBM*

*REC 6*  
*2/13*

Direct line 215 5422  
Our ref DC2AIL  
Your ref  
Date 23 March 1988

*Peter*

### LAWYERS' PAY

*will request  
y request*

You copied to me your letter of 18 March on lawyers' pay; I have also seen Patrick Mayhew's reply to you of 22 March. *Gap*

The proposed increases are helpful on the concerns which I have about lawyers' pay, as far as the recruitment grades (ie up to Grade 6) are concerned. We shall have to see in the market place whether they enable the Government Legal Service to attract and hold the people we require.

But like Patrick I am concerned that your proposals do not do enough at the Grade 5 level for lawyers in London. I emphasised my concern about these people in my letter of 21 December 1987 to John Major. In a Department like mine they are the people with experience and management ability who hold the show together. Our overall losses at Grade 5 and above from all causes have amounted to half our staff at these levels in just over 3 years. This has been a serious drain of experience and I should be most concerned at any further losses. Your proposals will, however, give less by way of an increase to the Grade 5s than to the Grade 6s. And while the Grade 6 and below received a London lawyers' allowance last year, the Grade 5s have so far had nothing to recognise that they have skills and experience in demand in a buoyant market outside. This is not the right signal to give them a strong wish to stay with us, against the large rewards in the private sector that have caused a number already to leave us.

For these reasons I consider that we should ask Sir Robert Andrew to give us a very early interim report of his views on the pay appropriate for Grade 5 lawyers in

*the*  
**Enterprise**  
*Initiative*

**dti**

the department for Enterprise

London. On this basis I would be prepared not to press further my proposal for my Grade 5 lawyers at this time, though I must reserve the right to return to it if it should appear that we are likely to suffer further losses at this level. We simply must have the lawyers we need to do the job: as I have said in earlier correspondence, I do not believe that adequate pay for them puts the Government's pay policy generally at risk.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Foreign Secretary, the Home Secretary, the Attorney General and to Sir Robin Butler.

*Handwritten signature: G. L. [unclear]*

CIVIL SERVICE: Pay Pt. 17.



ROYAL COURTS OF JUSTICE  
LONDON, WC2A 2LL

01-936 6201

MANAGEMENT IN CONFIDENCE

The Paymaster General  
The Rt Hon Peter Brooke MP  
H M Treasury  
Parliament Street  
London SW1P 3AG

NBPM  
Rubb

22 March 1988

*Sir Peter:*

LAWYERS' PAY

Thank you for your most helpful letter of 18 March.

I agree that the proposed increases go a long way to meeting the concerns which I expressed. I have some doubts as to whether the proposed increases for Grade 5 lawyers, especially in London, are adequate but am content to see this matter and indeed the pay of other Grades examined by Sir Robert Andrew. We will need to take another look at lawyers' pay in the light of any recommendations he makes.

I very much hope that your discussions with the unions are speedily concluded. It is most important for recruitment and retention that the new pay scales are promulgated and implemented as soon as possible.

In paragraph 8 of your letter you refer to commitments from the CPS about the implementation of changes as a result of a recent Staff inspection. The DPP will be quite willing to discuss this matter with you, once he knows the full results of the inspection.

I note what you say about running costs, but I do not exclude the possibility that certain Departments, and particularly the CPS, may not

MANAGEMENT IN CONFIDENCE





MANAGEMENT IN CONFIDENCE

be able to fund this increase within the existing limits. As you said in your letter of 17 December, we must deal with such special problems as and when they arise.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Foreign Secretary, the Home Secretary, the Secretary of State for Trade and Industry and to Sir Robin Butler.

*Lawson,  
S. Kirk*

MANAGEMENT IN CONFIDENCE

ce BG



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

PRIME MINISTER

Prime Minister<sup>2</sup>JRW  
w/n

You will wish to know that I have just approved an agreement with the Civil Service Union covering some 17,000 staff in the so-called office support grades. These grades, which comprise porters, messengers, paper keepers, cleaners and the like, have been substantially reduced in numbers by contracting out, and the new agreement is both a response to the competition from contracting out and an acceptance that continuing competition from the private sector is something that the Union will have to live with.

The agreement involves restructuring these grades into 5 bands and removing all demarcation lines between them. It will make for a much more efficient service and over time will enable Departments to make useful savings. It is not a "Flexible Pay" agreement like the IPCS and IRSF agreements (it does not include arrangements for long term pay determination), but it will provide valuable operational flexibility and it commits the Union to cooperating in all aspects of change in the management of the Civil Service - including the use of outside contractors.

The pay increases which will be associated with it are as follows:

- around 3 per cent from 1 January 1988;
- around 6½ per cent from 1 April 1988 (which will subsume the 1988 pay settlement for the grades concerned);



- a little less than 2 per cent from 1 January 1989; and
- a further 1½ per cent on average from 1 January 1990.

These are substantial increases, but the management benefits will also be substantial and Departments are prepared to absorb the costs within their running cost limits. The deal honours a commitment which we gave to the CSU at the time of the April 1987 pay offer, on the basis of which they accepted 4½ per cent (the first union to do so) and stayed out of the 1987 industrial action. It will also have the effect of taking these staff out of the 1988 pay bargaining so that they will become a moderating influence on the new union - the NUCPS - into which they are about to merge with the Society of Civil and Public Servants.

All in all I believe this is a good deal and represents a useful carrying forward of our policies for improving the efficiency of the Civil Service. It will not prejudice the possibility of moving to a long term pay agreement for the NUCPS as a whole as and when they are ready for it.

I propose to announce the agreement on Friday 11 December.

**NIGEL LAWSON**  
9 December 1987

CONFIDENTIAL



de DA  
cbg.

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

27 November 1987

*Dear Jonathan,*

**CIVIL SERVICE PAY AND MANAGEMENT -  
INLAND REVENUE STAFF**

The Prime Minister has seen the Chancellor's minute of 23 November reporting the agreement reached with the Inland Revenue Staff Federation, which she read without comment.

I am copying this letter to Eleanor Goodison (Office of the Minister for the Civil Service) and Trevor Woolley (Cabinet Office).

*Yours,  
David*

(D.R. NORSGROVE)

Jonathan Taylor, Esq.,  
HM Treasury.

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER

26 November 1987

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DJS  
26/11  
wbpm

CIVIL SERVICE PAY AND MANAGEMENT - INLAND REVENUE STAFF

The Chancellor has minuted you about the provisional agreement on the long term pay arrangements he has just reached with the Inland Revenue Staff Federation (IRSF). In essence, this involves a new, more flexible pay system and a number of financially worthwhile management changes in return for pay increases.

Background

Inland Revenue are experiencing a wastage rate of 13%-15% in key tax gathering grades in the London area. This is high in view of the cost of training new recruits who then become highly marketable to outside employers. Backlogs of unassessed tax have built up which the Revenue have not been able to clear because of a long standing dispute about overtime with the IRSF. Similarly, the Revenue has not been able to implement changes proposed in the Matthews report, which save at least £6m a year by cascading work to more junior staff.

The Deal

The proposed deal would address these problems. It is modelled on the settlement agreed with the IPCS some nine months ago but with additional benefits. It involves:

1. Pay increases. There will be a 4% increase in pay on 1 April 1988. Existing pay scales will be replaced by a single pay 'spine' on 1 October 1988, giving further increases on average of 5%. A further increase of half a spine point will be paid from 1 April 1989, worth 3%. The cost of the settlement is 6½% in 1988/89 and 5½% in 1989/90.

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2. A Megaw style long term pay agreement. There will be provision for periodic surveys of pay levels but annual settlements will be constrained within the inter-quartile range of outside pay settlements. The Government will be able to override this constraint in exceptional circumstances. The first levels survey will be in 1989 in time to influence the settlement due on 1 August 1989, which will become the new annual date. Exceptionally, the 1989 settlement will be unconstrained and will have to be met within running cost limits.
3. There will be provision for management to introduce performance related and geographically differentiated pay rates. The new system enables management to move groups of staff up the pay spine without having to move all staff in the grade up it.
4. The unions will agree to cooperate with a number of cost saving management changes. They will accept the changes proposed in the Matthews Report with deliverable savings of at least £2m in 1988/89 and £6m in 1989/90, equivalent to  $\frac{1}{2}\%$  and 1.25% off the pay bill respectively. They will agree to overtime working at management discretion. They have also accepted new grading guidance which should enable some posts to be down-graded. Increases of 2% on 1 January for executive staff already negotiated will be foregone, although the staff concerned will eventually get somewhat larger pay increases under this settlement.
5. The deal effectively buys two years' industrial peace at a time when the Chancellor may have to rely on the Revenue to implement tax changes.

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Assessment

The Inland Revenue's staffing problems need to be tackled. Unless this is to be prohibitively expensive, it must be done by introducing more flexible pay systems. The Revenue need to be able to match pay rates offered by competing employers in areas where there are staff shortages and to be able to pay more to retain good quality staff. The deal gives them this flexibility as well as the other desirable management changes.

The key issue is whether these and the other benefits are worth the cost. Net of the Matthews savings, this amounts to 6% on the pay bill in 1988/89 and 4.75% in 1989/90. These savings are deliverable and will be met within a running costs limit in 1988/89 which is 6% higher than the 1987/88 limit. Average settlements in the non-manufacturing private sector are currently running at about 6.25%.

Conclusion

We recommend that you endorse the Chancellor's proposal. It will enable Inland Revenue to tackle their staffing problems in London and the South East and secure other desirable management changes. It will enable more tax to be gathered and give the Chancellor a period of staff co-operation when he will, possibly, be implementing tax changes. It represents good value for money, not least when measured against the extra tax raised.

*Peter Stredder*

PETER STREDDER

CONFIDENTIAL



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

CC 85  
Prime Minister<sup>2</sup>  
Agree to welcome  
this agreement?

JLW  
24/11.

PRIME MINISTER

**CIVIL SERVICE PAY AND MANAGEMENT - INLAND REVENUE STAFF**

I am pleased to be able to let you know that we have just reached a provisional Agreement with the Inland Revenue Staff Federation (IRSF) on an important package of changes affecting management, pay structure and pay determination covering the bulk of Inland Revenue staff - some 60,000 in all.

What it does, in brief, is bring together a number of highly desirable managerial changes within the Inland Revenue coupled with a new "spinal" pay system, which makes provision for performance and other flexibilities. This is coupled with a longer-term pay determination system based on the Megaw approach which we endorsed in principle in 1982.

The cost in 1988-89 amount to about 6½ per cent on the pay bill, although the year-on-year increases for some grades will be rather higher than this. For the longer-term, the cost is most unlikely to be more than we would have to pay under the existing bargaining system. In return we get valuable management changes and a more sensible and better directed pay structure.

The agreement also effectively settles pay negotiations with the IRSF for the next two years: it provides for specific transitional steps over the next eighteen months as staff are moved onto the new pay "spine"; and the first review of the pay levels on the spine will not be until August 1989. Peace with the IRSF is a valuable prize, at a time when part of the rest of the Civil Service is still volatile.





This deal has much in common with that which we entered into with the Institute of Professional Civil Servants (IPCS) some 9 months ago. I believe it is the way we should aim to go for the future. Some other Civil Service groups are already interested, including in particular the very important Grades 4 to 7 - the middle to senior management grades - where it is important to introduce a more structured but flexible system, including in particular a durable and credible arrangement for rewarding the better performers.

I am copying this minute to Richard Luce and to Sir Robert Armstrong.

N.L.

23 November 1987

(See COP note to PM  
of 3 August.)



10 DOWNING STREET

Prime Minister

Diplomatic Service:

Conditions of Service

The FCS has now  
minuted the Chancellor  
with his proposals  
on the Diplomatic Service.  
They are virtually identical  
with those which you  
said you would support.

The overall cost is

\$2.75 million a year.

You might like to speak  
to the Chancellor at your next  
bilateral on Tuesday E.P.

CONFIDENTIAL

*CSG*



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham PC  
Secretary of State  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

*NBM* 17 September 1987

Dear Lord Young,

*at HOP*

**GOVERNMENT COMPUTER SYSTEMS: VULNERABILITY TO INDUSTRIAL ACTION**

Thank you for your letter of 2 September to Nigel Lawson.

Departments have already been asked this year to review their contingency arrangements in the event of industrial action. Nonetheless, I am happy for a group to be set up as you suggest, and am asking my officials to take the lead in organising this.

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

Yours sincerely

*Deborah Francis.*

pp **PETER BROOKE**  
(Approved by the Paymaster  
General and signed in  
his absence)



CIVIL SERVICE - Pay No 17



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

11 September 1987

David Norgrove Esq  
10 Downing Street  
LONDON  
SW1

*Dear David,*

**CIVIL SERVICE PAY**

*It didn't  
offer ...  
no*

I regret that the industrial correspondent of the Mail on Sunday has acquired a copy of the Chancellor's minute of 18 June to the Prime Minister on Civil Service pay (copy attached). He intends to run an exclusive story this Sunday, focussing principally on the fact of the leak.

He claims to have received the copy from a "moderate" trade union source, who in turn allegedly received it from a "left wing" union source. There is nothing in the minute which has not since become public knowledge, and the line the Treasury Press Office will be taking is to say that the minute appears genuine and that we deplore the leak, without commenting further.

*Yours  
Alastair*

A C S ALLAN  
Principal Private Secretary

*NBP*

*ACSA send PA would be in touch  
with RTA.*

*N. L. J*

*15.9*

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



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

**PRIME MINISTER**

**CIVIL SERVICE PAY DISPUTE**

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

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

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



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

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

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

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

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



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

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

*N.L.*

N.L.

18 June 1987



CCB



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

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

10 September 1987

*Dear Nigel**NBRM*

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

*at top*

Thank you for sending me a copy of your minute of 3 August to the Prime Minister.

I endorse the principle underlying your proposals: the introduction of geographical variations in Civil Service pay to reflect local market forces. As to details of the scheme, I am inclined to share the views Douglas Hurd expressed in his letter of 24 August.

Copies of this go to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

*Nicholas Ridley*

NICHOLAS RIDLEY

CIVIL SERVICE - Pam. P777



CONFIDENTIAL

CCB G  
✓



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

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

8 September 1987

NBM

Dear Nigel,

**CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST**

I have seen the comments of a number of colleagues on your minute of 3 August to the Prime Minister and the accompanying Treasury paper outlining a scheme of south east supplements and local pay additions.

I share the general concern which has been expressed about the impact of the scheme at the levels of discretionary payments proposed; and I would certainly endorse Kenneth Baker's comment that this should be carefully monitored from the outset.

My main concern, however, is that we should look at all possible ways of tackling the problems of recruitment, retention and quality of staff which the statistics show to be such a problem in the south east. As I have already indicated in my letter of 7 April, I am firmly of the view that we need to consider further dispersal of government work as well as solutions in terms of pay additions. I was for this reason interested in the comments in John Moore's letter of 28 August.

A private sector firm, faced with the difficulties described in the Treasury note, would undoubtedly be considering the scope for relocation of some functions. Perhaps therefore the time has now come for us to look again at whether our present arrangements on dispersal could be improved so as to give more stimulus to departments to consider moving to areas with lower costs. The potential benefits from this would be felt well beyond the narrow boundaries of Civil Service running costs.

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

Yours ever  
Malcolm Rifkind

MALCOLM RIFKIND

CIVIL SERVICE - Page 17





LCS 4

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

Secretary of State for Trade and Industry

CONFIDENTIAL

3 September 1987

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

NBRM

*Nigel Lawson*

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Thank you for sending me a copy of your minute of 3 August to the Prime Minister about selective pay additions for junior staff in London and the South East.

I welcome these proposals, primarily because they embody the important principle of geographical variation in Civil Service pay, but also because of the degree of discretion which they permit Departments in determining their pay budgets.

I note the doubts which some colleagues have expressed as to the adequacy of the maximum proposed for the SES, even at the £600 level suggested by the Prime Minister. While I have some sympathy with this view, I think that we must also have regard to the effect of this on Departmental running costs. In my view therefore we should launch the scheme with a SES maximum of £600 and an average of £300; but we should monitor it closely and, as your paper suggests, be prepared to increase the levels before the end of the two-year period if experience suggests that this is needed.

Copies of this letter go to other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

*Nigel Lawson*

JP3ACX

LORD YOUNG OF GRAPPHAM

CIVIL SERVICE

RAY



PT 17



2/B4

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

Secretary of State for Trade and Industry

CONFIDENTIAL

2 September 1987

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

NBN.

**GOVERNMENT COMPUTER SYSTEMS : VULNERABILITY TO INDUSTRIAL ACTION**

As you know, I am concerned that the implementation of our policies should not be capable of being put at risk by the ability of the public sector unions to disrupt Government business, including in particular the Government's computer systems and communications networks.

I know that much work is already being done to reduce vulnerability by distributing our computing activities, building more resilient computer and systems architectures, and by increasing use of private sector facilities management. The introduction of the Government Data Network will mean that the control and operation of this important data highway will be in private sector hands. On the personnel front I understand that some consideration is being given to the creation of a special Occupational Group for Government computer systems developers and operators, which could be accompanied by the introduction of a No Strike Agreement.

However, I suggest that we should at the beginning of this term of office take stock of these and other developments relating to our control over computer systems. While some Departments are well advanced in this area, others are not. Building resilience and reducing vulnerability requires Departments to have a strategy for the development of appropriate architectures; and this may require some willingness on our part to see the bringing forward of expenditure and commitment to a 5 or 10 year strategy for computers and communications.

