



cc NO. 2
Prime Minister
Duty Clerk
313

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

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PRIME MINISTER

POLICE PAY

The Ministerial Sub-Committee on Public Sector Pay (E(PSP)) met under my chairmanship on 29 February to discuss the current review of the police pay arrangements. We had before us the Home Secretary's memorandum on the subject (E(PSP)(84)4) and Mr Turnbull's letter of 28 February. I understand that the Home Secretary will be letting you have direct the information about recruitment and retention requested in that letter.

2. The Home Secretary said that the review would be conducted within paragraph 266 of the Edmund-Davies report which envisaged that either Side in the negotiating body should be able to propose variations to the updating process in the light of changes either in the police service or in pay movements in the economy as a whole. It would cover:

- a. a broad comparison of the relative position of police officers in the pay league now and on 1 May 1979, when the Edmund-Davies recommendations were implemented in full;
- b. an examination of the application of the Edmund-Davies formula to establish whether the application of an earnings index to police basic pay had produced distortions;
- c. a technical appraisal of the earnings index;



- d. an analysis of other changes in conditions since May 1979.

In the case of chief police officers and superintendents the review would also provide for job evaluation and a study of differentials. Every effort would be made to complete the review by July this year. The Official Side of the Police Negotiating Board (PNB) had made it clear that they would not be prepared to enter into negotiations on this year's pay settlement before it had been completed.

3. The Home Secretary argued that the Government must continue to operate within the Edmund-Davies framework: any apparent attempt to dismantle that framework would be strongly resisted by the police. However a review within the terms in paragraph 266 of the Edmund-Davies report should provide the scope for worthwhile proposals by the Official Side. These might for example include modifications to the link between outside earnings and police basic rates. It should also be possible to import considerations of recruitment and retention, which were clearly relevant to "changes in the police service", though this would have to be done carefully.

4. In discussion, there was general agreement that it was highly desirable to seek improvements in the police pay arrangements. The police had had a good case for more favourable treatment of their pay in the late 1970s: it was not so strong now. There were few problems of recruitment and retention; and the quality of recruits appeared to be rising. The gap between police pay increases and increases in the pay of other public servants was increasingly hard to justify. It also created difficulties in the context of public expenditure. About one-third of the increase, in cost terms, in local authority expenditure since 1978-79 was due to police expenditure; and this had fallen mainly on the shire counties. There were reasonable grounds for not



applying arguments of affordability to police pay in the same way as to the pay of most other public service groups, but it was hard to justify not taking account of recruitment and retention.

5. Some members of the Sub-Committee had reservations about the prospects for a satisfactory outcome to the review, and thought that it might prove necessary in due course to consider more radical approaches. It was however agreed that there was no alternative at present to proceeding with a review within the Edmund-Davies framework, on the lines suggested by the Home Secretary.

6. It was agreed that one of the Government's main objectives in the review should be to bring considerations of recruitment and retention to bear more effectively on the level of the police pay settlement. There might also be worthwhile changes in the working of the formula, for example in respect of the link between outside earnings and police basic rates. It would be important to submit carefully considered Government evidence bearing on these and other points, such as changes in the position of the police in the earnings league. The Home Secretary will ensure that colleagues mainly concerned have an opportunity to comment on the Government's evidence in draft and to provide an input to it. He will also consult the Sub-Committee before any proposals are put by the Official Side to the Staff Side of the PNB about changes in the police pay arrangements or the 1984 settlement.

7. The review will require careful handling in view of the political sensitivities. I am therefore sending copies of this minute only to the Home Secretary, the Secretaries of State for Northern Ireland and Scotland, the Secretary of State for Employment, and Sir Robert Armstrong. I should be grateful if they would ensure that copies are seen only by those with a clear 'need to know'.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

N.L.
2 March 1984

PRIME MINISTERPOLICE PAY

There is a growing amount of evidence that police pay is getting out of hand, and needs the review agreed last summer. It has taken a lot of effort to persuade the Home Office to come forward with the details of the review. You may wish to comment in advance of E(PSP) on Wednesday, to give the review momentum.

Current Pay Levels

After the implementation of Edmund-Davies in 1979, the police settled well above the rest of the economy in four out of the last five pay rounds (Table 1).

Table 1: Pay Settlements %

<u>Pay Round</u>	<u>Whole Economy</u>	<u>Public Services</u>	<u>Police</u>
1979-80	17	14½	13½
1980-81	8½	8	21½
1981-82	7	6½	13
1982-83	5½	5	10½
1983-84	5-6	5-6	8½
Total Increase	51	46	87

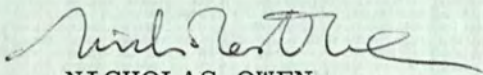
These settlements have pulled the police up the earnings league. In 1979, 21 per cent of the working population earned more than the average member of the police force. In 1983, only 13 per cent did. To give one illustration of the effect of this improvement, in September 1983, the maximum scale of a Police Constable (£10,620) exceeded that of an Army Private by 50 per cent. Compared to their most obvious comparators, the police seem to be doing very well.

The problem is the indexing formula, which gives the police settlements based on the average earnings in the economy, with their own overtime and bonuses on top of that. (Police housing allowances - up to £1,500-£2,000 tax free - are not included in these comparisons.) Ministers will want to consider whether current pay and conditions are not greater than is necessary to attract and retain the right people. This is a difficult judgment, which ought to be taken with the assistance of a Pay Review Board, and not simply as the

mechanical outcome of an indexing formula. The police are naturally content with the existing formula. They will only accept the sense of alternative review arrangements if the formula is abandoned.

In the meantime, the Edmund-Davies framework provides the flexibility the Government needs to change the formula. What has been lacking is the will to use it. To encourage the Home Office in this direction, you might wish to minute the Chancellor in advance of E(PSP) to the effect that:

1. You note that the police appear to have steadily improved their relative position over the last 4 years. It should be our immediate objective to substitute a less inflationary formula than that currently adopted. You hope that Leon Brittan will bring all the available evidence on comparative earnings of the police to the attention of the PNB.
2. You would be interested to hear Leon Brittan's views on recruitment and retention in the police force.
3. Looking beyond the 1984 negotiations, you consider that a Pay Review Board which would look at wider questions of comparability, recruitment and retention, is an objective which should be borne in mind.


NICHOLAS OWEN

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10 DOWNING STREET

From the Private Secretary

5 March 1984

POLICE PAY

The Prime Minister was grateful for the Chancellor's report, in his minute of 2 March, on the discussion at E(PSP) of police pay. She is content with the way it is proposed to handle this issue.

I am sending copies of this letter to Hugh Taylor (Home Office), Derek Hill (Northern Ireland Office), John Graham (Scottish Office), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Kerr, Esq.,
H.M. Treasury.

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