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FROM: E P KEMP
28 April 1986

MINISTER OF STATE

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

Pamie Minister 2

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CIVIL SERVICE PAY 1986

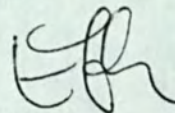
I sent you a minute yesterday (not copied to all) about our intention to proceed with our pay offer this morning. You agreed this way forward. In addition the Chief Secretary had let me have some comments which had resulted from a conversation he had had with the Chancellor.

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

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

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

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



E P KEMP



H. M. TREASURY

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

28 April 1986

NON-INDUSTRIAL CIVIL SERVICE - AGREEMENT ON PAY

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

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

58/86

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

Notes for Editors

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

1986 CIVIL SERVICE PAY

QUESTION AND ANSWER BRIEFING

Q. What is the offer?

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

Q. Who is the offer made to?

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

Q. How much would it cost?

A. About £240 million in 1986-87.

Q. What were the claims?

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

Q. Why 6 per cent?

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

Q. Previous years settlements?

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

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

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

Q. High compared with last year?

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

Q. High compared with other public service?

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

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

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

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

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

Q. How much did these other additions cost?

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

Q. OME quartiles?

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

Q. Civil servants "falling behind"?

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

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

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

Q. How will offer be financed?

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

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

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

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

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

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

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

Q. Arbitration?

A. Agreement reached today so question has not arisen.

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

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

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

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

Q. Megaw etc?

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

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

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