



Note. Spoke to KS's private office and conveyed PM's comments. Agreed would delay minutes until after KS had written.

cc MS

Prime Minister (2)

Chancellor of the Duchy of Lancaster

AT 28/9

This will bring little comfort to Sir Keith Joseph, who is worried about the £2m bill for the Research Councils.

It is asking a lot to expect him to hold the line at X. There are 1200

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

Principal Scientific Officers working for the Councils, and the Government is committed to "substantial alignment" of their conditions with the civil service.

26 September 1984

K.S. is in difficulty
Can we not delay
Unified Grading?
N.S. or let us make money for
make in concerned. I
should have the full if
could easily come
for the
£100 m

Nigel, Sir Keith will be writing again.

Dub
27/9

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Colleagues have now commented on the proposal for an extension of unified grading to Principal level which I put to you in my letter of 3 August, and most have supported the change. I am sure that these measures will enhance our ability to develop and make the best use of the talent in the Civil Service and remove the long-standing sense of discrimination often felt among professional and scientific staff.

In his letter of 14 September, Keith Joseph mentioned the implications for staff in the Research Councils. I recognise that it might be difficult for him to avoid passing on such an important change in Civil Service structure to the Research Councils but it is of course a matter for his decision as their sponsoring Minister, subject to Treasury consent. There may be other cases in which controlled fringe bodies whose pay and conditions are modelled on the Civil Service will not follow this extension of unified grading. They will need to reach their own judgements, with colleagues who are responsible for them, on whether the change would be sensible and worthwhile in their particular organisational circumstances. Clearly cost will always be an important factor in the decision. I do not think it would be right to hold back on this agreed reform in the Civil Service until the position in all these bodies has been clarified.

X

MANAGEMENT IN CONFIDENCE

I suggest that we should press ahead now with plans for implementing the reform. I am asking my officials to consult yours about the manner and timing of an early announcement and approach to the Civil Service unions. Among the more important issues of substance to be resolved is the pay structure of the new unified Grade 7 to which your letter of 8 August referred. I suggest that officials should give early attention to this.

I am copying this letter to the Prime Minister, to other members of the Cabinet, to Sir Robert Armstrong and to Sir Robin Ibbs.

Lewis,
e/er

GOWRIE

SEP 1984
L B G A

MANAGEMENT IN CONFIDENCE



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Lord Gowrie
Minister of State
Management and Personnel Office
Great George Street
London SW1P 3AL

pa ends 17/9

Prime Minister (2)

*To note Sir Keith's
wishes about the Research
Councils. We will show
you Lord Gowrie's reply.*

14 September 1984 *ends 14/9*

ml

Dear Guy,

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

The implications of your proposals for DES would be limited but I am worried about the position of the Research Councils. Their pay and conditions are tied to those of the Civil Service, so if we adopted unified grading at Principal level they would be bound to follow. The Government gave an undertaking when the Research Councils were established that their staff's terms and conditions of service would be "substantially" aligned with Civil Service conditions. This commitment was made in the House by the then Education Secretary on two occasions in 1964 and 1965. It means in effect that neither we nor the Research Councils would be able to resist the pressure from the Councils' staff for unified grading down to Principal level to be extended to them. The Councils employ some 1200 PSOs and while the total cost to them of unified grading at Principal level would depend on the precise form of the new arrangements, we calculate that it could be as much as £2m a year.

I am already concerned that various significant extra burdens are eating away at the science budget and undermining our policy of protecting the science base. I have raised this issue already with Treasury Ministers and it underlies several of my PES bids this year. I am therefore reluctant to agree to a development which, although perhaps desirable on other grounds, will undoubtedly add to these burdens. I see from Nigel Lawson's letter of 8 August that he expects Departments to absorb the extra costs, and while I could accept this for DES I cannot do so for the Research Councils.

I must therefore oppose the proposed extension of unified grading at the present time. I note that the Chancellor has also expressed scepticism about whether the benefits would be worth the costs involved within the Civil Service. I would not object, however,

MANAGEMENT IN CONFIDENCE

to officials being invited to look further at the potential benefits and the financial implications of the various different options for extending unified grading with a view to our reconsidering the matter in say a year's time. Even then, however, I may have to reserve my position so far as the Research Councils are concerned.

