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cc J.V.
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QUEEN ANNE'S GATE LONDON SW1H 9AT



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19 October 1982
MS

Prime Minister (2)

Dear Jeffrey

X is important.

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FIRE SERVICE PAY AND PENSIONS

You and the other colleagues to whom I am copying this letter will wish to know where we stand on this year's fire service pay settlement and the related matter of an increase in pension contributions.

Fire service pay is settled between the local authority employers and the unions in the National Joint Council (NJC), on which central Government is not represented. In spite of their financial difficulties, the employers seem to be disposed once again to honour the formula linking firemen's pay with that of skilled manual workers; and our best guess is that this year the formula will produce a mid-point figure of a 7½% increase, although there is some scope for negotiation either side of this. The NJC will be meeting on 26 October and, if agreement is reached, the settlement could be announced at once. It will take effect from 7 November.

There is nothing the Government can do to influence the level of the pay settlement. What we can do - as we did this year in the case of the police - is to offset the pay award by imposing an increase in the rate of pension contribution paid by the fire service. I can do this, although I have a statutory duty to consult the Central Fire Brigades Advisory Councils (CFBAC) first.

Our evaluation of a recent report by the Government Actuary's Department suggests that at the existing contribution rate of 6¾% firemen are not paying enough for their pensions. An increase of 4% was imposed on the police in September and I am in no doubt that an increase of 3-4% would be justified in the case of the firemen. The pension schemes of the police and fire service, both of which provide for early retirement, are broadly comparable and we could not justify increasing the police contribution without treating the firemen in a similar way. There is, however, a problem of timing.

I would have liked to follow the police example and make the increase in pension contribution coincide with the pay settlement. This would produce a smaller, net, pay increase, which would be helpful in the context of other current pay negotiations; it would maximise the financial savings; and it would avoid the need for any reduction in take-home pay. But I am constrained by the statutory duty to consult and the need to allow a reasonable time for this.

The Rt. Hon. Sir Geoffrey Howe, QC. MP.

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The FBU, who have engaged their own actuary, have asked for more time to consider the Government Actuary's Department report, which was sent to them on 18 August, and have only with difficulty been persuaded to agree to a preliminary discussion of the subject at the next meeting of the Joint Pensions Committee (JPC) on 27 October. Thereafter, the JPC will have to report to its parent bodies, the CFBAC which will meet on 9 November (England and Wales) and 12 November (Scotland), after which there will probably have to be further meetings of the JPC and possibly the CFBAC.

I have concluded that the earliest date on which I could impose an increase in pension contribution, assuming that agreement is not reached in negotiation, is 1 January 1983. Even this is a very tight timetable: it would give the fire service unions less time for consultation than the police, who complained that the decision in their case had been rushed.

Because of the statutory obligation, I shall not be able to announce my intention that the increase in the fire service pension contribution should take effect from 1 January until the formal consultation has started in the JPC on 27 October (the day after the pay negotiations). It is important, however, that any announcement on 26 October of a large pay increase should not go unqualified, particularly if the Health Service dispute is still continuing. Accordingly, if the pay increase is announced on 26 October (and it is by no means certain that agreement will be reached that day) I propose that this should be accompanied by press briefing to the effect that an increase in pension contribution is under discussion, drawing attention to the similarity between the firemen and the police, whose contribution was increased by 4%. Following the JPC meeting on 27 October I will then announce my intention that the increase would take effect from 1 January.

Subject to your views and those of our colleagues I intent to proceed in this way. I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

M. J. L. H. H. H.

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Prime Minister (2)

Ms 27/10

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

26 October 1982

The Rt. Hon. William Whitelaw, CH MC MP
Secretary of State for the Home Department,
Home Office

Dear Willie

FIRE SERVICE PAY AND PENSIONS

Thank you for your letter of 19 October about the prospects for the pay settlement for the Fire Service.

This looks generally rather better than we feared a short while ago when an increase of 9 per cent was being mentioned. It would certainly be damaging if the second major pay settlement for the public services came out at that figure. I am most grateful to you for offering to do whatever you can to highlight the possibility of an offset to the increase in pay in the form of an enhancement of the firemen's pension contribution.