JP6AOU



CONFIDENTIAL

I suggest, therefore, that we should ask Treasury and CCTA officials, together with their colleagues in the Cabinet Civil Contingencies Unit and my Department, to report on the state of development of these systems in Government and to set out options for ways in which we might further reduce our vulnerability to industrial action.

I am copying this letter to the Prime Minister and to the Cabinet Secretary.

*Lord  
Young*

LORD YOUNG OF GRAFFHAM

JF6A00



Civil Service

Ray & P.  
PR 7.



CBG



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

*From the Secretary of State for Social Services*

Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
H M Treasury  
Parliament Street  
SW1P 3AG

28 August 1987

NBM.

Dear Chancellor,

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Thank you for sending me a copy of your minute of 3 August to the Prime Minister, whose response I have also seen on my return to the office.

I welcome your proposals as a step in the right direction of varying civil service pay selectively and under controlled discretion so as to begin to tackle some of our most acute recruitment and retention difficulties. I agree with the Prime Minister's proposed increases to the South East Supplement; and believe that, as we gain experience through this scheme in targetting available resources onto particular areas, indeed in my case onto particular offices within a given area, we shall be able to consider individual sums of money that will have a significant impact on the most acute of our recruitment and retention difficulties. To illustrate my point in my Department, there are over 90 offices (out of 490) with serious recruitment and retention difficulties but a relatively small number - perhaps 25 or so - of real blackspots, predominantly in London and parts of the Midlands. I am very much seized of my need to tackle the problems of these offices where it is almost impossible at present to provide a decent service to our customers.

E.R.

CIVIL SERVICE

PAY 1917

At the same time I believe I must seek to solve these acute problems in other ways. I am therefore setting up two urgent studies to establish how I can relocate Headquarters work away from London and the South East as part of my Headquarters accommodation strategy which includes our move to Richmond Terrace at the turn of the year; and social security work which does not have to be done in those local offices which are particularly difficult to staff. These studies will help me implement our policy of putting work where it can be done more effectively and at lower cost to the taxpayer.

Finally I have noted with interest your correspondence with George Younger about comparisons between civil service pay and earnings elsewhere. I agree that recruitment, retention and motivation of our staff should be our guide, as good employers, to what we pay them, and that we cannot pay what we cannot afford. But if we are to avoid the arguments being circular we have to pay our staff at levels which attract, retain and motivate the quality as well as the quantity of staff we need to perform the tasks we set them. Both George and I as major employers are having general as well as particular difficulties in this respect. Whether we shall be able to absorb the costs of your scheme in future and to make further progress will depend both on the improved efficiency that can be brought about by attracting and retaining the right skill levels and on the nature of the running costs regime we eventually agree.

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

Yours sincerely,

W. R. Rodgers

pp JOHN MOORE

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



cc: BG



Y SWYDDAETH A GYMREIG  
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)  
01-270 (Llinell Union)  
0538  
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE  
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)  
01-270 (Direct Line)  
0538  
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CONFIDENTIAL

25 August 1987

*Handwritten signature: Nigel Lawson*

*Handwritten initials: WPK*

**CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST**

Your minute of 3 August to the Prime Minister proposed selective pay additions to counter recruitment and retention problems among junior staff in London and the South East. Clearly there is a problem which needs to be tackled but even with the increased levels of payment suggested by the Prime Minister I doubt whether the measures proposed will provide more than a short term alleviation. There are also difficulties inherent in the scheme. For instance, the lower middle manager in London and the South East might see his salary lead for carrying the responsibility of management being eroded by the payment of supplements to junior and less experienced staff.

As you say, there should be no real industrial relations problem with the introduction of the selective supplements. However, there would be a strong reaction if in the future Civil Service staff in the regions were given lower increases to pay for higher increases for those in the South East. Whilst in theory such a divergence in pay rates in the Civil Service might encourage a movement of Civil Service work to the lower cost regions, we do not, as Malcolm Rifkind pointed out in his letter of 7 April, have a mechanism for allowing the longer term savings from dispersal to be set against the higher short term costs.

Like Kenneth Baker, I believe that this experiment should be evaluated carefully to see if it is having the desired impact on recruitment and retention without adverse effects on other grades or on areas falling outside the boundary.

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

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

*Large handwritten signature: Nigel Lawson*

CONFIDENTIAL

cc: BG



QUEEN ANNE'S GATE LONDON SW1H 9AT

24 August 1987

When at the eye

Dear Nigel,

Thank you for sending me a copy of your minute of 3 August to the Prime Minister about geographical variation in non-industrial civil service pay.

I agree that geographical pay variation is needed to respond to local market forces, and therefore welcome the direction of your proposals. But I doubt whether the amounts envisaged are large enough to make a significant impact on the problems of recruitment and retention, particularly in London and the South East. The requirement to find the cost from within existing running costs limit will also be a major constraint for us.

Our judgment is that payments of up to £1,000 a year may be needed if we are to compete effectively in the jobs market, with new money to fund them. I hope that this turns out to be too pessimistic an assessment, because, if the levels are pitched too low, the expenditure on the scheme both on the supplements themselves and the administration of it could be wasted.

Copies of this letter go to the recipients of your minute.

Yours,

John G.

The Rt Hon Nigel Lawson, MP

CONFIDENTIAL

CIVIL SERVICE

PM

PT 17



CONFIDENTIAL



FROM: PETER LILLEY  
DATE: 14 August 1987

nbpm

PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

In the Chancellor's absence, I am writing to say that we are content with the adjustments you suggest to the proposals outlined in his minute of 3 August.

Departments remain free to participate in the scheme or not as they so choose, but I am sure that the Chancellor would wish me to remind colleagues that the cost of the scheme must be contained within the existing running cost limits and that "new money" will not be provided.

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

A handwritten signature in dark ink, appearing to read 'PBL' with a long, sweeping flourish extending to the right.

PETER LILLEY

CONFIDENTIAL



CCBA.

[Handwritten mark]

2

PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

[Handwritten mark]

I have seen Nigel Lawson's minute to you of 3 August enclosing a paper on geographical pay variation in the Civil Service.

I welcome the proposed scheme set out in the paper. Although the proposed payments of up to £500 will not fully solve the problems, I believe that they would be of use in my Department in retaining trained staff and may help to ease recruitment problems.

I would suggest that the scheme be monitored closely from the start to assess its impact, in addition to a full review after an initial two-year period.

While I note that the proposed scheme will have to be contained within existing provision, it will place an additional strain on running costs. In particular, smaller Departments may find themselves at a disadvantage because of the lack of flexibility in their budgets. This aspect will need to be included in the monitoring.

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

K.S.

KB  
Department of Education and Science

12 August 1987



CIVIL SERVICE Pay PTT

x24



CCB GT



Foreign and Commonwealth Office

London SW1A 2AH

12 August 1987

nbpm

From The Minister of State

Mr. Nigel,

## CIVIL SERVICE PAY - LONDON AND THE SOUTH-EAST

In Geoffrey Howe's absence I have seen a copy of your minute of 3 August to the Prime Minister and the accompanying Treasury note about South-East Supplements (SES). I have also seen a copy of Mark Addison's letter of 10 August to your Private Secretary outlining the Prime Minister's views.

We support the arguments in favour of geographical pay and welcome these proposals as a way to help address the problem of recruitment and retention of junior staff. We also agree that a maximum supplement of £600 and an average payment of £300 would increase the effectiveness of the scheme.

The Treasury note acknowledges the difficulties of Departments, such as the FCO, which are based in Central London. We therefore welcome the greater flexibility offered to Departments in paragraph 10 of your note. To make the scheme effective however, we may well have to pay the maximum for all staff in the relevant grades and the DS Wing could not accommodate such payments within existing running cost limits without cutting other activities. The problem therefore for central departments such as ours will not go away and Geoffrey Howe may want to revert to this after his return from leave. The ODA face a similarly acute problem, as they have virtually no staff in areas which will not qualify for SES or local pay additions. Increased running costs will also arise from the extra staff required to administer these payments.

/In

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Her Majesty's Treasury  
Parliament Street  
LONDON SW1P 3AG



In his minute of 15 April, Geoffrey Howe also referred to this year's London Weighting negotiations. As you know, all FCO staff face particular difficulties from the requirement to live in the South-East, not just the grades eligible for SES. The pattern of postings means that DS Officers cannot purchase accommodation at the most advantageous times and their spouses often have to give up their careers. The ODA, with part of their headquarters in East Kilbride, are finding it almost impossible to persuade staff to make career development moves to London. High payments for private sector staff working in London have highlighted this problem. We look forward to hearing from you about London Weighting.

I am copying this letter to the recipients of yours.

*[Handwritten signature]*  
*[Handwritten signature]*

THE LORD GLENARTHUR

CIVIL SERVICE

POST

PT 17



bc BG

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

10 August 1987

*Dev Men*

**CIVIL SERVICE PAY**

The Prime Minister has seen the Chancellor's minute of 3 August. She is in broad terms content with the scheme proposed. She has however commented that the suggested maximum for the South East supplement of £500 per annum, with the average payment in the zone not normally exceeding £200, may put heavy constraints on the scheme and may reduce its effectiveness and adversely affect the welcome it is given. She has suggested alternative limits of £600 and £300 respectively.

I am copying this letter to the Private Secretaries to other members of the Cabinet, Simon Judge (Paymaster General's Office), Michael Stark (Mr. Luce's Office) and Trevor Woolley (Cabinet Office).

*Y  
M E Addison*

(M.E. ADDISON)

Alex Allan, Esq.,  
HM Treasury.

PRIME MINISTER

6 August 1987

*CP Hand  
ppm please*

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

The Chancellor has minuted you about the approach he intends to adopt to introducing greater geographical variation in Civil Service pay. In essence his proposals involve additional pay increases for junior staff in those local offices in London and the South East, and elsewhere, where there are recruitment and retention difficulties. The payments would be up to £500 a year in London and the South East and £400 a year elsewhere and would be limited to an average of £200 for the eligible groups of staff. In addition, London Weighting would be increased in line with the general pay settlement, ie by £62 a year.

This is a welcome but modest first step in taking more account of the labour market when determining Civil Service pay. On its own, it may not have much of an impact since it goes only part of the way to close the gap between Civil Service salaries and those outside. For example, some research by the Treasury in Reading suggested that competing employers were paying about £2,000 a year more for staff in these grades whilst the clearing banks have recently increased their inner London Weighting allowance to £3,000 a year (compared to a maximum of £2,029 under these proposals) on top of a general pay increase of 7%-9%. But if this approach is repeated in the next two or three pay settlements it should be possible to make a substantial impact.

The main reason the Treasury is not able to do more in the current pay settlement is that so much was pre-empted in national pay increases. Yet in most places outside the South East the Civil Service faces few recruitment and retention difficulties. Next year we should aim to use less

of the available money for the national settlement so that more can be used selectively.

Conclusion

We welcome the Chancellor's small step to introducing greater geographical flexibility in Civil Service pay. It helps to establish the principal that pay rates should be linked to market conditions and to bring home to Departments the high costs of operating in London. In next year's pay settlement we should aim to use more of the available money for such selective increases.

*Peter Stredder*

PETER STREDDER

CIVIL SERVICE

PKY

PT 17



PERSONAL

PRIME MINISTER

FCO

Charles - I am  
very happy to write  
to the Chancellor  
in the House  
this morning  
M

The FCO is not your favourite organisation, and with reason. Its institutional ethos and instinctive reactions are caution, hesitation and compromise. While any of these are occasionally wise, they have become permanent hallmarks. The FCO has been slower than some other parts of government, let alone other parts of Britain, to reflect the new mood of national confidence which you have instilled.

But there is more to it than built-in tendency to dither. Morale overall in the Diplomatic Service is low. This is probably not very evident to you, because people are on their mettle when you see them, and anyway a high proportion of those whom you meet are the better ones. The main factor in low morale is that much of the world is getting nastier, dirtier and more dangerous. Service in an increasing number of posts has, particularly for those with young children, fewer and fewer advantages and rewards. I am not talking here so much about Ambassadors, who on the whole do very nicely, but about the run-of-the-mill diplomatic service members. Added to that is the growing problem of the working wives, who are more and more reluctant to give up their jobs to go and serve in dangerous and disagreeable places.

There is a very fair argument that says that people join the Diplomatic Service with their eyes open, they know the risks and unpleasantnesses that may be in store as well as the many advantages (all the attractive postings, the Ambassadors' residences and so on) and are motivated by a sense of service. That is true. But even so I think that matters have reached a point where some action, of a really quite modest sort, is needed to improve conditions for people serving in the less pleasant posts. I would suggest as examples:

PERSONAL

- 2 -

- (a) small medical centres in Africa - a doctor and nurse only perhaps - to provide basic health care where the local medical infrastructure is collapsing and there is a serious AIDS risk;
- (b) increases in the so-called Difficult Post Allowance to improve compensation for danger, squalor and general difficulty of life in unpleasant posts;
- (c) 'breather visits' from a few particularly nasty posts e.g. from Kampala to Kenya, from Beirut to Cyprus, from Kabul to New Delhi;
- (d) more leave journeys to maintain family ties with children or ageing parents. (A proposal to introduce this for a few distant posts last year, where the normal length of tour without home leave is two-and-a-half years, and which would have cost £82,000, was rejected by the Treasury.);
- (e) an additional children's concessionary journey - at present only one a year - for university age children for family reunion;
- (f) some financial recognition of the fact that the Diplomatic Service, with a world-wide career-long mobility obligation, are in a different position from their home civil service colleagues.

You may ask why this cannot just be done by the FCO finding the relatively small amounts of money by switching from less high-priority areas. The FCO would argue that they are now so pressed financially that they cannot find the resources. Another reason is that the Treasury refuse to allow some improvements which are specific to the Diplomatic Service on the grounds that they would have repercussions for the public service as a whole. But I really do not think this is a valid argument. Home civil servants only go abroad when and where they please, and then the vast majority only to

PERSONAL

- 3 -

comfortable posts or bases with good facilities.

You have done a very great deal for the Diplomatic Service recently: helping over the Overseas Risen Costs problem, additional security for Embassies particularly at risk, your concern with maintaining a high standard of Ambassadors' residences. These have been very much appreciated. Further improvements clearly cannot have a very high priority, particularly at a time when public spending is under particular pressure. But as the PES round gets under way, you may just like to have the points above in mind in case there are opportunities to implement some of them. All the improvements which I have mentioned would not cost more than £3½ million a year.

CDP

CHARLES POWELL

3 August 1987

LD6A76

fold to side



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

Yes - but I think £500 (with an average of £200) is perhaps very heavy constraint - it seems which may not be a Carroll scheme which and is valuable.  
£600 (plus £100 average)  
Prime Minister ?

PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

The Policy Unit support the proposal. Content with the Chavellari scheme?  
MEAT 7/8

Earlier this year we discussed in MISC 66 the problems of Civil Service recruitment and retention in the South East and in other high cost areas, and the related desirability of getting more geographical variation into Civil Service pay. Further work has now been done by officials, and the attached note by the Treasury summarises the scheme now proposed: a system of selective and discretionary additions to pay in areas where recruitment or retention is particularly difficult.

This seems to me the right way forward. A selective and discretionary scheme will provide the flexibility needed to tackle the most pressing problems, without the deadweight associated with measures such as an across-the-board increase in London Weighting. The new scheme will cost some money, which Departments will have to fund from their running costs. But I hope that very little if any cost will fall in this financial year, and I want to devise an approach which gives Departments a choice about how much they should spend.

This scheme will be an important step in helping to tilt the pay system over time in the direction of those areas - geography, merit and skill - where more money is needed. The unions are unlikely to welcome it, but in the aftermath of the strike, and handled properly, I do not foresee major problems. In any case, doing nothing is not an option, if only because of the need to conclude this year's negotiations over London Weighting.

CONFIDENTIAL



I propose, therefore, that my officials should now take steps to get the scheme introduced, in association with Departments and with the Civil Service unions. I should emphasise that it is something of an experiment, and how it will work remains to be seen. But I am sure it is a path we should go down.

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

*N.L.*

**N.L.**

3 August 1987

GEOGRAPHICAL VARIATIONS IN THE PAY OF THE  
NON INDUSTRIAL CIVIL SERVICE

Note by HM Treasury

1. A Treasury-chaired Working Party was set up in November for two main reasons: the increasing concern of Ministers about the effect of national pay rates on the economy as a whole; and the practical problems of recruiting and retaining civil servants of adequate calibre in some parts of the country. The Working Party focussed on the managerial aspects and reported in February.
2. The evidence collected by the Working Party confirmed the geographical imbalance. Most vacancies can be filled, but in some places only with staff who are of a barely acceptable calibre, and after considerable time and effort. The same places tend to have relatively high resignation rates. There is no doubt that very high rates of turnover, and inexperienced and low calibre staff, lead to costs and inefficiencies. On the other hand there are areas where there are few resignations and embarrassingly large numbers of well-qualified applicants for the vacancies which do arise.
3. The problem areas are mainly in London and parts of the South East of England, but there are localised pockets elsewhere. Some towns in the South East, such as Reading, face difficulties as severe as in the worst parts of London; but other parts of the South East have fewer problems than in pockets elsewhere in the country. Even within one area, there are variations between departments and, indeed, between particular offices. However, the problem in London and parts of the South East is a consistent theme. The reasons are a complex mix, and pay is certainly not the whole story; but the Working Party agreed that the evidence on recruitment and retention was strong enough to justify paying relatively more in the problem areas.
4. Two new types of payment were recommended: the South East Supplement, and Local Pay Additions. The former would be payable

in a new zone, very roughly a few miles beyond the M25 but with extensions along the M3 and M4; and the latter in the rest of the country. Both would be additions to existing salaries and, where appropriate, to London Weighting, and would mainly apply to relatively junior staff, in particular the clerical and secretarial grades and Executive Officers.