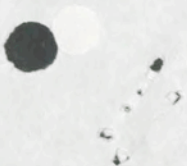
I am copying this letter to the Prime Minister, to other members of the Cabinet, Sir Robert Armstrong and Sir Robin Ibbs.

Encom.

Kain

4 SEP 1984

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MANAGEMENT IN CONFIDENCE



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 LONDON SW1

Pne Minister:

The Treasury
 accept the force
 of Sir Keith's case.
 They are seeking
 a solution together
 with Lord Gowrie

2 October 1984

3/6

Jan Nigel.

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

I have seen Grey Gowrie's letter of 26 September.

Grey suggests that it is within our power to avoid passing on the proposed extension of unified grading to the Research Councils. As I explained in my letter of 14 September to Grey, when the Research Councils were established in their present form in the mid-60s, it was decided as a matter of policy that their staff's conditions of service would be "substantially" aligned with Civil Service conditions. Binding commitments to this effect were made in the House by the then Government. I cannot believe that the Research Council's staff would acquiesce in a decision to exclude them from new unified grading arrangements in the Civil Service.

It is not obvious to me that the case for extending unified grading in the Civil Service is now so overriding that the cost implications for the Research Councils - and indeed for the Civil Service itself - can just be brushed aside. The science budget is under great pressure. I am not prepared to add to these pressures gratuitously by accepting the extension of unified grading at the present time. Departments who commission work from the Research Councils would also be affected because the cost of extending unified grading would be reflected in higher fees.

I have said that I am willing to have the matter reconsidered in a year's time and for officials meanwhile to investigate further the costs of the various different options for extending unified grading. I cannot agree now however that implementation of the reform should go ahead.

cont/d.....

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I am copying this letter to the Prime Minister, to other members of the Cabinet, Sir Robert Armstrong and Sir Robin Ibbs.

Conover,

Kerr,

CIVIL SERVICE : Long Term
Pt 16

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- 2 OCT 1984



CABINET OFFICE

~~From the Minister of State~~

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and
Science
Elizabeth House
York Road
London SE1

5 October 1984

Dear Keith,

NBM
R

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

I have seen your further letter of 2 October to Nigel Lawson on this subject. I appreciate that if an extension of unified grading in the Civil Service had to be applied also to the staff of the Research Councils, there could be significant and unwelcome implications for the science budget. But I am also concerned that we should press on with this important component of our programme of Civil Service reform which our colleagues generally have welcomed.

Clearly, if the introduction of unified grading was accompanied by the immediate alignment of the pay of the groups concerned, it would be difficult to contemplate meeting the whole cost of that next year (though at first sight the estimate of £2 million in respect of Research Council staff seems somewhat on the high side). While we have yet to determine the basis on which pay would be aligned, we have envisaged that it would be subject to some phasing arrangements to help manage the financial aspects of the transition. I think there may be a way forward here.

I therefore suggest that we ask our officials to examine with the Treasury as a matter of urgency what the phasing and transitional possibilities are and to report to us so that we can judge whether such an approach might meet both our

MANAGEMENT IN CONFIDENCE

concerns, or whether the matter will need further discussion with colleagues. If you agree, I will ask my officials to proceed accordingly.

I am copying this letter to the Prime Minister, to other members of the Cabinet and to Sir Robert Armstrong and Sir Robin Ibbs.

*Lewis,
e/ry*

GOWRIE

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CIVIL SERVICE - Long-term PR16



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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

CC 10

2

W/M

Lord Gowrie
Management and Personnel Office
Great George Street
London SW1P 3AL

15 October 1984

Dear Grey.

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for your letter of 5 October on this subject.

I am by no means clear that the phasing possibilities will meet my concern since the full bill would still eventually fall on a Science budget which is already under considerable pressure. However, I agree that our officials should examine the issues in more detail with the Treasury in the way you suggest, and I am willing to look at this again when we have a report from them.

I am copying this letter to the Prime Minister, to other members of the Cabinet, and to Sir Robert Armstrong and Sir Robin Ibbs.

Em. / Ken