I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

GEOFFREY HOWE

Local Govt.

Local Authority manual



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Local Govt
Prime Minister (2)*

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522

Mus 27/10

From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MC
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1

26 October 1982

W. H. H. H.

[Handwritten mark]

FIRE SERVICE PAY AND PENSIONS

In box

This is in response to your letter of 19 October to Geoffrey Howe.

Given that there is nothing the Government can do to influence the level of the next pay settlement I very much welcome your proposal to impose an increase in the rate of pension contributions, as in the case of the police. It is a pity that pay and pension increases cannot be synchronised but I accept that this is not feasible. In consequence it is important to minimise the impact of the announcement of the pay increase by simultaneously making known the intention to increase pension contributions, and by drawing attention to the similarity between the firemen and the police, as you propose.

I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Employment, the Lord Privy Seal and Sir Robert Armstrong.

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NORMAN FOWLER

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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ



John Halliday Esq
Private Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

26 October 1982

Dear John,

FIRE SERVICE PAY AND PENSIONS

PM's Box

My Secretary of State was grateful for the copy of the Home Secretary's letter of 19 October to the Chancellor.

There is no special Northern Ireland angle to this issue - both the Fire Authority for Northern Ireland (which is a quango under the tutelage of the Department of the Environment (NI)) and the union side are represented on the National Joint Committee - and Mr Prior is in agreement with the suggested handling outlined in the Home Secretary's letter.

I am copying this letter to the Private Secretaries of the Prime Minister, the Chancellor, the Secretaries of State for Education and Science, the Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

*Yours sincerely
M W Hopkins*

M W HOPKINS

EK SV



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

MS 26/10

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON
SW1H 9AT

22 October 1982

W

Dear Willie,

PM's Box

Thank you for sending me a copy of your letter of 19 October to Geoffrey Howe.

I agree with you that it would be unwise to attempt to override the statutorily enshrined procedures for changing the rates of firemen's pension contributions and that the earliest possible date for implementing an increase is 1 January 1983. I am reinforced in this view by the short time that the Fire Service Unions have had to consider the report prepared by the Government Actuary's Department. As we both know the FBU are already angry at our fast pace on this and if we were not to carry through the agreed consultative procedures then we could only increase markedly the risk of industrial action.

This still, of course, leaves us with a presentational problem in announcing the new pay rates for firemen against the background of the ongoing NHS pay dispute. The difficulties must, however, be reduced by the expectation that the level of pay settlement for the firemen is likely to be lower than we had earlier feared; and also by the adoption of your suggestion that we should link the announcement of pay with a strong indication that the increase will, within a matter of weeks, be largely offset by higher pension contributions.

I am copying this letter as you did yours to the Prime Minister and other interested Cabinet colleagues.

Yours ever

George

26 OCT 1982



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cc Mr. Butler
Mr. Mount
Mr. Ingham

PA

MR. SCHOLAR

FIREMEN'S PAY

At lunch-time today I undertook to look into the background to Mr. Whitelaw's report to Cabinet, to the effect that the firemen's pay formula would produce only 7½% this year. I understand that what he said is consistent with his recent letter to the Chancellor, which I have still not yet seen.

The Home Office are quite clear that the 7½% is before any off-setting increase in pension contributions. The pay formula does leave room for negotiation because it involves updating the average earnings index over a period of several months. They say that they would expect the bracket to be 6%-8%, and that experience shows that the settlements will be towards the upper end. Nonetheless, I cannot reconcile the recent AEI figures with a 6%-8% bracket, so I have asked the Department of Employment to work it out independently on the basis of the exact formula.

As for the pension arrangements, Peter Gregson tells me that the Cabinet minutes will record that the Home Secretary intends to make it known as soon as the pay increase becomes public knowledge that he is considering an increase in pension contributions; and that he will draw attention to the parallel with the police. On the assumption that the pay figure becomes known on 26 October, I hope Mr. Ingham will stand by ready to reinforce whatever the Home Office says, so as to ensure that the media on 27 October will use the net figure.

21 October 1982

JOHN VEREKER

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