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Prime Minute ②

To note.

AT 19/3

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

Prime Minister

A handwritten signature, possibly 'M', in dark ink.

1984 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

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I attach a note by officials which sets out the background to the 1984 pay negotiations for non-industrial civil servants. Their settlement date is 1 April.

2. These negotiations will not be easy. Clearly we shall be working to secure the lowest possible figure but we shall need to consider the expenditure implications for Departments of any settlement above 3 per cent.

3. I invite colleagues to take note of this report. In due course we shall receive detailed recommendations from officials on the Government's negotiating position, which we shall need to discuss.

4. Copies of this minute go to the other members of MISC 66 and to Sir Robert Armstrong.

A handwritten signature, possibly 'N.L.', in dark ink.

N.L.  
16 March 1984

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## 1984 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

First Report to Ministers from the Chairman of the  
Official Group

### Introduction

This report sets out the background to the forthcoming negotiation on the pay of non-industrial civil servants and offers a preliminary assessment of the issues involved. The settlement date is 1 April, but effective negotiations are unlikely to begin before the end of March and no immediate decisions by Ministers are required.

2. There are about  $\frac{1}{2}$  million non-industrial civil servants. Each 1 per cent on their pay bill is about £45 million. There are also direct consequentials, for example in fringe bodies.

3. The aim of the negotiations should be to reach a settlement without industrial disruption which is consistent with the Government's general pay objectives; which can be reconciled with cash limits; and which does not lead to a breakdown in negotiations with the Civil Service unions on longer term pay arrangements following the Megaw Report. It will not be easy to reconcile these three aims.

### The Principal Factors

4. There are a number of considerations which are likely to affect the overall outcome of the 1984 pay settlement. They do not all point in the same direction. They include the following:-

- a) Data collection by OME. As a step towards/<sup>a</sup> longer term framework for pay negotiations based on the proposals in the Megaw Report, it was agreed last Autumn that the OME would collect data in connection with the 1984 pay negotiations; this, it was explicitly agreed, would inform but not in any way constrain the negotiations. The report by OME is expected to be ready in March. It will contain data on non-manual

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pay settlements in the private sector since 1 April 1983.

- b) Cost. Provision is made in Departments' programmes for an increase of 3 per cent in Civil Service pay and related allowances for 1984-85. It has been made clear in published correspondence with the unions that while this is not a norm and does not preclude genuine negotiations, it is a meaningful and important indication of cost and one which has to be given full weight.
- c) Pay elsewhere. The increase in earnings in the economy as a whole is running at  $7\frac{3}{4}$  per cent. The Department of Employment's survey shows the average increase in settlements at  $5\frac{1}{2}$  per cent. Public sector settlements are excluded from the OME data, but the negotiations will be influenced by any such settlements which have been reached before the Civil Service negotiations are concluded. Local authority manuals' settlement may have settled at  $4\frac{1}{2}$  per cent. The Review Body Reports on Nurses and Top Salaries/<sup>are</sup> due at the beginning of April; settlements may also have been reached by then on the Teachers.
- d) The rate of inflation. The forecast of  $4\frac{1}{2}$  per cent for RPI at the end of 1984, and 4 per cent by mid-1985 will be a factor, though it is one which will count for less in the eyes of union negotiators than the level of pay settlements already reached elsewhere.
- e) Recruitment and Retention. The OME will provide some information on the recruitment and retention position of private sector employers, and the available information on the recruitment and retention position in the Civil Service is currently being brought up to date. It is unlikely that this will show the position is notably different from that of other employers, but

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it should be possible to argue that in general our rates are adequate to recruit and retain staff that are needed (even though recruitment and retention difficulties are developing for certain types of staff).

5. The unions are aware that these considerations will have to be taken into account. Recent developments at GCHQ will not make the negotiating atmosphere any easier. It has been made clear to the unions that the Government is not bound to negotiate within the inter-quartile range. Nevertheless, it is unlikely to be possible to reach an agreed settlement with the unions which falls below the lower quartile of outside pay movements emerging from the OME Report. The unions will see the Government's willingness to offer a settlement at least at the lower quartile as a test of its sincerity in seeking longer term pay arrangements based on Megaw. The unions may acquiesce in the imposition of a figure below the lower quartile without resorting to industrial action but this would almost certainly lead to the breakdown of negotiations on the Megaw Report (particularly since there are those on the union side who would prefer not to be bound by any long term agreement with the Government).

