

MR SCHOLAR

cc Mr Mount

Prime Minister ①Agree John Verchev's  
very tactful line at X?

MUS 12/10

Yes  
msPolice Pay

In his letter of 7 October to the Chancellor, the Home Secretary rejects the suggestion of a review body for Police pay, and suggests instead changing the updating arrangements (whereby Police pay is indexed to average earnings) by 'building on the Megaw approach'.

The case against the Edmund-Davies indexation formula is overwhelming. Police pay this year (10.3%), last year (13.2%) and the year before (21.3%) was at the top of the public service league; and it has now reached a level unjustified by the labour market. The fact that Police would resist any change is unsurprising, and not relevant. The Prime Minister has, of course, already said, in the context of the AFPRB, that the time has come to bring affordability and market factors to bear on Police pay.

There has not yet been any detailed official analysis of alternatives to indexation. Although the Home Secretary has concluded that establishing a review body would require legislation (which may not have to be particularly substantial or controversial), he has made a helpful suggestion for changing the updating arrangements. This may provide a way forward, particularly if it can be made more specific; and, to the extent that indexation remains a part of any new system, it would have to be organised so as to avoid a major dispute with the Police each year.

The Home Secretary suggests that his officials now try to move the Police Negotiating Board gently in the direction he has indicated. This is, I think, a little premature: the Megaw principles have not yet been endorsed by Ministers, and we all need to be a little clearer how the new arrangements would operate.



So I think the best way we can help Mr Whitelaw take his ideas forward, and at the same time keep them in line with the development of our overall approach to public service pay, is for the Prime Minister to suggest that Peter Gregson's group - the official committee on Public Service Pay - should draw up a number of alternatives for police pay determination, including of course that suggested by Mr Whitelaw; and present them to Ministers for decision by, say, the end of the year.

J.

12 October 1982



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10 DOWNING STREET

*Police*  
*he B*

*bc J.V.*  
*P. Gregson*

*From the Private Secretary*

13 October 1982

POLICE PAY

The Prime Minister has seen a copy of the Home Secretary's letter of 7 October to the Chancellor about police pay.

The Prime Minister is anxious to ensure that developments in the arrangements for determining police pay should be consistent with the development of the Governments overall approach to public service pay. Accordingly, she has asked that the Official Committee on Public Service Pay should consider these matters, and should draw up a number of alternative ways of improving the present arrangements, including of course that suggested in the Home Secretary's letter. The Prime Minister hopes that PSPO will be ready to present these matters to Ministers for decisions by the end of the year.

I am sending a copy of this letter to John Kerr (HM Treasury), Muir Russell (Scottish Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Halliday, Esq.,  
Home Office.

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QUEEN ANNE'S GATE LONDON SW1H 9AT

7 October 1982

Dear Jeffrey.

POLICE PAY

When we met on 10 June to discuss police pay you said that you would like to get away from the present system of indexation and suggested that the only alternative seemed to be a pay review body like the AFPRB, which might perhaps be extended to cover the police. I undertook to consider without commitment the possibility of creating a pay review body and to discuss it with you again once we knew how the negotiations on pension contributions and rent allowances had gone.

I have given very careful consideration to your suggestion. I think we would all accept that because the police are prohibited from striking there must be some special arrangement to settle their pay; and remitting it to an independent review body, like the AFPRB, which could take account of wider considerations than the Edmund-Davies formula, has obvious attractions. But there are very strong objections to such a course. Although the police are in the same position as the armed forces as regards the right to strike, their position is quite different in other respects. Unlike the armed forces which are under the direct control of central government, they are a local service, financed partly by local government. The statutory responsibility for providing and maintaining police forces rests with the local police authorities, and this is recognised by the local authority associations being represented on the Police Negotiating Board. To remove police pay from the Board and hand it over to an independent review body reporting direct to central government would exclude the police authorities and undermine the existing constitutional basis of the police service. Such a step would be strongly opposed by the local authority associations, as it would be by the police themselves who would see it as a direct attack on the Edmund-Davies Report to which they are so strongly attached, and which included recommendations on the negotiating machinery and the role of the police staff associations as well as the level of pay and the method of updating in the future.

Moreover, to transfer police pay to a review body would mean repealing the Police Negotiating Board Act 1980, which we introduced to provide the statutory basis for the new arrangements proposed by the Edmund-Davies Committee. The police staff associations would mobilise a very strong campaign both inside and outside Parliament against the legislation; and in view of the very firm commitments which I and other members of the Government have repeatedly made to the principles of the Edmund-Davies Report this would place us in serious difficulty. In the period before a General Election I do not think that any of us would want to

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

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contemplate pushing through legislation of this sort, even if room could be found for it in the programme. Indeed, even to let it be known that we were considering such a change could be damaging. The police are already smarting from the 4% increase in pension contribution which I imposed on them in September and we are getting ready for difficult negotiations on rent allowance, which they will almost certainly take to arbitration. Any suggestion that we were at the same time proposing to abandon Edmund-Davies would be very badly received by a service which is still suffering from the loss of experienced officers resulting from the pay dispute of the mid-1970s which led to the setting up of the Edmund-Davies inquiry.

Having said that, I do not suggest that we should do nothing. The Edmund-Davies updating formula has proved over-rigid in practice and has led to unduly high settlements. But I believe that it should be possible to modify the arrangements while keeping the machinery of the Police Negotiating Board and without laying ourselves open to the charge that we are abandoning Edmund-Davies. The Edmund-Davies Report itself recommended that it should be open to either side of the Board to propose changes in the method of updating police pay, in the light of changes in the police service or in pay movements in the economy as a whole. Although a review by the Official Side of the Board earlier this year did not indicate that any change was necessary, the subsequent publication of the Megaw Report on Civil Service pay could provide the basis for a new approach. The Megaw recommendations would not be applicable in their entirety to the police; but building on the Megaw approach it would be possible to propose changes in the updating arrangements, centred on producing a wider range of more up-to-date information as the basis of negotiation. This might include other recent public service pay settlements, such as those for the armed forces and the Civil Service, and information about recruitment and wastage levels in the police service during the preceding year. The Office of Manpower Economics, which already provides the Secretariat for the PNB and also services the AFPRB, would be well placed to provide an extended range of data, which could be made available to both the Official and the Staff Sides of the PNB. The final decision on police pay would continue to rest with the Secretary of State, to whom the PNB submits its recommendations.

The Official Side of the PNB will be discussing the possible implications for the police of the Megaw Report and my officials will seek to secure a move in the direction I have outlined. Bearing in mind the pensions and rent allowance points which I have mentioned, I would not expect the Official Side to move quickly in putting proposals to the Staff Side; but I am sure that it will be better to proceed on these lines, within the existing machinery, rather than to attempt at this stage to introduce a completely new system for settling police pay. My officials will of course keep in touch with yours as the situation develops.

Copies of this letter go to the Prime Minister, George Younger and Jim Prior.

*Carlin*  
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8 OCT 1982

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