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REPORT BY THE OFFICIAL GROUP ON
CIVIL SERVICE PAY ARRANGEMENTS

Note by the Chairman

1. Since this report was completed the Government has suggested to the Civil Service unions the possibility of an independent outside inquiry into future Civil Service pay determination. This suggestion, if adopted, will affect the handling of the report and the kind of decisions which need to be taken on it.
2. There is a summary of conclusions at the end of the report (paragraph 93). It may also be helpful to set out in this note the main issues discussed in it.
3. Paragraph 8 sets out the objectives which a new Civil Service pay system should meet. In the main body of the report (paragraphs 12 to 34) we identify the elements of a new system tested against these objectives. We examine first the market factors on which Civil Service pay should be based; and suggest that these should be outside pay rates, recruitment and wastage assessed against forward manpower requirements, and reflecting relative job security. Our conclusions on these factors are summarised in paragraph 93(c)-(j).
4. Paragraphs 35 and 36 consider a number of more detailed aspects of pay structure which are relevant to management efficiency. Our conclusions are summarised in paragraph 93 (k)-(n).
5. The important issue of reconciling ultimate Ministerial responsibility for Civil Service pay rates with an "ordered and agreed" pay system is covered in the next section of the report (paragraphs 37 to 66). We consider the case for an "override" power for use in exceptional economic circumstances or, alternatively, for allowing factors of cost and economic circumstances to be deployed in negotiations every year. We review the role which arbitration could play and also the problems caused when pay increases for the Civil Service are, in percentage terms, out of line with the "going rate" elsewhere. The analysis of this set of issues has led us to identify four options for a new pay system. These are set out in paragraph 70 of the report and our comments on them are in paragraphs 72-77.
6. The essential choice lies between a procedure agreement which would, in effect, leave the way open for "free collective bargaining" with arbitration only available by mutual consent or an agreement which limits the room for manoeuvre in negotiations of both the Government and the unions but would help to limit the risk of industrial strife.
7. In paragraphs 80-83 of the report we include some comments on the scope for trading a new pay agreement for the Civil Service for a "no strike" commitment by the unions. If Ministers wish to pursue this possibility further, a more detailed report will be required.

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8. We also offer views on the extent to which similar pay arrangements to those for the Civil Service might be applicable in the NHS (paragraphs 85-92). But we think that it would be premature for Ministers to reach decisions on this.

9. On the basis of our report Ministers will want to consider:-

- a. whether they agree with the suggested objectives of a new Civil Service pay system;
- b. whether the "market factors" set out in the report and the conclusions reached on the way these should be taken into account provide a sound basis for settling Civil Service pay rates;
- c. which of the four options in paragraph 70 would be the right basis for discussions with the unions on a framework for longer term arrangements.

F G BURRETT

Civil Service Department

27 April 1981

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