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CONFIDENTIAL

23 March 1987

The Rt Hon Nigel Lawson MP
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Nigel Lawson

NBL

1986-87 PAY: POST OFFICE

Thank you for your letter of 10 March.

I note what you say about the prospects for the Post Office taking early action to introduce regional pay variation and I can assure you that its management have considered the question. But they take the view, and I agree, that it does not offer the most effective or economical approach to the business's recruitment and retention difficulties.

As noted in my earlier letter, industrial relations in the Post Office remain somewhat fragile. They are likely to remain so for some time as management press on with measures to improve efficiency and pursue the priority of separate pay negotiations for the individual businesses.

Although the recruitment problems are mainly concentrated in the South East it is not simply a matter of regional differences. The extent and degree of recruitment and retention problems varies greatly, for example, between different sorting offices in the Thames Valley area. Such variations depend on the availability of alternative job opportunities locally and their attractiveness, not just in terms of pay rates but also in requirements to work unsocial hours.

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Moreover, I accept the view of Post Office management that it is unrealistic to expect that, in the present industrial relations climate in the business, they could move to across-the-board regional pay variation without incurring unnecessary additional pay costs. The restiveness of staff at local level and their propensity to take unofficial industrial action is, if anything, more evident in many of the areas where there are no serious recruitment problems. It is unrealistic to believe that the Post Office could secure proportionately lower settlements in those areas to offset higher settlements where there are recruitment difficulties.

Clearly the Post Office needs to tackle its recruitment problems and although it has not decided precisely what action it should take, its favoured approach is a minimum of special supplements or extensions to London Weighting arrangements targeted to particular problem localities. It is for management to decide how best to tackle the problems but this seems to me to be a workable and sensible approach. I do not think that we should seek to press management to work towards more formal or structured regional pay variation which will necessarily be complex and difficult to negotiate and seems likely to be less effective and more expensive than the more limited ad hoc approach which management have in mind.

I am copying this letter to recipients of yours.

A handwritten signature in dark ink, appearing to read 'Paul Channon', with a large checkmark above it.

PAUL CHANNON

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