5. Because of the very localised nature of some of the problems, individual departments would be able to decide how much to pay in different places, subject to Treasury approval, and according to common criteria. This approach also helps to contain the cost, which must be found from existing running costs limits. The suggested maximum for the South East Supplement is £500 pa, with the average payment in the zone not normally exceeding £200; in the rest of the country the maximum would be £400. Proposals to make either type of payment would have to be justified on recruitment and retention grounds.

6. However, this discretionary approach carries the risk of industrial trouble as staff are not used to the idea that people of the same grade and seniority will not necessarily receive exactly the same pay, even if they work in the same town. Careful handling would be needed, and departments would have to keep in close touch at local level. At present there appears to be surprisingly little contact between departments at local level, and it would therefore be necessary to set up a network of "lead departments" who would liaise with other departments with local offices about proposals to pay a South East Supplement or Local Pay Addition. Cases of disagreement would be referred to the Treasury. In time, the "lead departments" might take on a wider role, certainly in improving communication between departments at local level and possibly in arranging joint action eg on recruitment exercises.

7. Since the Working Party reported there has been further work by officials. This included a "dry run" of how the scheme would work across the UK for six departments; and, for more departments, in four places - Greenwich, Cambridge, Guildford and Glasgow. A number of Ministers also wrote with comments. The upshot of this work is that there is general agreement that the proposed scheme

is feasible, but three major points emerged: the question of how much money should be available; the industrial relations dimension; and the bureaucracy involved. Each is discussed below.

#### Level of Payment

8. Some departments have argued that £500 is not enough to tackle their problems of recruitment and retention in parts of the South East as competing employers are paying at least £1000 more than current civil service rates. If the payments had no effect on easing the problem, the money would be wasted. On the other hand, there should be a psychological effect from giving something, and £500 is a significant addition to the salary of an AO. There is also the question of whether departments could afford more out of their running costs. The scheme would be experimental and the results closely monitored; Ministers could, if they so wished, decide to increase the maximum payments during the two years for which the scheme would run, in the light of experience.

9. The £200 average limit in the South East also causes problems for some departments. In particular, those with only a headquarters office in central London have argued that they would effectively be limited to £200 a head, as it would be difficult to treat staff in the same office on a different basis. Yet a department with an office next door, but also offices scattered around the South East, might well pay an extra £500 a head in central London, while keeping within the £200 average. The Department of Employment have raised a slightly different point. They, like many departments, want to focus on AOs - but they have a very high proportion of their staff at this level. So their room for manoeuvre is more limited than departments with a more even spread of grades.

10. The Treasury's view is that both figures should continue, but that there might be some slight flexibility on the £200 to deal with exceptional circumstances. Any such case would, however, have to be approved specifically by the Treasury. There would be no flexibility on the £500 (except for the secretarial group in Inner London, who already receive £400 as a SPA and would be entitled to up to £200 extra). However, there could be an interim review



of some aspects of the scheme, including the amounts, before the full review after two years. The cost of increasing the amounts now would put too much of a strain on running costs; some departments are already worried about this with the amounts now proposed. There is no question of providing "new money" for these payments.

#### Industrial Relations

11. The dry runs underlined the need for departments to work together at local level. Different departments did, as expected, plan to use the scheme in different ways, and this would lead to variations in the amounts paid to people of the same grade and seniority in the same town, but in different departments. Trade unions would obviously try to pick off one department against another at local level; and then one locality against another at departmental level. Their success in this would depend partly on the management approach - and also on the attitudes of the unions at national level.

12. Most departments thought that some variations at local level would be tolerable; local office staff in the Inland Revenue and DHSS already have a pay lead, which is generally accepted. But close liaison between departments would be extremely important, in particular in cases where there were several Government offices on one site. Where two departments jointly ran one establishment (as opposed to having different offices on the same site) the same payments would probably have to be made by each, but this should be looked at on a case by case basis.

#### Administration

13. It must be recognised that the schemes would involve extra administration. There is at present no machinery for local consultation between Departments, but this is crucial; there is therefore no escaping extra administrative burdens on departments which will be greatest in the first six months or so when the workings are set up, involving the creation of "lead departments" to liaise with local offices, with cases of disagreement being referred to the Treasury.

4. Another aspect is that it is difficult to lay down precise operational criteria for payments. The proposed schemes involve discretion for departments, and the circumstances of each varies. For example, some find it difficult to recruit staff, while others, even in what are generally problem towns, can recruit good quality staff, but have high wastage after about two years when training is complete. One advantage of the approach is that it should allow departments to tailor payments to their needs. However, central control and co-ordination is vital, in particular with a new scheme, if we are to have any hope of avoiding the kind of dispute which arose in Reading when computer specialists in two different departments, but working together, were paid different amounts. The preparation and consideration of these plans will involve a considerable amount of work, for departments and the Treasury, but the working group agrees that this is unavoidable if the schemes are to get off the ground.

#### Timetable

15. If Ministers agree to the introduction of the new schemes the next steps are:-

#### STAGE 1 - 2-3 months from Ministerial approval

Treasury issues requests for departmental plans  
 Treasury opens discussions with national unions  
 Departments prepare plans, consulting local managers.

#### STAGE 2 - 3-4 months from Ministerial approval

Treasury considers departments' plans, and gives formal approval or comments.

#### STAGE 3 - 4-7 months from Ministerial approval

Departments consult at local level  
 Cases where departments cannot agree referred to the Treasury

Amendments to original plan fed back to the Treasury, who would not have to give formal approval provided that the changes were within the scope of the original plan.

16. This timing is based on the views of departments on how long would be needed for each stage. In practice it means that the schemes could not be implemented before 1 January 1988, and that even that date would be difficult to achieve.

17. The timing assumes that there will be no pilot exercise. The Working Party examined this possibility, but decided that it would lead to delay (a period of about six months would be needed for a meaningful pilot) and would allow the trade unions to concentrate opposition on the two or three places selected. It was not clear what would be learnt from a pilot exercise, and most departments agreed that the schemes should be implemented across the board rather than piloted first.

HM TREASURY  
July 1987



cc/c

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

30 July 1987

The Rt Hon George Younger MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building Whitehall  
LONDON  
SW1A 2HB

*John Gange*

*N&P2*

**CIVIL SERVICE PAY**

*attap*

Thank you for your letter of ~~23~~ July.

There does not seem to be any disagreement that, if one takes as the base the actual rates in payment on 1 April 1979, there have been real terms increases for all the main administration grades, as I said in my letter of 6 July. Different results can be obtained if the calculations are based not on what actually happened, but on what would have happened if a different decision had been taken on how to implement the comparability-based findings of Pay Research.

I think we must avoid getting too bogged down in seeing what can be proved by these sorts of statistics. It is all too easy to get drawn down the route of arguing that there is a "right" rate of pay which can be found by making comparisons with the past, or by examining where this or that group stood in a "pay league" at some time in the past. What matters is that civil service pay rates should be set for circumstances of the day, according to what is needed to recruit, retain and motivate staff, within what can be afforded.

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

*Yours truly*  
*Nigel Lawson*

**NIGEL LAWSON**

CIVIL SERVICE. Pay P117



CC/FG



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

MO 20/17/6L

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

13 July 1987

Dear Nigel,

NBPM.

CIVIL SERVICE PAY

Thank you for your letter of 6th July. I certainly agree that we must not let an incorrect perception of Civil Service pay get abroad. However, even allowing for all the problems of statistics, I believe that your statement of the position is arguable. The point of difficulty concerns the base-line in April 1979.

In mid-April my officials sent to yours figures (reproduced in the annex to this letter) which show for the administrative grades from Assistant Secretary to Administrative Assistant declines in real terms of between 11.5% and 6.0% between April 1979 and April 1986. On the basis of these figures what I said in my letter of 26th June was correct, and reflects the position as the majority of Civil Servants understand it.

We heard nothing from the Treasury on these figures until last week. Your officials then sought to argue that because the full

The Rt Hon Nigel Lawson QC MP



implementation of the rates appropriate to 1st April 1979 had been deferred to 1st January 1980, those concerned had had an additional increase then. (Significantly the deferred 1st April 1979 rates were recognised as valid from 1st April 1979 for the purposes of pension.) I fail to see how any considered judgement could conclude that deferment of money for nine months turns a loss into a gain.

I do recognise, of course, why the Treasury would take that line in negotiation with the unions. But we are concerned here with establishing the true position for the Civil Service. If on reflection you still have doubts, I suggest that our people get together to prepare an agreed statement of facts.

I am sending copies of this letter to members of the Cabinet, the Minister of State at MPO, and to Sir Robert Armstrong.

*Yours sincerely,*

A handwritten signature in cursive script that reads "George".

George Younger

MOVEMENTS IN SCALE MAXIMA FOR ADMINISTRATIVE GRADES 1979-1986

GRADE	APRIL 1979	APRIL 1986	% CHANGE SINCE APRIL 1979	% CHANGE SINCE APRIL 1979 IN REAL TERMS
RPI (1974 = 100)	214.2	385.3	79.9	-
AA	3167	5357	69.2	-6.0
AO	4000	6671	66.8	-7.3
EO	5700	9452	65.8	-7.8
HEO	7250	11941	64.7	-8.4
SEO	8900	14629	64.4	-8.6
GRADE 7	11750	19465	65.7	-7.9
GRADE 6	15000	24302	62.0	-9.9
GRADE 5	17000	27065	59.2	-11.5





CIVIL SERVICE

RAY

PTD



PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

ce BG

Prime Minister<sup>2</sup>

dfv

14/7

David Norgrove  
Private Secretary to the Prime Minister  
10 Downing Street  
LONDON SW1

14 July 1987

Dear David

CIVIL SERVICE PAY DISPUTE: CHECK-OFF

at trap

In his minute to the Prime Minister of 18 June, the Chancellor proposed that the Treasury should now take the further necessary preparatory steps to enable check-off to be suspended in the event of substantial industrial action by Civil Service unions.

Since then the Paymaster General has met the Council of Civil Service Unions to hear their representations. He has now written (with the Chancellor's agreement) to the Council saying that he is not persuaded that the necessary amendment to the Civil Service Code should not be made, and that steps would now be taken to put this amendment into effect. I attach a copy of the Paymaster's letter. At the same time the Paymaster has told the Council that Treasury officials would be in touch with them about how in practice this revised Code provision might be used in the future: this is now in hand.

This step is not in itself a suspension of the check-off facility. This would only take place if and when a Civil Service union were taking major official industrial action, which at this moment is not the case (the CPSA - the only Civil Service union remaining in dispute - is still engaged in balloting). We have explained to the unions, and in our material for dealing with Press enquiries, that unions not taking industrial action are not at risk.

I am copying this letter to Private Secretaries to members of the Cabinet, to the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

Yours sincerely  
Simon Jufe

S P JUDGE  
Private Secretary



**PAYMASTER GENERAL**

Treasury Chambers, Parliament Street, SW1P 3AG

P D Jones Esq  
Secretary, Council of Civil Service Unions  
St Andrews House  
40 Broadway  
LONDON SW1H 0BT

14 July 1987

*Dear Peter,*

**CHECK-OFF**

When we met on 30 June, you and your colleagues made further representations about the Official Side's proposal that the Pay and Conditions of Service Code should be amended to set out the circumstances in which check-off may be suspended in respect of unions taking official industrial action. I am grateful for the clarity with which your points were put.

As I promised, we have given very careful consideration to these points. We fully recognise the concerns which the Trade Union Side have on this issue. However, your representatives have not persuaded us that the proposed amendment to the Code should not be made. As I explained at the meeting, the Government cannot lose sight of its responsibilities to the community at large. Nor can it ignore the view that the continuation of the check-off facility, while a union was taking official industrial action aimed at disrupting Government business, would not be in the public interest. Further, notice was originally given in 1982 that this was a step which the Government would have to contemplate in the event of official industrial action. We will accordingly now be taking the necessary steps to put the amendment into effect.

In making this amendment we are acutely aware of the points you raised about the position of unions which are not in dispute, which of course means most of your constituent members for most of the time. I can repeat the assurances I gave you that check-off would not be suspended unless a union was

taking official industrial action. This has been the position since 1982. It is important, however, that everyone understands in detail the circumstances in which check-off might be suspended, and how the Official Side would approach this and its consequences. I have accordingly asked my officials to consult with you over these detailed matters, so that no-one can be in any doubt as to the position, and to amplify the assurances I give about the continuation of check-off for unions not in dispute.

We shall be in touch with you immediately on this.

*Yours sincerely*  
*Peter Brooke*

PETER BROOKE

---

CIVIL SERVICE : Pay PT17.



cc/24



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

6 July 1987

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

*GM Younger*

*WBM*

**CIVIL SERVICE PAY DISPUTE**

Thank you for your letter of 26 June in which you supported the judgement to implement the pay offer and move forward on check off. As you know implementation of the offer is underway but as yet no final decisions have been taken on check off. I will continue to keep you and other colleagues informed of developments in the current dispute.

In the meantime I would like to take up the statement in the third paragraph of your letter where you say that most grades in the Civil Service are worse off than they were in 1979.

I would question this claim. The increase in average earnings for the whole Civil Service between 1979-80 and 1986-87 exceeded the increase in inflation as measured by changes in the retail price index, by 18 per cent. Similarly, if one looks at movements in salary levels (scale maxima) for the main administrative grades between April 1979 and April 1986 compared with inflation, there has been a real increase.

Comparisons of this sort are inevitably tricky. But I would be concerned if the false idea that civil servants have fallen behind in real terms since 1979 took root - not least because of the current dispute. As this is an important area I would be content for our officials to meet to resolve any uncertainties or problems of definition if you felt that would be helpful.

I am glad you welcome the current initiatives on the pay front which should help overcome the wider problems you see facing the Civil Service.

I am copying his letter to other members of the Cabinet, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

*John*  
*Nigel Lawson*

NIGEL LAWSON

CIVIL SERVICE - Pay & Pension  
Pr 17





10 DOWNING STREET

David: 2. Yes <sup>to see</sup> ~~thanks:~~  
David

Following your note below, Chris Cloke will shortly fix a suitable date with Andy for a gathering of Misc 66.

Content now to leave in Cabinet Office's capable hands?

Thank you

Derb.

3/7.



CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

Wle C10  
celly

*From the Private Secretary*

2 July 1987

MISC 66

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 1 July about attendance at MISC 66.

The Prime Minister believes that the particular concerns mentioned by the Foreign Secretary relating to terms and conditions of the Diplomatic Service are matters which should be discussed bilaterally with the Treasury. They would not be appropriate for discussion in MISC 66. The Prime Minister is, however, content that the Foreign Secretary should attend MISC 66 when wider questions about pay and conditions are likely to be discussed. I should be grateful if the Cabinet Office could arrange for the Foreign Secretary to be invited to attend for such discussions and for him to receive copies of the MISC 66 papers.

I am copying this letter to Alex Allan (H.M. Treasury), Michael Stark (Office of Arts and Libraries) and to Trevor Woolley (Cabinet Office).

David Norgrove

A. C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth Office.

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81



Ref. A087/1949

MR NORGROVE

*NBM*

MISC 66

The Foreign and Commonwealth Secretary sent me a copy of his minute of 1 July, asking to be included in meetings of MISC 66 "when wider questions of pay and conditions are discussed".

2. There is a close link between pay in the Diplomatic Service (for which the Foreign and Commonwealth Secretary has Ministerial responsibility) and the Home Civil Service, and I think that the Foreign and Commonwealth Secretary's request is not unreasonable.
3. If the Prime Minister agrees, you may like to write as follows:

A C Galsworthy Esq CMG  
Foreign and Commonwealth Office

The Foreign and Commonwealth Secretary minuted the Prime Minister on 1 July expressing the hope that he could be included in meetings of MISC 66 when wider questions of pay and conditions are discussed.

The Prime Minister has instructed the Secretary of the Cabinet to arrange accordingly.

I am sending copies of this letter to Alex Allan and Michael Stark.

*RA*

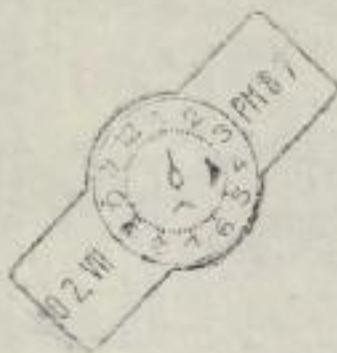
ROBERT ARMSTRONG

2 July 1987

CIVIL SERVICE

PAY

PAY



COMMISSIONER

1907



CONFIDENTIAL

Prime Minister<sup>1</sup>

The Committee must not become a forum for voicing particular FCO concerns - they should be discussed bilaterally with the Treasury.

FCS/87/036

PRIME MINISTER

But agree that the Foreign Secretary may attend when wider questions of pay and conditions are likely to be discussed?

Yes Mr

Misc 66

at top

JWS  
1/7.

1. In his letter of 19 June to Tony Kuczys in Nigel Lawson's office, David Norgrove said that the future handling of the Civil Service pay dispute was to be discussed in Misc 66 together with the Chancellor's paper on geographical pay and related issues.

2. Although I am not a member of Misc 66, I am responsible for one group of Crown Servants with a different status from the Home Civil Service; they also have different terms and conditions of service. The conditions under which Diplomatic Service members work and live are becoming more dangerous and disagreeable, as the Chaplin case and the problems faced by our staff in Tehran have shown recently (and in many other places such as Beirut, Kampala, Kabul and Luanda, for very much longer).

