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MR SCHOLAR

19 September 1983

cc Mr Mount
Mr Ingham

PAY ARRANGEMENTS FOR NON-INDUSTRIAL CIVIL SERVANTS

I am minuting you to bring you up to date on the developments on this front: Ministers recently considered how the negotiations on Megaw should be handled in the context of the 1984 settlement with the Civil Service and decided to make its position clear

- the Government was prepared to work towards a Megaw arrangement but with safeguards (no unilateral access to arbitration plus a parliamentary over-ride)
- and to consider, as a step towards a Megaw-type arrangement, the collection of information on pay and other relevant factors to inform, but not to constrain the 1984 negotiations.

This was put to the unions orally. Predictably it did not go down well, coming as it did at the same time as the (leaked) news of the 3% pay factor. I was told that the leaders "almost walked out". I am inclined to be sceptical about this: where would they go? The union side asked for a written version of the Government's position. I enclose a draft which will be put to them, as a draft, tomorrow. We have contributed to it from here and I am satisfied that it is firm on the vital points while retaining a reasonable tone with the rank and file civil servant in mind. Treasury Ministers do not consider it necessary to bother the Prime Minister or other Ministerial colleagues with this and I think that is right since the draft closely reflects the recent discussion Chaired by the Prime Minister.

NICHOLAS OWEN

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DRAFT LETTER TO SEND TO :

P D Jones Esq
Secretary
Council of Civil Service Unions

PAY ARRANGEMENTS FOR NON-INDUSTRIAL CIVIL SERVANTS

We met on 13 September when I outlined to you the Government's position on a number of points which you had raised in connection with future pay arrangements for non-industrial civil servants. I write now to confirm what I said.

2. Overall I confirmed to you that the Government were prepared to continue to try to reach agreement on a new pay system based on the recommendations of the Megaw Report. In line with Megaw, such a system must give full weight to all those factors which are relevant to any settlement - affordability, retention, recruitment and other non-pay factors in conditions of service, as well as pay movements and levels elsewhere in the economy.

3. There are many points on which agreement will be needed. You have however asked for indications of our position on three specific matters connected with the longer-term, and one specific point in connection with the 1984 negotiations.

4. First, you raised questions about the role of the new independent body which Megaw proposed should collect data for the negotiations, and the extent to which the negotiating parties should have access to the detailed material which it

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would collect. Megaw had not envisaged such access, but you have argued that both parties need this if confidence in the body's work is to be established. I told you that the Government were prepared to discuss this possibility constructively. It would however be necessary for the body to be accepted as authoritative and, in keeping with the Megaw recommendations, for pay negotiations to be conducted within the framework established by its assessments. In these negotiations other factors could of course be properly brought to bear.

5. Second, as you know Megaw suggested that when there were pay "levels" negotiations (every four years) agreement should be reached within upper and lower quartiles on the appropriate levels, which would then be a factor to be taken into account in negotiating pay movements within the constraints of the movements quartiles. You asked that the negotiating range in respect of levels should be narrowed, perhaps so as to go from quartiles to the fourth and sixth deciles. I told you that the Government's view was that we should adhere to quartiles as Megaw recommended as the range within which the parties should seek to reach agreement.

6. Third, you asked for a right of unilateral access to arbitration; and assurances regarding Parliamentary override on arbitration awards. In reply I said that the Government recognised that arbitration can have a

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role to play in resolving disputes in certain circumstances. But the Government did not consider it right that either party should be bound to go to arbitration against its will. This is in line with Megaw, which rejected unilateral access. In addition I said that the Government could envisage circumstances in which Parliament might need to be asked to approve the overriding of an arbitration award or of the operation of the new arrangements overall. The Government's position in this respect must be safeguarded under any new agreement.

7. We are agreed that it is not now possible to contemplate having new long-term arrangements in place for the 1984 pay negotiations. That being so, and in line with the kind of arrangements we are discussing for the longer-term, the Government are however prepared to discuss with the CCSU the possibility of some form of data collection to inform those negotiations. We shall want to consider with you the details, but we are thinking in terms of fairly generalised data concerning non-manual pay settlements in the private sector as a whole in the present pay round. The data must include information on recruitment, retention and other labour market factors. This information might be collected primarily by the Office of Manpower Economics in accordance with ground rules to be agreed between us with appropriate access of the parties to the information collected.

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8. I made the following further points in this connection :-

- a. Discussion of this possibility, and if agreed the collection of data for 1984, is based on the assumption that the parties remain in negotiation over Megaw and are making progress in moving forward towards acceptable long-term arrangements.
- b. Data collected would inform but not in any way constrain the 1984 pay negotiations. Since we have yet to reach agreement on long-term arrangements, next year's negotiation will therefore necessarily be on an ad hoc basis, as will the data collection. It should thus be explicitly understood and agreed in advance that the negotiating freedom of either side would not be restricted by reason of the data collected; and there would be no particular limit of the kind envisaged in Megaw, within which the eventual outcome could lie.
- c. As in the case of this year's negotiations, there can be no advance commitment by the Government to go to arbitration if a negotiated settlement cannot be reached for 1984. This is consistent with our position on longer-term arrangements relating to arbitration. Naturally, as this year, we hope a negotiated settlement will be reached.

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9. The Government propose that discussions of the possibility of data collection, and if so agreed the data collection itself, should proceed in parallel with discussions towards full agreement based on Megaw for the longer-term, taking account of the points and positions noted above and also of the many other points we have yet to discuss. You suggested, and we agreed, that we should aim for midsummer 1984 as a target date for a full draft agreement on longer-term arrangements.

10. I shall be grateful to know the CCSUs views, and in particular that you are content to proceed to discuss the possibility of data collection for 1984 on the basis set out in paragraphs 7 and 8 above.

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