

PRIME MINISTER

CIVIL SERVICE STAFFING PROBLEMS IN LONDON

You saw and took note of Mr. Channon's letter of 23 July proposing that, in order to improve the recruitment of certain Civil Service grades in London, civil servants should be made a six months advance of London Weighting once a year to help them buy annual season tickets (flag A).

We have not troubled you with the subsequent correspondence, but on the whole other Ministers welcomed Mr. Channon's scheme. The Chancellor of the Exchequer, however, is opposed to it, principally because he believes that Mr. Channon's proposals will be regarded by the public as the Government giving its own employees a perk and he believes that this would be inconsistent with the Government's general policy of encouraging a return to the practice of paying people in cash rather than providing them with perks which might receive more favourable tax treatment. The Chancellor's letter at flag B is his latest contribution to the correspondence. Mr. Channon is now considering how to carry the matter forward.

I do not suggest that you should intervene at this stage, but I thought that you should be aware that Mr. Channon's proposals have run into trouble because it is quite likely that he will now have to bring them to a Ministerial committee, which might appropriately be E.

JMW.

MS

5 September 1980



2 pps

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

4 September 1980

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
No.10 Downing Street

Dear Paul

CIVIL SERVICE STAFFING PROBLEMS IN LONDON

Francis Pym has sent me a copy of his letter to you of 13 August in which he made a number of comments on my letter to you of 1 August.

Francis suggests that your scheme involving short term advances to staff of what is due to them is hardly comparable with the facilities for interest-free loans in addition to salary which many outside organisations offer. I am afraid I cannot agree with him. When a firm makes an interest-free loan to its employees, it customarily requires those employees to repay the loan out of ensuing salary payments, and, where the loan is relatively small, over a comparatively short period. There seems to me to be very little difference between getting a loan and having subsequent salary payments reduced by repayments of that loan, and having an advance of part of one's salary and drawing smaller salary payments subsequently as a result. In each case the employee receives a larger sum at the beginning, is not charged interest on that advance, and thereby derives a benefit.

While I agree with Francis that it is unlikely that "perks" will disappear from the private sector by Government exhortation alone, I feel that it could be a positive encouragement to their continuance if we were to provide a brand-new "perk" for the Government's own employees.

I am copying this letter to the Prime Minister and the other recipients of your original letter.

GEOFFREY HOWE