3. There is a close link between the terms and conditions of the Diplomatic Service and Civil Service

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pay. Members of the Service receive the same pay rates. Many of their allowances for service overseas are directly linked to pay at home. At the same time, their commitment to accept postings to anywhere overseas at any time restricts their ability to order their lives and their finances as Home Civil Servants can. This has one particularly damaging consequence: wives who work must accept that they cannot develop a career, and must sometimes endure periods of unemployment.

4. Frustration is growing in the Diplomatic Service about this and related problems. We risk losing more of our most able people, particularly those with expensively acquired language skills, when we will need them most. Pay is the essential ingredient.

5. I hope, therefore, that you might include me in meetings of Misc 66 when wider questions of pay and conditions are likely to be discussed.

6. I am sending a copy of this minute to Nigel Lawson, Richard Luce and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(Geoffrey Howe)

Foreign and Commonwealth Office

1 July 1987

CONFIDENTIAL

CIVIL SERVICE : Pam P17



1300 1000

1300 1000

1300 1000

1300 1000



CONFIDENTIAL

KCBS

FCS/87/140

CHANCELLOR OF THE EXCHEQUER

NBM

file with DRN 20/6

Civil Service Pay Dispute

1. Your minute of 18 June to the Prime Minister, and her reply the next day, invited colleagues' views on two further measures you propose to take.
2. I agree that we should implement the present pay offer, to be paid at the end of July. With three Unions having already agreed the pay offer and some of their members due to be paid at the end of July, there is every reason to implement the pay award for SCPS and CPSA members. Indeed, some SCPS members will receive the award at the end of July in any case, since they are in grades for which the FDA is the main negotiator.
3. On automatic check-off, there is no separate agreement between the Official and Trade Unions Sides of the Diplomatic Service Whitley Council: the arrangements at national level therefore apply. I agree that the

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necessary preparatory arrangements should be made to enable the check-off facility to be applied as soon as possible after Ministers so decide. But we have a technical difficulty on timing: our computer needs to receive instructions by 7 July if July salaries are to be affected.

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

A handwritten signature in black ink, consisting of a stylized 'G' followed by a series of loops and a final vertical stroke.

(GEOFFREY HOWE)

Foreign & Commonwealth Office  
26 June 1987

CONFIDENTIAL



*cyb*

MO 20/17/6L

*NBM*CHANCELLOR OF THE EXCHEQUERCIVIL SERVICE PAY DISPUTE*stop*

Thank you for sending me a copy of your minute dated 18th June to the Prime Minister.

2. I agree with your view that the pay settlement should now be imposed. It is regrettable that agreement could not be reached but the signs are that the campaign of industrial action is losing impetus, apart from the diehards. I also agree that we should take the necessary steps to place ourselves in a position to stop check-off of civil service trade union dues if industrial action continues.

3. But we should not delude ourselves that imposition will be the end of the matter and that the problem will now go away. A quarter of the workforce took positive action and that is quite bad enough. With earnings outside rising at 7%, there is a deep-seated sense of grievance among most civil servants who do not think that they are being treated fairly. Most grades are worse off in real terms than they were in 1979, in sharp contrast to the rise in real earnings



elsewhere. We do not want a public service with low morale, a high and expensive turnover, and a reputation and growing taste for industrial action.

4. I welcome the various current initiatives on pay, including the latest proposals on geographical variation. We have made an important start in introducing a flexible ordered pay system for engineers and scientists. Our aim must be to work out a similar basis for the generality of the service, who I believe will welcome signs of such positive progress. In this matter I do not believe that the CPSA and SCPS, obsessed as they are with their political in-fighting, are truly representative of the majority of moderate-minded civil servants.

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

Ministry of Defence

26 June 1987

24.

CONFIDENTIAL



SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

DN

N L Wicks Esq CBE  
Principal Private Secretary  
10 Downing Street  
LONDON  
SW1

No problem in  
inviting Mr. Hynd 23 June 1987  
(+ I suppose Wales +  
N Ireland) to the discuss  
in regional pay?

Dear Nigel

N. L. W.  
23.6

MISC 66

My Secretary of State has seen recent correspondence about the Civil Service pay dispute. The Chancellor of the Exchequer, in his minute of 18 June to the Prime Minister, refers to London weighting and geographical pay and indicates his intention to circulate a paper on these topics to MISC 66. My Secretary of State is not a member of that Committee. While the issues raised by geographical pay are certainly not confined to Scotland he believes that we have a major interest in both practical and political terms. I should therefore be grateful if my Secretary of State could be invited to join MISC 66 either as a full member or when it discusses geographical pay.

I am copying this letter to Trevor Woolley.

Yours  
Andy Kinnig

H. Robert Gordon  
Private Secretary

CCB/



Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-270 3000 (Switchboard)  
01-270 0549 (Llinal Union)

WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-270 3000 (Switchboard)  
01-270 0549 (Direct Line)

ODDI WRTH YSGRIFENNYDD  
PREIFAT YSGRIFENNYDD  
GWLADOL CYMRU

FROM THE PRIVATE SECRETARY  
TO THE SECRETARY OF STATE  
FOR WALES

CONFIDENTIAL

27 June 1987

NBM.

Dear Nigel

CIVIL SERVICE PAY DISPUTE

My <sup>attn</sup> Secretary of State has seen the Chancellor of the Exchequer's minute of 18 June to the Prime Minister about the Civil Service pay dispute. Because of his particular interest in the issue of "geographical pay" he has asked if he might in future receive papers for MISC 66 and, where he judges it to be necessary, to attend its meetings.

I am sending a copy of this letter to Trevor Woolley in Sir Robert Armstrong's office.

Yours sincerely

*Jon Shortridge*

J D. SHORTRIDGE

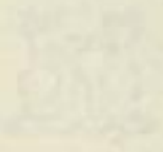
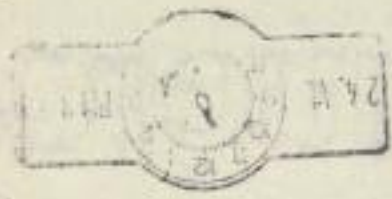
Nigel Wicks Esq  
Private Secretary to  
The Prime Minister

CIVIL SERVICE: Pay PTT7



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Faint, illegible text in the upper right corner, possibly bleed-through from the reverse side of the paper.





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

PRIME MINISTER

*Prime Minister 2*

*DW*

*23/6.*

*cc Bb*

*mt*

CIVIL SERVICE PAY DISPUTE

The two civil service unions remaining in dispute with the Government both held meetings of their Executives today. The Militant Tendency-dominated CPSA decided to continue their industrial action and call for a ballot for an all-out strike from some date in July. The Society, on the other hand, have decided to call off their industrial action pending further talks with the Treasury. These talks are likely to lead a review of grading, without any commitment to new money.

This is a very satisfactory development. It is most unlikely that the now isolated CPSA will secure the endorsement of its members in the forthcoming ballot, while it is even more unlikely that the Society would be prepared to remount industrial action once they have called it off. It is Society members' whose action has caused the main problems at DHSS and Customs Computer Centres, and that will now cease.

As we agreed, we are now moving to put our original offer - unchanged - into payment for both the Society and the CPSA. We shall also move forward, again as agreed, on check-off: this is a change worth making in its own right should there be any future disputes, and it might still be needed now if - against all expectations - the CPSA got a mandate for all-out action.

I will continue to keep you and colleagues in touch with developments. I understand that it has not been possible to arrange a meeting of MISC66 for next week. But it seems to me

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that there are no immediate issues to discuss so far as the present dispute is concerned; and we can consider the question of geographical pay and related issues at some later date.

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

*N.L.*

N.L.

23 June 1987

CONFIDENTIAL

ceBli



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP  
 Secretary of State for Social Services  
 Department of Health and Social Security  
 Alexander Fleming House  
 Elephant & Castle,  
 London  
 SE1 6BY

*Dear Sir,*

23<sup>rd</sup> June 1987

*NBM*

**INDUSTRIAL ACTION IN THE CIVIL SERVICE**

Thank you for your letter of 17 June to Nigel Lawson agreeing the line Norman Fowler had proposed for dealing with the payment of benefits to the unemployed in the latest round of industrial action by civil servants.

At the end of your letter you added that there would be "a bill to pay" for the alternative arrangements which you intend to make in order to ensure the implementation of the social security reforms next April.

I must of course reserve my position on any increase in running costs which you consider might be necessary, until I have seen the full costings. I should also want to see the case for any loss of benefit savings which I understand might be involved in the redirection of 3000 staff to which you refer (if indeed none of the work on income support can be done by computers).

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

*Yours faithfully,*  
*John Major*

JOHN MAJOR

*[Handwritten signature]*



CIVIL SERVICE

PT 4

PT 17





10 DOWNING STREET

David - Thanks. They  
E(UP) are to be members. *HW*

Checked with RTA's office to  
see if Scotland & Wales would  
be on E(UP) committee.

A paper is in draft but RTA's  
office did not know the list  
of invited members.

Are you happy for me to  
BF this for Monday?

Sara  
25/6.



10 DOWNING STREET

David

Please see your note below about Misc 66 and E(UP)

Misc 66: RTA's office, Scotland + Wales have been informed that they will be invited to this committee. Northern Ireland also to be invited by committee office.

E(UP): Scotland and Wales have not been told whether they will be attending. Both offices will ring back when they know.

No. The point Sara here is to ask

RTA's office whether they are on the list <sup>25/6</sup> phoned RTA office submission draft, don't know list



10 DOWNING STREET

Prime Minister

Content that the  
territorial Ministers  
should be present for  
a discussion of geographical  
pay in Disc 66?

JKW

23/6.



10 DOWNING STREET

CF

Please tell ~~RTA's~~ <sup>zone.</sup>  
Office that

Scotland

Wales

N Ireland

are to be invited to

disc 66 when it discusses  
geographical pay. Please

also tell ~~Scotland's~~ <sup>270-6740</sup>  
~~Wales~~ <sup>270-0538</sup> that this is to

be done.

Could you also check

please that Scotland <sup>with</sup>  
and Wales <sup>with who know</sup> are to be  
on the new committee  
E(UP)?

DWS  
25/6

CONFIDENTIAL



File DLH  
also in file

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 June 1987

**CIVIL SERVICE PAY DISPUTE**

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

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

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

DAVID NORGROVE

Tony Kuczys, Esq.,  
H. M. Treasury

Z/S

CONFIDENTIAL

# DEPARTMENT OF ENERGY

## ***Departmental Whitley Council - Trade Union Side***

Thames House South, Millbank, London SW1P 4QT Tel. 01-211-3396

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
LONDON  
SW1P 4QJ

*pa*

Date: 19 June 1987

*Dear Secretary of State*

On behalf of the Trade Union Side may I welcome you to the Department of Energy.

There are, of course, a number of major issues at a national level which continue to cause grave concern to our members - in particular, the treatment of trade union membership at GCHQ and the demoralising effect of poor pay of the Civil Service.

At a local level, there are also areas of concern, which we are discussing with Departmental management - for instance, the erosion of efficient working and the deterioration in morale arising from the problems of recruitment and retention of junior staff within the Department, the state of our current accommodation in THS and the uncertainty over the projected move to a new building.

I am nevertheless pleased to say that, on a personal level, our members' relationship with Ministers have always been good (as they have with our own Departmental management). Clearly good communication between us is vital to maintaining this. We should therefore welcome an early opportunity to meet you and exchange views. We would like to invite you and your colleagues to an informal drink one lunchtime. Perhaps your office could let me know a suitable date?

*Yours sincerely*

*R G Potter*

R G POTTER  
TUS Chair

cc No 10 ✓  
MOS  
PUSS  
PUS  
PEFO



*ce 39*



Caxton House Tothill Street London SW1H 9NF

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

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

*Nigel Lawson*

19 June 1987

*- in PM's box?  
NRBM*

CIVIL SERVICE PAY DISPUTE

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

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

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

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

*John, etc* *Norman Fowler*

NORMAN FOWLER

CIVIL SERVICE DISPUTE

The Chancellor has minuted you about the state of play in the Civil Service pay dispute proposing two further measures to combat the strike.

State of Play

Four of the six main Civil Service unions have already settled and new rates of pay for their members have been implemented. The CPSA and SCPS representing clerical and executive staff are still in dispute and after a further ballot are conducting a second round of industrial action involving two-day strikes region by region. Only 70,000 of the 300,000 staff in the grades covered by these unions voted in favour of strike action.

Earlier this week, the unions had talks with Treasury officials which the latter thought might lead to a settlement based on a move to more flexible pay and longer term pay arrangements on the lines agreed already by the IPCS. However, it became clear that the unions were not prepared to agree without something 'up front' and the talks broke down. The Treasury have made it clear that no more money is on the table.

Dispute Likely to Fizzle Out

Against this background, the Government's decisive win in the General Election and the approaching summer holidays, it seems highly likely that industrial action will fizzle out after the next round. The unions intend to ballot on all out strike action but are unlikely to get a vote in favour. Even if they do, there seems unlikely to be sufficient support to keep the action going for more than a few days.

Separately, the unions are hitting key targets such as the Customs and Excise computer at Southend and this is beginning to have a noticeable effect on Government finances.

#### Implementing the Offer

There is therefore everything to be said for trying to tilt the balance against the strike. Implementing the pay offer, as proposed by the Chancellor, would help do this because it would be a clear signal to the unions and their members that the Government regarded the dispute as over. In addition it would be widely welcomed by the overwhelming majority of staff who are not in unions or who have not voted in favour of strike action.

#### Ending 'Check-Off'

Similarly, it makes sense to take the action necessary to stop at the end of July automatic deduction from salaries of subscriptions to the unions in dispute. This brings three benefits. First, it will make it more difficult for the unions to raise revenue should the strike continue beyond the end of July. Second, it ends the absurd situation at present in which the Government assists the unions with whom it is in dispute. Third, once action has been taken to amend the Civil Service Code, the Government is in a position to stop automatic deduction immediately in future disputes.

#### Conclusion

We support the two measures the Chancellor proposes to combat the effects of the Civil Service dispute.

*Peter Stredder*

PETER STREDDER

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PRIME MINISTER

CIVIL SERVICE PAY DISPUTE

The Chancellor's minute below proposes first, that the Government should implement its pay offer. This must be right.

Secondly, it proposes that the final step should be taken to put the Government in a position to stop check-off if necessary. I understand you were concerned about this proposition. The intention, however, is not that check-off should be stopped now, but only if the dispute continues. The facility would be reinstated once the dispute ended.

Content, subject to colleagues' views, that the pay offer should be implemented and that the final preparations for stopping check-off should be made?

The Chancellor has in preparation a paper on geographical pay and related issues. It would be helpful to meet around the end of the month to discuss this and the future handling of the dispute. (The final actions in this round of the dispute will be taken on 1 or 2 July.) Agree?

Smalls  
D. Clerk

Yes not

P.P.

D R NORGRIVE  
18 June 1987

DS2ABV

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CCB4



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

PRIME MINISTER

**CIVIL SERVICE PAY DISPUTE**

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

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

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



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

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

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

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

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

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

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

*N.L.*

N.L.

18 June 1987

PERSONAL AND CONFIDENTIAL

MR WICKS

CIVIL SERVICE DISPUTE

I had a talk with Peter Kemp today about the Civil Service dispute and about militants in the CPSA.

Peter does not believe that the dispute is primarily about money. That is one reason why he has not recommended an increase as a means of bringing the dispute to an end. He says people at junior levels who are supporting strike action are "absolutely fed up" and "cheesed off" with their employer.

The Government has, in Peter's view, done wonders in improving the operation of the Civil Service at local levels. But the staff feel that their pay has not gone up at a time when staff numbers have been falling and workloads have been increasing. The environment in which they work is often appalling, as Lord Rayner found when he visited local offices.

Peter has discussed with union leaders the growth of Militant in the Civil Service unions. When asked why they let militants take over, they say that it was the Civil Service who hired such people, who then become members of the unions. But Peter does not believe this to be a full explanation. Aside from those who may have joined in order to make trouble, some of those who are proving difficult are people who joined as Clerical Officers with degrees, not good degrees, but degrees nonetheless. They then become increasingly frustrated and are not managed well enough to prevent this. They feel that the Government is hostile to the Civil Service and react accordingly. It is not otherwise possible to explain the election of someone like MacCreadie on an avowedly Militant ticket.

Peter says he has a number of ideas for improving the situation. Among other things, a different tone of voice by the Government would help (he says that one or two of the Prime Minister's recent favourable comments have been noticed)

PERSONAL AND CONFIDENTIAL



and a simple programme of painting local offices would be useful. I think he has other ideas, but did not mention them in our conversation. He says, however, that the Chancellor is simply not interested in Civil Service management or in improving the morale and motivation of the staff. He is pleased that Civil Service pay is being held down successfully.

These were very much off the cuff remarks and I do not think Peter would want to be held to every detail. But I think he has an understanding of the feelings of those at the bottom of the Civil Service through his discussions with union leaders and others.

S. Mann's

D. Clark

PP  
D R NORGROVE

18 June 1987

DS2ABT



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

*From the Secretary of State for Social Services*

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

*NBP at this stage.*

*June 17.*

*Dear Nigel.*

INDUSTRIAL ACTION IN THE CIVIL SERVICE

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

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

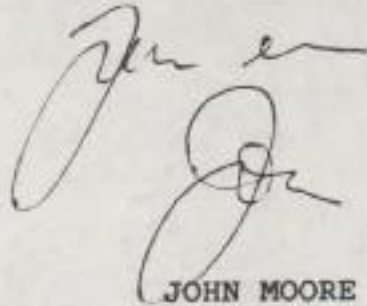
I support a firm line in relation to the dispute but I must register the extent to which it may very likely have a serious impact on this Department. Apart from what I have reported in the previous paragraph I expect on next Monday, 22 June, to bring in 20 more consultants to complete the computer system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

**E.R.**

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

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

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



JOHN MOORE





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

17 June 1987

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

Dear Secretary of State,

**INDUSTRIAL ACTION IN THE CIVIL SERVICE**

Thank you for your letter of 16 June.

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

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

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

Yours sincerely,  
Cathy Ryding

PP NIGEL LAWSON

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

*with sec/pm?*

*NBL*



10 DOWNING STREET

Prime Minister <sup>2</sup>

You might like to  
ask the Chancellor tomorrow  
for his assessment of the  
position on the civil  
service dispute.

DW

16/6

mb

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6460

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Facsimile 01-213 5465 Telex 915564

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

*Baroness Thatcher* <sup>2</sup>

*D. G. L.*  
*16/6.*

16 June 1987

*Nigel*

#### INDUSTRIAL ACTION IN THE CIVIL SERVICE

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

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

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

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

CONFIDENTIAL



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

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

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

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

*John Moore*

NORMAN FOWLER

cc BG



Prime Minister 2

JWS  
8/6

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

5 June 1987

David Norgrove Esq  
10 Downing Street  
LONDON  
SW1

mt

Dear David,

#### CIVIL SERVICE PAY DISPUTE

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

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

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





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

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

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

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

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

*Yours  
Alec*

A C S ALLAN  
Principal Private Secretary

To be attached to ACSA-Norgrove 5 June

OCB

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

**1987 PAY**

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

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

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

cc 35



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

29 May '87

David Norgrove Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

Prime Minister<sup>2</sup>

mt

Dear David,

**CUSTOMS STRIKE**

As you know, the action by Customs Officers at ports has generated a fair amount of media interest. The action itself is of course the responsibility of Treasury Ministers, but this Department does have responsibility for ports and Ministers here felt that you might find it helpful to have a brief situation report on the effect of the action.

There has undoubtedly been a great deal of disruption and inconvenience at some ports but overall the position seems to be less serious than has been suggested in the media. As intended by the Customs Officers, exports have been most affected; there has in general been little impact on imports (although at a few ports imports have also been delayed) and there appears to have been no delays to passengers or cars. MAFF report that the delays in exports are resulting in consignments missing agricultural product markets and that the capital being tied up in stock en route could be serious for small businesses. We understand that when normal customs service resumes, agricultural shippers will be requesting priority for their shipments. Manufacturers do not appear to be registering any great concern with DTI. The Road Haulage Association and Freight Transport Association have been deliberately advising their members to keep a low profile so as to avoid giving the strikers any encouragement. Their member companies report that traffic has been getting through, albeit slowly, in many cases because operators have been able to switch loads between ports. The main concern of both Associations is that the action could develop into a national strike which would be much more difficult for them to deal with.

Customs Officers resumed normal working at Dover yesterday evening and work has since been or is likely soon to be resumed at the other ports affected. The timing and extent of further action is uncertain, at least as far as ports' management are concerned, though there are a number of indications of possible action on 8, 9 and 10 June. Officials here will continue to monitor the situation.

C O N F I D E N T I A L

I am copying this letter to the private secretaries of other Cabinet Ministers, to Debbie Francis in Peter Brooke's office, and to Trevor Woolley in Sir Robert Armstrong's office.

*Yours,*

*Jon.*

JON CUNLIFFE  
Private Secretary

C O N F I D E N T I A L

cc Bl

SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)  
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Oddi wrth Ysgrifennydd-Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

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Tel. 01-270 3000 (Switchboard)  
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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

7 May 1987

CONFIDENTIAL

Dear Nigel

at 10.15 pt 16.

NBLM

GEOGRAPHICAL PAY VARIATIONS

Thank you for sight of your minute of 4 March to the Prime Minister together with the copy of the general report on regional pay variations in the economy generally. I have seen the various responses that you have received from colleagues and I agree entirely with the reservations expressed by Malcolm Rifkind. I can confirm his view that potential inward investors give more consideration to factors such as the quality of the labour force, the financial package available and infrastructure than they do to variations in wage rates. Our success in recent years in attracting a high proportion of the inward investment to the UK demonstrates this.

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

What is clear is that the situation is worse in  
Suggesting that makes the pay high wages in the  
South East we should get better  
Growth was done in the Region

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

*[Handwritten signature]*  
NBL



CIVIL SERVICE. pay - p 17.

PRIME MINISTER

CIVIL SERVICE PAY STRIKE: FAMILY INCOME SUPPLEMENT BRIEFING  
NOTE

The facts on civil servants receiving Family Income Supplement are:-

- No more than 300 DHSS staff are receiving FIS: the precise number is 286 - out of over 95000 at 1 April 1987.
- No more than 4,000 non-industrial civil servants might even qualify for FIS and of those no more than 2000 are likely to be receiving it.
- The total number of people receiving FIS in the whole public sector is 27,000.
- The Unions have claimed that 100000 civil servants earn less than £100 per week. The Treasury estimate that as a result of the pay offer there would be about 3000 civil servants, virtually all juveniles, earning less than £100 a week.

Background

A total of 202,000 are receiving Family Income Supplement. The take-up rate is estimated to be 50% of those eligible. It is estimated that there will be 400,000 receiving Family Credit after its introduction, assuming the published estimate of a 60% take-up rate.

I am copying this note to Nigel Lawson, David Young, Richard Luce and Robert Armstrong.

*Nicholas Lyell*

NICHOLAS LYELL

*copy*

CONFIDENTIAL



QUEEN ANNE'S GATE  
LONDON SW1H 9AT

6 May 1987

*Dear Nigel,*

*NBM.*

CIVIL SERVICE PAY DISPUTE

*R. L. with DRW*

Thank you for sending me a copy of your minute of 29 April to the Prime Minister. I have no Departmental points to make on the continuing low key approach which you advocate, and with which I agree. I can confirm that we have reviewed our contingency plans against possible trouble in London and the South-East this week and in the longer term. The Metropolitan Police are conscious of possible implications for public order.

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

*Yours,  
Douglas*

The Rt Hon Nigel Lawson, M.P.

CONFIDENTIAL



CONFIDENTIAL

*cc BA*

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



From the Minister

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

*NBM*

6 May 1987

GEOGRAPHICAL PAY

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

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

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

/Predictably ....



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

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

*From  
Michael*

MICHAEL JOPLING



Chancellor of the Duchy of Lancaster

 CABINET OFFICE,  
 WHITEHALL, LONDON SW1A 2AS

 Tel No: 270 0020  
 270 0296

 5<sup>th</sup> May 1987

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

D Nigel

CIVIL SERVICE PAY DISPUTE

Thank you for the copy of your minute of 29 April to the Prime Minister.

I agree that we should continue with our present approach to this dispute until the six-week rolling strike programme has been concluded. We may need to review matters further then. It will be useful to have a report on the response to the call for strike action.

I have also seen Richard Luce's minute of 30 April to the Prime Minister. Perhaps I should reiterate the point I made in my letter of 8 April. I see no merit in considering now the development of new pay arrangements with the CPSA on the lines of the IPCS deal. The union leaders have no incentive at present to settle, or to enter discussions of this kind. To indicate the possibility of new pay proposals will tend to confuse the issue, and allow the unions to represent ours as a shifting position. We should not be able to be seen as negotiating under duress.

I am sending a copy of this letter to the Prime Minister, members of Cabinet, the Minister of State, Privy Council Office, and to Sir Robert Armstrong.

NORMAN TEBBIT

CONFIDENTIAL



bc fg

D89

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

1 May 1987

Dear Cathy,

CIVIL SERVICE PAY DISPUTE

The Prime Minister has seen the Chancellor's minute of 29 April about the handling of the Civil Service pay dispute, and is content that the Secretary of State for Employment should take the lead in emphasising the damage being done, that the Minister of State, Treasury, should hold himself available for more general defence and explanation of the Government's position and that officials should prepare a line to take and briefing.

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

Yrs,

David

David Norgrove

Mrs. Cathy Ryding,  
H.M. Treasury.

CONFIDENTIAL

BR



10 DOWNING STREET

David, Fri, Harold.

Please see the top letter. Caroline Slocock phoned me this morning to say that the statement would be released at 11 o'clock today, and did you/pm have any comments? I spoke to New who advised that it go out under the discretion of Lord Young, Ch/Ex and the minister of state, P.C.O.

I relayed this to Caroline Slocock.

Sue  
Duty Clerk  
1.5.87.



## MINISTER OF STATE, PRIVY COUNCIL OFFICE

C87/2006

PRIME MINISTER

NBM.

30 April 1987

## CIVIL SERVICE PAY DISPUTE

I agree with the Chancellor in his minute of 29 April that we should continue with our present low-key strategy for the time being. We would gain nothing from changing our tactics in the next couple of weeks.

2. I agree also, however, that the dispute seems likely to move into a new phase in mid-May, when the six-week rolling programme ends and the unions hold their conferences. We shall need to consider our options carefully around that time in the light of developments.

3. The Chancellor referred in his minute of 7 April to the possibility of developing with the CPSA a modest version of our new flexible pay proposals on the lines of the recent IPCS deal. I would also see some advantage in offering talks with the unions about wider issues on working conditions and perhaps group incentive schemes. We may wish to indicate to the union leaders at the right moment that these ideas are on the table.

4. Whatever is done will need to be based firmly on the management interests of the Service and the need not to undermine the position of those unions which have already settled.

5. I am sending copies of this minute to members of the Cabinet and to Sir Robert Armstrong.

*Richard Luce*

RICHARD LUCE

CONFIDENTIAL

CCB/G



Caxton House Tothill Street London SW1H 9NF

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

30 April 1987

*Nigel*

*NBM*

**CIVIL SERVICE PAY DISPUTE**

I agree with the assessment in your minute of 29 April to the Prime Minister and with your proposal to continue with the present low key strategy.

... I intend to make a statement before the strike action begins to hit claimants in London and the South East. I attach a copy which I intend to issue on Bank Holiday Monday 5 May, so that it is in the papers on Tuesday. I hope this timing will achieve reasonable press coverage and, more importantly, reduce the chance of it being used to prompt those who might wish to exploit the public order issues about which I wrote to Douglas Hurd earlier this week. I think it is essential however to get a clear statement out before the strike action actually bites.

I hope to take the opportunity of an appearance on BBC TV's "This Week: Next Week" over the weekend to make some of the same points. I welcome the fact that the Minister of State (Treasury) will hold himself available for a more general defence of the Government's position. The more we can make clear the reasonableness of the offer the better our position will be understood by the general public.

I understand that officials are arranging for colleagues to have a briefing note available for use over the weekend.

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

*Lawson*

CONFIDENTIAL

DRAFT PRESS STATEMENT BY THE RT HON LORD YOUNG OF GRAFFHAM  
SECRETARY OF STATE FOR EMPLOYMENT

This week tens of thousands of unemployed people in London and the South East will not get the benefits they need. This is solely the result of the action being taken by members of two civil service unions - the SCPS and the CPSA.

Their action caused considerable hardship in Scotland over the Easter holiday, when many families had to wait for their money. Despite this the unions now intend to repeat their action in London and the South East. As they did in Scotland, the unions will be aiming to close not only large numbers of unemployment benefit offices but also, on Thursday and Friday, the computer at Reading which serves them. The effect of this combined action will be to make it once again impossible for the Department to pay benefit to large numbers of unemployed people.

The union leaders, including the General Secretary of the CPSA, still say their primary target is the Government, not unemployed people. But as I have said before they are going



CONFIDENTIAL

out of their way to target their action on the most vulnerable section of the community - the unemployed. Why else would they deliberately aim to close not only Unemployment Benefit Offices but also many Social Security Offices in London and the South East which might otherwise have been able to make emergency payments to the thousands of people involved?

I do recognise that the civil servants taking this action have a difficult job. But they have been made an offer which is above the rate of inflation and this for the second year running. For many the increase on offer is in the region of 5-6%; no one over 17 will get less than a £5.75 per week increase; and there are significant improvements in the qualifying period for leave. This is an offer which many other civil servants have already accepted. I am sure the public will find it hard to understand how it is that civil servants in secure jobs could take this action against the unemployed people they serve.

I hope they will think again.

CONFIDENTIAL

CIVIL SERVICE : Pay : Pk 17





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The Rt Hon Douglas Hurd QC MP  
 Home Secretary  
 Home Office  
 50 Queen Anne's Gate  
 London SW1H 9AT

*Prime Minister<sup>2</sup>*

*29 April 1987*

*DH*  
*29/4.*

*mt*

*Douglas*

**INDUSTRIAL ACTION IN THE CIVIL SERVICE - EFFECT ON LONDON  
 UNEMPLOYMENT BENEFIT OFFICES**

You will want to know of the likelihood that quite large numbers of unemployed people in London and the South East - some of them in potentially awkward areas like Brixton - will probably not get the payments of unemployment and supplementary benefit which they will be expecting next week. This is due to a combination of almost certain strike action at local Unemployment Benefit Offices and at the Reading Unemployment Benefit Service Computer.

At present the precise effect is very hard to predict. The Reading Computer and a good many of our offices throughout London and the South East are likely to be affected by strike action next Thursday and Friday. In addition staff in some 70 offices - mostly in London - are being called out for the rest of the week as well. Based on our experience in Scotland earlier this month, where we faced a similar combination of action at local offices and at their linked Computer Centre at Livingston, we estimate that up to 100,000 people due a payment next week may not get one until early the following week. Those most at risk are claimants due to receive a girocheque payment from Reading next Thursday, Friday and Saturday. Amongst the offices which are likely to be targeted for strike action throughout the week and where the chances of getting payments out will thus be correspondingly reduced - are offices such as Brixton, Hackney, Woolwich, Borough and Kings Cross.

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Norman Fowler may be able to comment on whether the Social Security Offices in the targeted locations will be able to make at least some emergency payments to those affected. In Scotland, however, the unions deliberately targeted DHSS offices for strike action in the same locations as the Unemployment Benefit Offices which they sought to close, with the result that claimants were thrown back on whatever resources the local authorities could provide. While the reaction of most of the claimants affected in Scotland seems to have been one of resignation, it could be different in parts of London.

We shall obviously seek as next week progresses to get out as many payments as possible. However, I thought you would want - from a public order viewpoint - to know of the position. I have asked my officials to keep yours in touch later this week when we will be better able to judge the likely impact of next week's action.

I am copying this letter to the Prime Minister, Nigel Lawson, Norman Fowler, Norman Tebbit and Nicholas Ridley.

*Lawson*  
*Nicholas Ridley*

- 2 -

CONFIDENTIAL

cebb



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

PRIME MINISTER

Prime Minister 2

CIVIL SERVICE PAY DISPUTE

mb DLS  
29/4.

My minute of 7 April set out the background to this dispute and proposals for its immediate handling.

We are now in the fourth week of the unions' six week rolling programme. Although this programme has been relatively well supported in the various regions, its effects in terms of cost and social and economic disturbance have so far been small. A rather higher profile can perhaps be expected next week when the rolling programme reaches London, where a combination of computer centres stopping work and the May bank holiday could lead both to more difficulty and to more media attention. Nevertheless my judgement is that we should continue with the low key strategy I originally proposed; and my view is that on this basis we should let the six week rolling strike programme run through until 15 May.

That is the point at which further decisions will be needed. For their part the two unions concerned will need to decide whether to go through with their proposed ballot for "all out action", or whether to go for some less extreme proposals (eg another round of the present rolling strikes), or even, although this is less likely, call a halt. We for our part will have to decide whether we are prepared to make any move at all to try to help woo the unions away from more extreme courses, or whether we should simply sit it out in the expectation that if we do the extreme courses will come to nothing. But, to repeat, we do not have to take a decision on this now.



We have put in hand the steps that would enable us to suspend check-off in due course if that is what we decide, but I do not propose immediate implementation of any of the other measures that have been discussed beyond normal and firm managerial action. Our colleagues will, however, need to ensure that their contingency plans against possible trouble in and around London next week are in good order; and we must continue to try to get the right presentation across to the public. On this I would like to suggest, that as over Easter in Scotland, the Secretary of State for Employment should take the lead in emphasising the damage being done by the unions to the unemployed and other claimants, while the Minister of State (Treasury) will hold himself available for more general defence and explanation of the Government's position. If you and others agree I will ask my officials, in conjunction with the officials of other Departments as appropriate, to help prepare a line to take, and to arrange for briefing to be circulated among all our colleagues for use as appropriate.

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

*Cathy Ryding*

PP

N.L.

(Approved by the Chancellor  
and signed in his absence)

29 April 1987

CIVIL SERVICE

PAY

PT 17



CCBG

Ref. A087/1105

PRIME MINISTER

Prime Minister!

Concur with the proposed scheme  
and draft P&A answer, and treat  
~~the~~ increments should be pensionable,  
subject to the views of colleagues?

Yes no

Discretionary Pay at Grades 2 and 3DRN  
21/4.

In my minute of 16 December about discretionary pay at Grades 2 and 3 I said that I should be circulating the proposed scheme so that Permanent Secretaries could go over it with their staff in these grades and also that there could be consultations with staff interests.

2. This process has now been completed. Subject to the issue of pensionability, discussed below, on which a decision is needed, the way is open for you to announce the details of the scheme. It would be convenient to do this at the same time as you announce the Government's decisions on this year's Report by the Top Salaries Review Body (TSRB); otherwise the Review Body announcement will give rise to a lot of supplementary questions about the discretionary pay scheme.

#### General Reaction

3. Reaction from senior staff to the scheme has been mixed. The principle of linking pay and performance is becoming much more generally accepted, but there has been criticism of specific aspects of the scheme, such as the size of the discretionary increments and the expectation that no more than 25 per cent of staff in each grade will be in receipt of increments at any one time even though this is what the TSRB recommended. The unions concerned, who have representational but not negotiating rights at this level, have also been consulted. Generally speaking their views are on much the same



lines as those of senior staff. They are particularly concerned about the details in so far as these might set a precedent for lower grades for whom they do have negotiating rights.

4. I do not think that this reaction is surprising. Indeed there are positive elements in it: the general acceptance of the principle of relating pay to performance, and the agreement that in principle discretionary increments are preferable to performance bonuses. I would not expect there to be any dramatic change in attitudes overnight when the scheme is introduced. But it will be important to keep the working of the scheme under close review when it is in operation to see whether and how it can be improved; and there are two particular points of criticism which I think it would be useful to address now.

#### Extension to other grades

5. First, many Permanent Secretaries reported the view that it was wrong to introduce performance pay solely for the most senior grades and that it should be extended down the line to other grades with all due speed.

6. I sympathise with this view. As it happens, there have been some important recent developments, not public at the time of consultation, which show considerable progress in the extension of performance pay to other grades. MISC 66 has agreed that there should be a new scheme of performance-related pay for Grades 4 to 7 when the performance bonus experiment ends in March 1988. As an interim step in that direction the Treasury, with the support of the Cabinet Office (MPO), has proposed to the unions in this year's pay negotiations that there should be a new increment for Grade 5s from September 1987, to be known as a performance point, the award of which will be linked to performance markings in annual reports. The Treasury have also told the unions that they will be bringing forward proposals which will allow accelerated incremental

progression for outstanding performance by staff down to Grade 7 coupled with the withholding of increments for staff whose performance falls below an acceptable standard. And lower down the Service, below Grade 7, there is now the new provisional agreement with the Institution of Professional Civil Servants, a radical departure from traditional pay arrangements which includes the use of a discretionary range of points linked to performance markings in annual reports to reward the best performers. This scheme, which has been accepted overwhelmingly by IPCS members, could provide an important model for other grades. Indeed in the present pay round the Treasury has offered to discuss it with the unions to the extent that it might be applicable to their members and while some unions are showing no interest others clearly think it worth following up.

7. There is therefore a good deal of progress to report on performance-related pay. It would be useful if, when you announce the Government's decision on the Review Body reports and the details of the discretionary pay scheme for Grades 2 and 3, you could answer a written Parliamentary Question which drew together all the threads on performance pay. From April 1988 over 80,000 civil servants will be covered by performance-related pay arrangements, and the scheme for Grades 2 and 3 needs to be seen in that context. I attach a draft text for this purpose.

#### Pensionability

8. The second point about which staff feel strongly is pensionability. The TSRB have been silent on whether or not discretionary increments should be pensionable, and the issue has so far been left open. The Treasury have analysed the options and concluded that the choice is between full pensionability and no pensionability. There are options in between but none is attractive.

9. It can be argued in favour of full pensionability that:

a. these payments are in the nature of long-term pay increases, earned by sustained high performance, albeit withdrawable if performance falls off, and as such should be fully pensionable in the normal way;

b. not to make the payments fully pensionable would inhibit development of the Civil Service pay system by creating two sorts of reward, one pensionable and one non-pensionable, making it more difficult to increase the proportion of base salary which is discretionary and linked to performance, as we wish to do;

c. while it would be possible to impose a non-pensionable scheme of discretionary increments on Grades 2 and 3, this would give a very bad start to the "flexible pay" deal provisionally agreed with the IPCS, which would need to follow the same rules; and it would make it more difficult to persuade staff to accept discretionary pay arrangements more widely in the Service;

d. there is a difficult precedent in the NHS general managers' performance-related pay scheme, which is wholly pensionable.

10. Against pensionability there are the arguments that:

a. even with the assumption of a pay bill otherwise unchanged, there is probably an additional overall cost involved if it is assumed that discretionary increments will tend to go to people closer to retirement than the average;

b. unless clear rules are laid down and observed, judgment about the award of increments could be distorted

by the disproportionate increase in the value of pensions which would accrue to recipients if increments were pensionable. By the same token withdrawability in practice could become more difficult;

c. performance bonuses are not pensionable (but of course they are rather different);

d. if a concession is to be made on pensionability it should be kept in reserve for some later stage in the Civil Service pay negotiations.

11. In my judgment the balance of argument is in favour of making discretionary increments fully pensionable. I am persuaded that it would be mistaken to make them completely non-pensionable, and I accept that there is no satisfactory half-way house between non-pensionability and full pensionability. I am influenced by the need to get performance pay off to a good start, so that it can be extended successfully through the Service. Discretionary increments will be as much a part of the pay of the individuals concerned as normal increments already are, and the fact that they have been earned by outstanding performance is not a good reason for treating them less favourably for pension purposes.

#### Conclusion

12. If you are content with the scheme as it now stands, including the proposal that discretionary increments should be pensionable, I recommend that you should answer an arranged written Parliamentary Question on the lines of the text attached. For the reasons indicated in paragraph 2, it would be sensible to announce the Government's decisions on the discretionary increments scheme at the same time as (but separately from) the announcement on the Review Body Reports. If it is decided to make that announcement on 23 April, and you

agree to make the statement on discretionary increments and performance pay the same day, a Question will need to be put down on Wednesday 22 April. When the announcements have been made I will put in hand arrangements for the first increments to be in payment later this year. Arrangements are already in hand for the introduction of new appraisal arrangements for these grades.

13. I am sending copies of this minute and attachments to the Chancellor of the Exchequer and to the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

21 April 1987

## PERFORMANCE PAY

### Draft Written Parliamentary Question and Answer

① Question: To ask the Prime Minister what progress has been made with the introduction of performance-related pay in the Civil Service.

Answer: The Government is in favour of strengthening the link between pay and performance at all levels in the Civil Service.

At the most senior levels a scheme for the introduction of discretionary increments for staff in Grades 2 and 3 is being introduced this year in accordance with the recommendations of the Top Salaries Review Body. This scheme will provide additional pay for the best performers in recognition of sustained high performance. The first increments will be in payment with effect from 1 October and will be withdrawable on a mark-time basis where performance falls off over a prolonged period. I am placing details of the scheme in the library of the House.

*is this understood by "mark-time" basis?*

For staff from Grade 3 down to Grade 7 a scheme for the annual award of performance bonuses has been in operation on an experimental basis since April 1985. This experiment will end in March 1988, when it will be replaced with a new performance-related scheme for Grades 4 to 7 which will take account of experience with the performance bonus experiment. The details of the new scheme will be announced in due course after consultation with staff interests, but as an interim measure we have proposed to the unions concerned that a new performance point should be introduced at Grade 5 with effect from 1 September 1987 in respect of people who have been on the maximum of their scale for at least one year. The receipt of this new increment would be linked to performance markings in the annual reports of the individuals concerned.

For staff who have not yet reached the normal maximum salaries for these grades we intend to bring forward proposals which will enable them to earn accelerated incremental progression in return for outstanding performance coupled with the withholding of increments in the case of performance which does not fully meet the requirements of the grade.

We have also entered into a provisional agreement with the Institution of Professional Civil Servants under which we expect a start to be made in April 1988 on using discretionary range points of pay, again linked to performance markings in annual appraisal reports. This arrangement covers staff in most of the grades for which the IPCS has sole national representation.

Taken together these new arrangements mean that from April 1988 over 80,000 civil servants will be in grades covered by performance-related pay. This represents a major step forward in the management of the Civil Service. We hope that it will be possible to bring other staff not covered by these new arrangements within the scope of similar schemes in due course.

## BETTER LINKING OF PAY AND PERFORMANCE IN THE CIVIL SERVICE

### DISCRETIONARY INCREMENTS FOR GRADES 2 AND 3

Following the recommendations of the Top Salaries Review Body (TSRB) in 1985 the Government are introducing discretionary increments for Grades 2 and 3 in 1987-88, as part of their policy of strengthening the link between pay and performance in the Civil Service.

The best performers in these grades will be able to earn additional pay by way of additional increments in recognition of their sustained high performance over a period of years. The levels of these increments are set out in Annex A which reflects the Government's decisions following the TSRB's recommendations in its 1987 report. [The increments will be fully pensionable.]

#### How the Scheme will Work

The aim is to encourage and reward the best performers. Guidance on factors to be considered is in Annex B. The receipt by an individual of one discretionary increment will require exceptional performance while the receipt of a second will be rare and the receipt of a third yet more rare still. Subject to experience detailed "quotas" are not proposed for these grades but the expectation is that if the criteria are rigorously applied no more than 25 per cent of the staff in each grade across the Service will be in receipt of one or more discretionary increments at any one time, as recommended by the TSRB.

Increments will be withdrawable on a mark-time basis if performance falls off over a prolonged period.

Discretionary increments will be given by Heads of Departments at Grade 1 level. Special arrangements have been made for smaller Departments not headed at Grade 1 level. Increments for Grade 2s will be subject to approval by the Head of the Home Civil Service. Staff on secondment to another Department will be considered equally with the importing Department's staff, but increments will require the approval of the parent Department. Increments for staff seconded to outside bodies will be considered by parent Departments.

The central Departments will monitor awards to ensure as the scheme builds up that the criteria are rigorously and consistently applied in accordance with the previous paragraphs and that the overall cost is contained within what can be afforded. Costs are to be met from within running cost limits.

#### Timing, Confidentiality and Appeals

First increments will be in payment in the second half of 1987-88 and will be backdated to 1 October 1987. Recipients will be told that they have been given increments in an interview with their line managers arranged for the purpose. The names of individual recipients will not be disclosed but the overall total number and value will be published annually. There will be no special machinery for appeals against the non-receipt of discretionary increments or the withholding of increments but the normal Departmental appeals machinery will remain available.

### **Performance Bonus Scheme**

Grade 3s who have not been on the maximum of their normal salary scale for at least one year at 1 October will for 1987-88 remain within the present performance bonus scheme. All other Grade 3s will be considered for discretionary increments.

### **Personal Pay Points**

The new salary points above the normal maxima for Grades 2 and 3 may also exceptionally be used to provide flexibility for other purposes, in accordance with Annex C. The unified intermediate pay points (UIPP) will be abolished and existing recipients will be assimilated to the appropriate incremental point as personal (pensionable) pay points. The use of personal pay points is a separate matter from the arrangements described above. However, those on personal pay points will where appropriate be eligible for a discretionary increment or increments within these rules, up to the maximum increments for the grade in question.

### **Normal Increments**

For staff promoted to Grade 2 or 3 after 1 October 1987 increments on the normal salary scale will only be given on the positive recommendation of the reporting (and countersigning) officer, with confirmation that the individual's performance at least meets the needs of the grade (ie, if given a box 1-3 marking in the new annual staff report). Exceptionally, a Grade 3 still on normal scales may be advanced more than one normal annual increment. Increment hopping is a separate matter from the discretionary increments described above.

### **Future Development of the Scheme**

The scheme will be kept under review and may be modified as it develops in the light of experience, particularly in the build-up period.



**ANNEX A**

**PAY LEVELS AND DISCRETIONARY INCREMENTS**

To be inserted following decisions on the TSRB's report for 1987.

MANAGEMENT IN CONFIDENCE

ANNEX B

GUIDANCE ON THE AWARD OF DISCRETIONARY INCREMENTS

1. Discretionary increments are intended to be a reward for sustained high performance. In considering an individual for an award there are three aspects of his or her performance which need to be examined in turn.
2. The first is the job (or jobs) which the individual has done in the grade. Jobs in the Senior Open Structure differ considerably in their nature, loading and content. Although the award of a discretionary increment depends on performance, rather than job weight, decisions about the award of an increment need to begin with a neutral, factual assessment of the weight and requirements of jobs which a postholder had held including:
  - a. objectives. It is important to identify the main objectives and tasks which have had to be performed from time to time in order to achieve the purposes of the job, as expressed either formally in a personal responsibility plan or by some more informal means, and their difficulty of achievement;
  - b. accountability for resources. Most, if not all, jobs in the Senior Open Structure involve responsibility for managing people and money. In some cases the responsibility is a matter of line management; in others, for instance where sponsorship of a nationalised industry is involved, it may be less direct. In either case it is important before considering an individual's performance to be clear about the extent of the resources for which he or she has been responsible and the nature of that responsibility;
  - c. representation. Outside contacts play an important part in many posts in the Senior Open Structure. These may be difficult to quantify but there needs, nevertheless, to be an assessment of how important it is that the postholder is effective in outside contacts and presentational and negotiating skills in order to perform the job satisfactorily.
  - d. job loading. What may be expected of a postholder may vary depending on workload. There needs to be a careful assessment of the demands of the job and its loading.
3. Second, there is the actual performance of the postholder in the job in question. For an individual to merit a discretionary increment requires performance which is outstanding or otherwise specially deserving of an award on its merits. The starting-point for judging this is the individual's recent annual reports in his or her present grade, seen against an assessment of the jobs which he or she has held on the lines of the previous paragraph (arrangements for annual reports for Grades 2 and 3 have recently been revised). The award of an increment will not depend solely on an appraisal in any one year but on the cumulative picture which has emerged over a period of time in terms of such factors as:

MANAGEMENT IN CONFIDENCE

## MANAGEMENT IN CONFIDENCE

a. achievement. An individual receiving a discretionary increment should have a record of effective management and successful achievement within the limits of what the job and circumstances permitted. This may be supported by evidence from a financial management system, by the meeting of targets or otherwise by specific example. The achievement will have been related clearly to the effort of the individual and evidence of the way in which their leadership, energy, stamina, adaptability, foresight, planning and judgment have made a major contribution to success;

b. quality. There should be evidence that the quality of an individual's contribution has been of a high standard in relation to the job weight, that any practical action which has resulted from the individual's work has been well thought through and properly evaluated and that the individual's own direct responsibilities for finance and personnel have been well managed even though, as with jobs dominated by policy or professional advice or dealings with outside interests, they may not be the preponderant part of the job.

4. The third question is whether the individual's high level of performance has been sustained. Discretionary increments are a reward, not for potential or promotability, nor for one-off achievements however outstanding, but for the maintenance of a high level of performance in the grade over a period of at least two or three years.

MANAGEMENT IN CONFIDENCE

### PERSONAL PAY POINTS

The new salary points above the normal maxima for Grades 2 and 3 may also exceptionally be used to provide flexibility for other purposes.

2. These other purposes include in particular manning needs, for instance where a department needs to recruit an individual from outside the Civil Service who cannot be accommodated at the normal starting salary for the grade.

3. Salary points used in this way will be known as personal pay points (PPP), as opposed to discretionary increments, and their use will be kept entirely separate and distinct from discretionary awards. Personal pay points will be pensionable and not withdrawable. Recipients may be eligible for discretionary increments in some circumstances.

4. Any Head of Department who wishes to pay a person, whether a civil servant or an outsider, on a personal pay point will require the prior approval of the Treasury. The normal Cabinet Office procedures on making appointments will continue to apply.

5. The unified intermediate pay points (UIPP(H) and UIPP(L)) will be abolished and existing recipients will be assimilated to the appropriate personal pay point (for UIPP(H) the highest discretionary point for Grade 2 and for UIPP(L) the second discretionary point for Grade 3). Future occupants of posts which now attract UIPP(H) and UIPP(L) will be put on a personal pay point to be settled as and when appointments are made.

6. Heads of Departments should make it clear to staff at the time of appointment that they are on personal pay points, not discretionary increments.

CIVIL SERVICE: pay P-17



cc BGA



nbpm

FCS/87/100CHANCELLOR OF THE EXCHEQUERCivil Service Pay 1987

1. In your minute of 3 April you sought colleagues' agreement to your proposed strategy for dealing with industrial action proposed by the SCPS and the CPSA.
  
2. I broadly endorse your view that for the next two or three weeks we should play this issue quietly. As far as we know, the FCO is not targetted for selective action and is not likely to be affected by strikes until 7/8 May. Our interest is in persuading the unions and their members during the intervening period that the Government's pay offer, including the various additional elements available to different grades, is acceptable.
  
3. So far as pay is concerned, I suspect that it might be tactically better to pursue with the CPSA "a modest version of our new flexible pay proposals" sooner rather than later. More importantly, whilst I would not disagree that the overall pay offer is "reasonable", I do not believe that it is in itself sufficient to remove the general discontent over pay that exists amongst staff in junior and middle grades and is contributing to increasingly worrying shortages in the clerical and secretarial grades in particular. I have already minuted to you arguing the case for a centrally financed increase

/in



in London Weighting (my minute of 15 April on Public Sector Pay and South East Supplements).

4. On "check-off", it obviously makes sense to put ourselves in a position to be able to withdraw the facility as soon as is legally possible. Withdrawal in the FCO may, depending on how check-off was introduced in the first place, require separate consultation between the DS Official and Staff Sides. We are exploring this point further. But I do not think we should actually implement withdrawal without taking stock further. To act too soon could as you say be seen as provocative. There might be advantage in resorting to withdrawal at a later stage if industrial action is prolonged.

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

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign & Commonwealth Office

15 April 1987

CONFIDENTIAL

From: Simon Routh  
Assistant Private Secretary

*cc: [unclear]*



MINISTRY OF DEFENCE  
WHITEHALL LONDON SW1A 2HB  
Telephone 01-218 6621 (Direct Dialling)  
01-218 9000 (Switchboard)

Minister of State  
for Defence Procurement

D/MIN/DGT/22/2

14 April 1987

*Dear Tony,*

*NBRM*

CIVIL SERVICE PAY 1987

*at trap*

In the Defence Secretary's absence, Lord Trefgarne has considered the Chancellor's minute of 7th April to the Prime Minister and agrees with the course proposed.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, Michael Stark (Privy Council Office) and Trevor Woolley (Cabinet Office).

*Yours ever*

A W Kuczys Esq  
HM Treasury

CONFIDENTIAL





2  
PRIME MINISTER

14/4

INDUSTRIAL ACTION IN THE CIVIL SERVICE

1. I undertook in my minute of 7 April to keep you and colleagues informed of developments on the impact of the industrial action on my Department.
2. The focus of the dispute has switched this week from the North West to Scotland. Around 50 Unemployment Benefit Offices were hit at the beginning of this week of which 16 are providing no service at all. Around 1,000 staff went on strike. Union members also decided to take strike action on Wednesday and Thursday at the Livingston Computer Centre to which all our Scottish offices are linked. The combination of action at both local offices and the computer centre, complicated by the Easter holiday, meant that we were always going to be unable to get any payment at all to some 30,000 unemployed people in Scotland, out of the 170,000 or so due a payment this week. My statement earlier this week deplored the unions' action in targetting the most vulnerable section of the community in this way despite their protestations to the contrary.
3. Our estimate of some 30,000 missed payments this week depended crucially on staff in those of our offices in Scotland not targetted for action writing girocheques manually in place of those Livingston would normally issue. This is standard procedure whenever a computer centre is down for any reason. In some of the offices

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concerned this girocheque writing is under way. But in others staff refused to undertake this work. Our response was to warn the staff concerned formally that refusal to carry out this work would lead to stoppage of pay. There was, of course, an inevitable risk that this would escalate the dispute. Nevertheless, there was no way in which we could have tolerated a situation of staff refusing to undertake standard procedures when the result would have been to leave vastly larger numbers of unemployed people without any benefit over the Easter holiday.

4. The latest position is that some 500 further staff have gone on strike following the warning that their pay would be stopped if they refused to write girocheques. Their attitude has been influenced by a decision of CPSA to pay 85% strike pay to those concerned. The effect on the number of payments we will issue in Scotland this week is very difficult to quantify. Some offices are now writing girocheques who initially refused to do so. In others the effect will have been in the opposite direction. But I am quite clear that it was essential to uphold management's right to seek to prevent real hardship to unemployed people.
5. The situation may become worse tomorrow when all offices in Scotland were in any event due to be targetted for action. However, we would expect the position in Scotland gradually to get back to normal next week.

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6. I am copying this minute to Nigel Lawson, Norman Fowler, Norman Tebbit and Malcolm Rifkind.

*TRF*

DY  
14 APRIL 1987

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CONFIDENTIAL

CCBG



QUEEN ANNE'S GATE LONDON SW1H 9AT

13 April 1987

nbpm

Dear Nigel,

CIVIL SERVICE PAY AND INDUSTRIAL ACTION

FILE WITH AC

Save in one respect, I have no departmental point to make on the approach outlined in your minute of 7 April to the Prime Minister, which I broadly support.

It is early days to judge the extent of support for industrial action and its impact, service-wide or here in the Home Office. All I would say, on the experience of two days last week, is that in this Department the call to action looks likely to be quite well supported, and to extend up to middle-management grades who are not natural strikers. In terms of service to the public, it is probably our passport offices that are the most vulnerable: last week the two affected managed to maintain a limited service. We are fortunate that most of the immigration officers are not in a union currently involved in the dispute.

I therefore welcome your intention to play the Government's response quietly at this stage, and to take stock before the end of the month. We shall do well to retain an open mind regarding a possible further offer at the right time - which I agree is not yet, but equally should not be left until too late; it should preferably deliver benefit to management as well.

On one aspect of your proposed strategy - preparation for withdrawal of the check-off facility - I have a problem. As regards the generality of the civil service unions I would not dissent from what is proposed if it enjoyed general Ministerial assent. But I am told that withdrawal entails prior consultation with all the unions, including the Prison Officers' Association (POA) although they are not at the moment in dispute with the Government over pay or at risk of losing the facility. You will know the present delicate state of negotiations with the POA over Fresh Start: the prize to be won is a substantial one, and the penalties of failure severe. If it is impossible to exclude the POA from the consultation, then I must urge second thoughts, in the interests of Fresh Start. If the prevailing view among colleagues were to be that action to make the check-off facility withdrawable is too important to be postponed for the next few weeks, then as a fall-back I would ask for careful consultation among officials to ensure that, vis-a-vis the POA, the proposition is put as unthreateningly as it can be.

A copy of this minute goes to the Prime Minister; other members of the Cabinet; Richard Luce; and Sir Robert Armstrong.

Lawson  
Douglas

The Rt Hon Nigel Lawson, MP

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CIVIL SERVICE

PAY

PT 17



NF/B22



Department of Employment  
 Caxton House Tothill Street London SW1H 9NF  
 Telephone Direct Line 01-213.....5949.....  
 Switchboard 01-213 3000

CC/SG

nbpm

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

13 April 1987

*The Hon.*

**REGIONAL PAY VARIATIONS**

*FLAP PT 16*

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

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

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

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



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

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

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



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

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

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a smaller 'C'.

KENNETH CLARKE



CIVIL SERVICE

PAY

PT 17



cc BG



QUEEN ANNE'S GATE LONDON SW1H 9AT

13 April 1987

16pm

Dear Nigel,

## GEOGRAPHICAL PAY VARIATIONS

at 11ap PT16

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

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

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

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

/Taking the

The Rt Hon Nigel Lawson, MP

# CONFIDENTIAL

2.

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

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

*Yours,*

*Douglas.*

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CIVIL SERVICE - Pay PT17

SECRET

3



NBR2

Treasury Chambers, Parliament Street, SW1P 3AG

John Turner Esq  
Private Secretary to the  
Secretary of State for the Employment  
Department of Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NF

10 April 1987

*Dear John,***CIVIL SERVICE: INDUSTRIAL ACTION**

The Chief Secretary had a meeting yesterday afternoon with your Secretary of State, the Secretary of State for Social Services, and the Paymaster General, the Minister of State at the Scottish Office (Mr Ancram), the Parliamentary Under-Secretary of State, DHSS (Mr Lyell) and the Minister of State (Treasury) (Mr Brooke). Officials from these departments were also present.

The Chief Secretary said that the purpose of the meeting was to discuss what your Secretary of State might say about the industrial action in the civil service. In his minute to the Prime Minister the Chancellor had taken the view that the right approach was to keep a low profile for the first two weeks of the strikes and review the situation then.

Your Secretary of State said that he thought that the Chancellor's strategy was the right one. But the way in which the industrial action was being organised in Scotland meant that tens of thousands of unemployment benefit recipients would not be getting their money over Easter, and would not be able to receive emergency payments from DHSS offices. He therefore thought that it would be right to make clear in public that this was selfish action by people with secure jobs which was denying the unemployed money over Easter. The risk was that such a statement might provoke an escalation of the dispute. The Chief Secretary asked whether it was indeed true that people in Scotland would not receive payments. Mr France said that from a DHSS viewpoint at the moment there were delays in payment but ultimately payments were reaching their destination. He was concerned that the action Lord Young

SECRET

was proposing might actually lead to deterioration of the situation in Scotland.

The Paymaster General thought it was right for the Government to take the initiative. He thought it would be difficult to argue that the Government was to blame for a deterioration in Scotland if union leaders decided to react to a statement by the Secretary of State pointing out that they were making the unemployed suffer by making them suffer more. The Government had to start winning the battle for public opinion. That meant that they had to bring home to the public what the strikers were doing in targetting the unemployed. The Government had to put pressure on the union leaders and the strikers. If support for the strike began to weaken in the areas of highest militancy - the North and Scotland - it would be more difficult to sustain industrial action in the South. The Secretary of State for Social Services agreed that it was right for the Government to take the initiative. The response should not be inflammatory but solid and measured. He pointed out that the action was not only affecting the unemployed but also the sick and the disabled. This was a point DHSS Ministers would wish to bring out in public.

Mr Ancram had doubts about the wisdom of selecting Scotland for the statement given there was a higher degree of support for Trade Unionism there than in other parts of the country. The Paymaster General pointed out that it was because of the combination of strikes in Scotland next week that Scotland would be particularly affected.

It was agreed that your Secretary of State would make a statement aimed at the Press on Monday - (a copy now circulated). This would stress in particular that the action was harming the unemployed who were being denied payments over Easter. It should also bring out that the government's offer was a reasonable one and that there was no question of the Government offering more. The tone should strike the note of "more in sorrow than in anger". The Secretary of State for Social Services pointed out that there was a major DHSS interest and there was likely to be a need for subsequent statements by Messrs Major and Lyell. The Scottish Office was likely to be the recipient of Press enquiries and they should stand ready to respond. The Secretary of State for Northern Ireland should be informed of what was going on since Northern Ireland was also on the rolling programme, and could be similarly affected to Scotland.

There was some discussion of your Secretary of State's proposal that the leaders of the two unions should be brought in and asked to stop their unions taking action which hit the unemployed. Mr Kemp wondered whether this was a wise strategy since union leaders had lost control of their membership. The Chief Secretary wondered if there might not be disadvantage in forcing the union leaders into

SECRET

entrenched positions. The Paymaster General thought there would be something to be gained from putting the union leaders in "Catch 22" position. It was agreed that nothing should be done for the time being on this.

The Paymaster General pointed out that strikers would still be being paid over Easter even though they were denying payments to the unemployed. Mr Lyell pointed out that strikers were being paid over weekends so two days' strike was relatively costly to them. Mr Kemp said that the Treasury were urgently consulting Treasury Solicitor on this point, but so far the advice was not helpful. It was agreed that this point should be pursued further.

I am copying this letter to David Norgrove (No.10), Chris Capella (DE), Bruce Calderwood (DHSS), Ian Howe (Mr Ancram's Office), David Watkins (Northern Ireland Office), and to Trevor Woolley (Sir Robert Armstrong's office).

*Yours sincerely,*

*Jill Rutter*

JILL RUTTER  
Private Secretary



## MINISTER OF STATE, PRIVY COUNCIL OFFICE

C87/1737

PRIME MINISTER

NBAZ .

## CIVIL SERVICE PAY 1987

I have seen the Chancellor's minute of 7 April and I support the approach which he proposes.

at Harp

It is too early to judge how far the industrial action will attract support, but it is possible that it may develop momentum by drawing on accumulated grievances in some parts of the Service. During my visits to establishments I have found considerable pockets of resentment based on the feeling that the Government does not care about the Civil Service and that staff have lost ground on pay in recent years compared with the outside world. But the way in which the unions have organised their action suggests that they themselves are not confident of what support they will get generally across the Service.

I particularly support the Chancellor's proposal for a campaign to make sure that the reasonableness of the pay offer is fully understood by staff and the public. I doubt whether there will be much public sympathy for the action, but we need to make a particular effort to demonstrate to staff that the overall percentage figures are reasonable, and that within them there are groups who will get quite substantial increases.

I agree with the Chancellor that if it is decided to offer the CPSA anything further it should be based on our new flexible pay proposals, similar to the IPCS deal. It should be made clear to the CPSA that no further money will be forthcoming unless they agree to arrangements which are of benefit to the management of the Service. We must be careful not to undermine the position of unions which have already settled.

I am sending copies to members of the Cabinet, and to Sir Robert Armstrong.

MS

RICHARD LUCE  
(Approved by the Minister  
and signed in his absence)

9 April 1987



CIVIC SERVICE - Pay Pt 17



CONFIDENTIAL

DAS

File



cc: BG

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

9 April 1987

Dear Tony,

**CIVIL SERVICE PAY 1987**

The Prime Minister has seen the Chancellor of the Exchequer's minute of 7 April and is content with the strategy proposed there for handling the dispute over Civil Service pay during the next two or three weeks.

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

Jans,  
David.

D R NORNGROVE

A. W. Kuczys, Esq.  
HM Treasury

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file DAS  
a B G 2

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

9 April 1987

**INDUSTRIAL ACTION IN THE CIVIL SERVICE**

The Prime Minister has seen your Secretary of State's minute of 7 April about the present industrial action in the Civil Service. The industrial action was discussed at Cabinet today and the Prime Minister would be content for Lord Young to refer to the possibility of postponing the 14 May unemployment figures when he announces those for March next week.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, and the Secretary of State for Social Services.

D R NORRGROVE

Peter Baldwinson, Esq.  
Department of Employment

SECRET



98/5

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

9 April 1987

*Dr Paul*

*NGSM*

*with DRN?*

CIVIL SERVICE PAY 1987

Thank you for sending me a copy of your minute of 7 April to the Prime Minister.

As I said in my letter of 16 March it is my opinion that when employers seem disposed to move in face of hostile ballots, they merely encourage employees to reject "final offers" which do not seem final. I am therefore wholly with you in your decision not to make a new offer at this stage. As to the future I think we would need to be very clear that the Unions and their members would be ready to accept before we even floated any new offer, and whether an IPCS type deal would be the right one against that criterion remains to be seen.

In the meantime I entirely support your general strategy and your proposal to set in hand the preliminary steps enabling the withdrawal of check off facilities as soon as legally possible.

I do not think implementation of the pay offer for certain categories of staff would be effective at this stage. We obviously should consider temporary relief from duty when and if staff in particular offices begin to strike on more than one occasion or refuse normal duties. I can think of no other step at the moment available to us to put the necessary pressure on the leadership of the Unions other than the clear and continued public explanation of our offer and our case.

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

*g*  
*h*

KENNETH CLARKE

CONFIDENTIAL

Civil Service: Pay PT 17.





Chancellor of the Duchy of Lancaster

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2ASTel No: 270 0020  
270 02968<sup>th</sup> April 1987The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1 3AG

NBM.

R Nigel

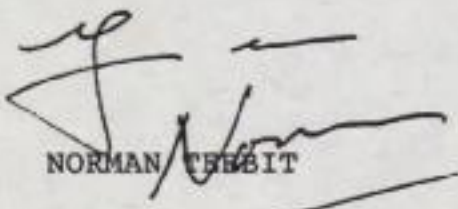
CIVIL SERVICE PAY 1987

Thank you for the copy of your minute to the Prime Minister of  
7 April. <sup>FILE WITH OM</sup>

I share your view that we must wait a little to see what support the strikes instigated by the CPSA and SCPS receive. I also agree both that no improved offer should be made, and that the necessary preliminary steps towards the withdrawal of check-off facilities should be taken.

I would make two further points. I see little merit at this stage in considering any further development of new pay arrangements with the CPSA; their acceptance of the current pay offer must be a precondition to moving forward on other pay-related fronts, or else we risk appearing to negotiate under duress. Second, I hope that in the week beginning 27 April we will be able to take decisions (i.e. the preliminary discussion between Departments and preparation of arguments will be completed) on the possible further measures in Annex B to your minute; I would not rule out the possibility that we may then wish to implement the pay offer for categories of staff, or in other ways move to a much tougher response.

I am sending a copy of this letter to the Prime Minister, to other members of MISC 66, and to Sir Robert Armstrong.



NORMAN TEBBIT

CIVIL SERVICE: Pay Ptb





THE PRIME MINISTER

INDUSTRIAL ACTION IN THE CIVIL SERVICE

I have been assessing the present impact of industrial action in this Department and its possible consequences over the next few weeks on payment of Unemployment Benefit to unemployed people and on the results of the unemployment count.

At present disruption is confined almost entirely to the Unemployment Benefit Service. 53 Unemployment Benefit offices have been closed to the public yesterday and today (43 in the North West and 10 in Wales). In all but 2, we have succeeded in maintaining some kind of service at least to the extent of getting payments of benefit out to existing claimants, albeit a straight replication of their previous payment: this will result in some overpayment. Furthermore new claims are not being taken and signing on has had to cease in the offices affected. More offices in both regions are likely to be affected on Thursday and Friday. The response to the strike call - about 70% of the staff in the offices affected - has been higher than in previous disputes.

The future impact of the dispute will turn crucially on whether the two DHSS unemployment benefit computer centres at Reading and Livingstone in Scotland remain working. Livingstone are voting today on whether to stop work for two days next week (probably Wednesday and Thursday) as part of

cc B6

Prime Minister

You might like to have a word with Lord Young about this, with the Chancellor of the Duchy, in the margin of Cabinet or E(LF) tomorrow.

DS  
8/4

MS





the action being targetted on Scotland. If, as expected, they vote to do so, disruption next week will be severe - made worse by the impact of the Easter holiday. Benefit Offices in the Midlands and northern half of the country - ie those linked to Livingston - will have to issue benefit payments manually to most of those due a payment next week, in substitution for the computer produced girocheques they would normally receive. In Scotland the combination of a stoppage at Livingston, with the likely closure of a large number of benefit offices, will prevent any payment at all to substantial numbers of claimants.

We should take a strong public line against the trade unions if this happens. The Paymaster General and I will both wish to make it clear to the public that Civil Servants in stable employment are pursuing their self-interest at the expense of the unemployed. You may wish to do the same.

Assuming that Livingston then returned to work and that Reading takes no action at least until week commencing 4 May, when the South East is targetted for action, disruption is likely to be at about the level of this week - though with different regions being affected in turn. Inevitably, however, there will be some cumulative build up in the effect of the action. If at any stage Reading and Livingston were to stop work for a longer period, then the disruption would become much more severe.

SECRET



There is also likely to be an impact on the unemployment count. The figure for March to be published on 15 April should not be affected, but that for April, due to be published 14 May and relating to a count date of 9 April, could be disrupted both by some offices being shut on the count date and by disruption in the following three weeks. Disruption during this three week period, which normally allows time for benefit offices to update their records relating to the count date, could result in the overall figures being higher than they would otherwise be, though by how much is unclear.

I am unwilling to publish any figures that have to be statistically adjusted as a result of industrial action and would therefore propose postponing the publication until accurate figures are available.

This assessment assumes no prolonged disruption at Reading or Livingston; if that were to occur we might be unable to publish the figures on 14 May in any case. To guard against charges that any such postponement was due to political expediency - which would inevitably be made if we announced postponement at short notice - I propose to refer to the possibility of postponing the 14 May figures when I announce those for March next week - earlier if there is disruption at the computer centres.

- 3 -

SECRET

SECRET



Finally, the action in unemployment benefit offices is likely to have some impact on the build up of the new Job Training Scheme - delaying entry into the scheme for some and payment of training allowance for some of those already under training. We are working to minimise the disruption. At this stage we do not envisage any substantial impact on the Restart programme unless Jobcentre staff are targetted directly for action.

I will keep you updated on any developments. I am copying this minute to Nigel Lawson, Norman Tebbit and Norman Fowler only.

*Neil*

7 April 1987

SECRET



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

PRIME MINISTER

CIVIL SERVICE PAY 1987

Prime Minister<sup>1</sup>

The action described on  
page 3 seems entirely  
sensible. Content?

JWS  
8/4.

In my minute to you of 2 April I promised a full report on the position and some proposals of what our stance should be.

#### Background

The background is that the Treasury duly made offers to the Civil Service unions as follows; to the IPCS, a radical change to a new flexible pay system estimated to cost some 5½ per cent on the pay bill for 1987-88; to the other unions a package of 4½ per cent or £5.75 per week whichever was better, for adults, estimated to cost about 4.6 per cent, plus certain managerially desirable add-ons taking the total cost to about 5.2 per cent.

The upshot of the offer is set out at Annex A. The Society and the CPSA, representing over half of the whole Civil Service in terms of numbers, have voted to reject the offer (somewhat surprisingly in the case of the CPSA since the Executive put it to the members with a neutral recommendation confidently expecting that they would accept it). These two unions are embarking on industrial action. The other unions concerned have accepted or seem likely to accept the offers, with varying degrees of unenthusiasm. These include the IRSF who were in fact an original member of the Society/CPSA/IRSF consortium.

#### The action proposed by the unions

The Society and CPSA have made their plans relatively clear. All members are asked to withdraw goodwill, ban overtime, and strike



for the last two days of a specified week (without strike pay) as follows:-

Week 1:	6-10 April	: Wales, North West and Manchester
Week 2:	13-16 April	: Scotland and Northern Ireland
Week 3:	21-24 April	: Yorkshire and North East
Week 4:	27 April - 1 May	: West Midlands and South West
Week 5:	5-8 May	: London and South East
Week 6:	11-15 May	: East Midlands and Eastern Counties

In addition there will be selective 3 day strikes with pay within these regions and selective strikes (possibly for longer) against targets determined nationally. Priority targets are inner city, DHSS and unemployment benefit offices where militancy is strongest; inland clearance depots where these affect exports; and computer development work on social security reforms. Computers more generally must be vulnerable if the strike develops, as will be airports and ports and passport offices, especially over Easter. After this phase is over, the unions have announced that if they have still not got a satisfactory deal, they will ballot for all out strike action, which would take place at the beginning of June.

#### A further offer?

My officials get the impression that the CPSA leadership, if not that of the Society, might be quite interested in an attempt to negotiate an outcome on the basis of an improved offer at a relatively early stage. But I do not recommend this. We have made it clear that our offer is final, and on my instruction my officials repeated this to the unions at the end of last week, just before the action started.

I would not, however, rule out the possibility at the right time of developing with the CPSA a modest version of our new flexible pay proposals, on the general lines of the recent IPCS deal, which could give a touch more money - though probably not starting until well on into this financial year - in return for agreed



flexibilities over merit, skill and (perhaps later) geography. It would be important, of course, that this was a worthwhile deal and not just cosmetics.

### A strategy

It is still early days. Much depends on how far and at what level the industrial action is supported, and whether this support strengthens or weakens over time. My view is that for the next two or three weeks we should play this quietly, on the following lines:-

- (a) Departments should take normal and firm managerial action in the face of staff refusing duties, but (with one exception) should not embark on any of the measures set out in Annex B;
- (b) the exception is that the Treasury should embark now on the necessary steps to ensure that check-off can be withdrawn as soon as is legally possible, if that is what we were to decide. I accept that this may be presented by some as a provocative move. But the unions have been on notice since 1981 that we reserve the right to withdraw this facility in the case of industrial action against us;
- (c) we should take stock in the week starting 27 April, which is the week before the rolling programme reaches London and the South East, and consider whether we should modify our strategy then;
- (d) we should embark on a campaign to make sure that the reasonableness of the pay offer we have made was fully understood by staff and the public.

My officials will of course continue to monitor the position closely, in liaison with other Departments.



Conclusion

I conclude that we should proceed as set out in paragraph 8 above, and I invite your agreement and the agreement of our colleagues.

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

N.L.

7 April 1987

Unions Balloting

	(1) <u>Staff covered</u>	(2) <u>Total balloted</u>	<u>For the offer</u>	<u>Against the offer</u>	<u>Turnout</u>
IRSF	40,000) 15,000) (3)	53,000	29,000	16,000	85%
Society	107,000	78,000	11,000	25,000	46%
CPSA	195,000	140,000	37,000	54,000	65%
	-----	-----	-----	-----	
	<u>357,000</u>	<u>271,000</u>	<u>77,000</u>	<u>95,000</u>	

Other unions

IPCS	65,000	Recommending to accept separate new pay regime
CSU	28,000	Accepted without ballot
FDA (and other Grades 4-7)	24,500	Consulting, as the best to be got by negotiation
	-----	
	<u>474,500</u> (4)	

Notes

1. These are the total number of people whose pay is negotiated by the union shown, but who are not all union members.
2. These are the total union membership within (1), which is the number assumed balloted.
3. Staff who are members of the IRSF but are represented by the CPSA.
4. Excluding Senior Open Structure, Prison Departments, GCHQ, etc.
5. NIPSA (Northern Ireland Public Services Alliance) are not part of the Home Civil Service but their pay follows, and they are part of the "consortium". NIPSA are said to have rejected the offer by 3,500 votes to 2,500.



MEASURES AVAILABLE TO MANAGEMENT IN THE EVENT OF INDUSTRIAL ACTIONLegislative Provisions

The Government's trade union legislation imposes a number of constraints on the unions which must be observed if they are to preserve their immunity from legal action. For example, the Employment Act 1982 allows an employer to sue a union for an unlawful act and be awarded sizeable damages. And the Trade Union Act 1984 established the need for secret ballots before industrial action is taken (this legislation was used successfully against the CPSA in 1985). We are asking Departments to keep a sharp eye open for breaches of the law in the next set of ballots, which might give grounds for a writ.

Other Measures

It is axiomatic that individuals who are absent from work without authority lose pay for the period of absence. Other conditions of service are also affected. That apart, specific measures which can be taken by Management are:-

- (i) Temporary Relief from Duty (TRD): this can be used where there has been a fundamental breach of contract by individuals, either because they refuse to perform some material part of their duties or they are taking intermittent strike action. [The primary purpose is to impress upon staff that their actions are in breach of their terms of service and, by setting out the resulting penalties, to encourage them to work normally].
- (ii) Stoppage of Pay: it is possible that staff might refuse to perform certain duties but not be in fundamental breach of contract; in such circumstances management can withhold pay for periods in which specified duties are not performed.
- (iii) Withholding of pay during weekends/public holidays: for monthly paid staff pay is withheld in respect of Saturdays, Sundays and public/privilege holidays occurring within the period of unauthorised absence.

iv. Disciplinary Action: it is not policy to discipline staff for taking industrial action in connection with their conditions of service. This could be changed, though there are obvious practical problems in seeking to discipline large numbers of people. Staff can of course be liable to disciplinary proceedings in respect of any misconduct occurring incidentally during the course of industrial action.

(v) Dismissal: the range of disciplinary action open to management includes summary dismissal without the need first to invoke the standard disciplinary procedures.

iv. Employment of Casuals: though provocative, employment of casuals to replace strikers can be effective in undermining their position.

viii. Reminder to Managers: in some departments managers have been reminded of their responsibilities over recent years, and in 1985 the then Minister of State warned that the taking of industrial action would be a factor to be considered in assessing promotion prospects.

viii. Implementation of Pay Offer: this could serve to defuse industrial action by demonstrating the Government's resolve not to put more money on the table.

#### Withdrawal of check-off

Check-off is the name given to the system of collecting members' union subscriptions through deductions from pay - a facility much valued by the unions since it maintains and ensures cash flow and probably, through inertia leads to a higher membership than would otherwise be the case. The unions were warned after the 1981 strike that we reserve the right to suspend this facility at times of industrial action. The Solicitor General has advised that this is possible, notwithstanding that the facility is probably part of a contract between management and each individual civil servant (though not part of a contract between management and each individual union) but has advised that adequate time must be

given for consultation before action is taken, if risk of challenge in the courts is to be minimised. If steps were put in hand now check-off could probably be stopped in time to affect the June payroll.

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CIVIL SERVICE: Pong PHIL





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

LCB

CONFIDENTIAL

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

NLSM -  
7 April 1987

Dear Chancellor

GEOGRAPHICAL PAY VARIATIONS

file with DEN

1. Thank you for copying to me your minute of 9 March to the Prime Minister in which you invited comments from colleagues on two reports, one on geographical pay variations in the Civil Service and the other about regional pay variations in the economy generally.

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

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

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

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

*Yours sincerely*  
*Malcolm Rifkind*

**MALCOLM RIFKIND**

Approved by the Secretary of State  
and signed in his absence



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

01 211 6402

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

7 April 1987

*DRN?* *NBM*

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

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

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

*Peter Walker*

PETER WALKER

CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 April 1987

*Dear David,*

NON-INDUSTRIAL CIVIL SERVICE PAY NEGOTIATIONS

The Prime Minister has seen your letter to me of 23 March which discussed dispersal of MOD. She believes MOD should take every opportunity to reduce MOD functions in London and the South East in order to mitigate the problems of recruitment and retention.

I am copying this letter to the Private Secretaries to members of MISC 66 and to Alex Allen (HM Treasury), Stephen Boys Smith (Home Office), John Shortridge (Welsh Office), Robin Young (Department of the Environment), Rob Smith (Department of Education and Science), Robert Gordon (Scottish Office) and to Trevor Woolley (Cabinet Office).

*Yours sincerely,*

*David Norgrove*

David Norgrove

David Ball, Esq.,  
Ministry of Defence.

CONFIDENTIAL

*file*  
*DG 2 BVP*  
*cc B9*

*OTS*



CONFIDENTIAL

JA



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 April 1987

Dear Alex,

CIVIL SERVICE PAY 1987

The Prime Minister has seen the Chancellor's minute of 2 April, and has noted the position on negotiations with the Civil Service unions about the 1987 pay settlement.

I am copying this letter to the Private Secretaries to other Cabinet Ministers, to Michael Stark (Privy Council Office) and to Trevor Woolley (Cabinet Office).

Yours,

David

(David Norgrove)

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL

88



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

PRIME MINISTER

Prime Minister 2

See also the first  
~~two~~ two forecasts to the  
table attached.

2 April 1987

CIVIL SERVICE PAY 1987

DLW  
3/4.

The table attached sets out the position of the various Civil Service unions on the offer we made of 4.25 per cent plus a £5.75 per week underpinning. Leaving aside the Prison Officers who are in separate discussion, our offers have been or are likely to be accepted by the four smaller unions, representing one-third of all non-industrial civil servants, but not by the Society and the CPSA, who are both set on industrial action.

Their immediate proposals are for a rolling programme of unpaid strike action for two days a week in various regions, plus action with strike pay in selected locations and establishments. This programme will take some six weeks and we understand that if at the end of it there has been no improved pay offer or other accommodation the idea is that there should be further ballots, at which staff will be asked to take all out strike action.

The action immediately proposed will certainly cause some inconvenience. It is likely to be concentrated, at least initially, in locations where there is direct impact on the public - for example DHSS and DE inner city offices, and airports and seaports. Computer centres may also be affected at an earlier stage. It remains to be seen how individuals will in fact react. This may become a little clearer in the next few days, and I shall be letting you and other colleagues in MISC 66 have very shortly a full report on the position and some proposals for what our stance should be.

Meanwhile I suggest that Departments should carry on with business as usual. Normal management action in the face of staff refusing duties should be taken, but there is no need for an exaggerated reaction before we can take stock. Our public line should be that fair offers have been made; these have been accepted by a very large number of civil servants; and strike action helps nobody and is to be deplored. My officials will of course remain in close touch with officials of other Departments as appropriate.

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

N. L.

## CONFIDENTIAL

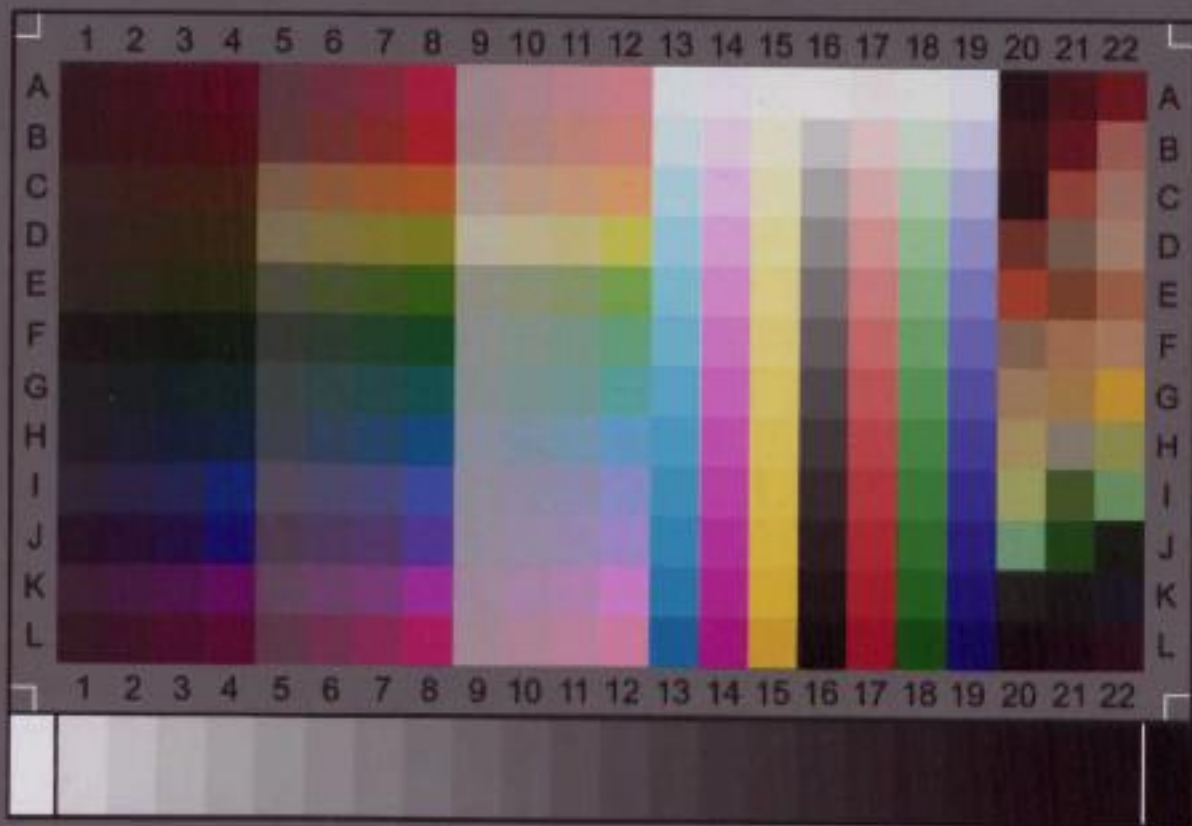
MAIN NON-INDUSTRIAL CIVIL SERVICE GROUPINGS

1987 PAY

<u>Union</u>	<u>Staff Covered</u>	<u>Position</u>
IPCS	65,000	Recommending to accept
IRSF	40,000	Accepted
CSU	28,000	Accepted
FDA (and other Grades 4-7)	24,500	Recommending to accept
SCPS	107,000	Rejected (Note 1)
CPSA	210,000	Rejected (Note 2)
	474,500 (Note 3 and 4)	

## Notes :-

1. SCPS said to have voted about 2:1 on 30 per cent turnout, meaning about 15,000 people in favour of strike action, being 20 per cent of staff balloted and 15 per cent of staff in grades affected.
2. CPSA said to have voted about 3:2 on 70 per cent turnout, meaning about 53,000 in favour of strike action, being about 38 per cent of staff balloted and 25 per cent of staff in grades affected.
3. Excluding Senior Open Structure, Prisons Departments, GCHQ etc.
4. "Staff covered" are members affected by the offers. Not all of these are union members (average Civil Service unionisation about 60-70 per cent).
5. "Acceptance" etc are generally on the basis that this is the best to be obtained by negotiation.



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2009-02



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Charge: R090212