#### Cash Limits

6. As noted, the increase in Civil Service pay and related allowances allowed for in Departmental cash limits for 1984/85 is 3 per cent. This is  $\frac{1}{2}$  per cent less than last year when the settlement for non-industrial civil servants represented an increase of 4.86 per cent. There will undoubtedly be difficulties for certain Departments, where spending is mainly on manpower costs, in absorbing within announced cash limits a settlement significantly over 3 per cent without effects on their planned activities and services.

#### Shape of pay package

7. We see no need this year to introduce additional elements into the negotiations simply in order to provide more scope for bargaining. But there will be a number of elements to be considered in constructing a pay package for 1984:-

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- a) Main pay increase. In line with recent years we envisage an across-the-board settlement for all grades, with one or two minor sectional pay adjustments handled separately from the main negotiations. To attempt to differentiate between different groups of grades would add to the difficulty of negotiations, and subject to the attitude of the unions, we see no management advantage in doing so this year. (It will be necessary in the discussions on longer term arrangements to discuss ways in which sectional pay adjustments can be made in future). We might consider differential treatment for staff at the maximum of their scales (as in recent years) and a lower increase for juveniles than for adults. But these variations can be handled in a way which seems to be most helpful for securing an overall settlement.
- b) Low Paid. The CCSU will probably be looking again for a settlement angled towards the lower paid. We shall want to avoid special treatment for them. It would, however, be desirable to leave open the possibility of some modest movement in that direction if it becomes clear that as last year it would help to secure an otherwise satisfactory settlement.
- c) Pay at Clerical Officer and Executive Officer levels. In last year's settlement adjustments were made to align certain pay points at Clerical Officer and Executive Officer level between the main general service and departmental grades. This was intended to pave the way for the merger of the tax and collection grades in the Inland Revenue. The process of alignment is due to be completed in 1984/85: the operative date will need to be settled as part of this year's pay negotiations.
- d) London Weighting. We propose to negotiate changes in London Weighting alongside the main pay settlement so that they can be costed together. We may not want to

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increase London Weighting in line with pay and there may be a case for differential increases in the 3 bands of London Weighting. But specific proposals will be worked out in the light of the detailed analysis of the recruitment and retention position in London which is only now being completed.

- e) Pay related allowances. While there is as usual a strong argument for adjusting allowances reflecting additional responsibility in line with movements in pay, other allowances which are related to demonstrating greater skill or to recruitment and retention requirements (e.g. allowances for computer, data processing and typing staff) might in some cases be held at their present levels, particularly where they are currently under review.
- f) Hours. Last year the unions' claim for a reduction in the working week of 1 hour in London and 2 hours outside London was put to one side when the settlement was reached. They are likely to return to this claim (perhaps without much enthusiasm) this year. The claim will need to be resisted again. A concession could have undesirable repercussions elsewhere and it would be difficult to absorb its cost without a pay increase smaller than the unions could accept. There will be some limited evidence on hours and leave movements in the private sector available in the OME Report.
- g) Other Items. It may be desirable to introduce one or two other small items into the negotiations including for example an adjustment in the present rules on advances of pay for the purchase of season tickets. These advances currently have to be repaid within the financial year in which they are made. This restriction has reduced the attractiveness of the arrangement to staff but its removal would add to expenditure in the first financial year after the change. Concessions on

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this and other similar points could be contemplated if they would help to secure a settlement.

Arbitration and Industrial Relations

8. When the unions asked earlier about arbitration in the event of disagreement in the 1984 negotiations they were told that there could be no advance commitment by the Government and that the hope was that a negotiated settlement would be reached. Arbitration is a major issue in the discussions with the unions on longer term pay arrangements. Megaw said that access to arbitration should be by agreement. The unions will argue as they have done before that the Government is distorting the provisions of the present arbitration agreement in denying them unilateral access.

9. There is a strong possibility that access to arbitration in the 1984 negotiations will become a major issue. The unions may at some stage offer to accept arbitration restricted by the parameters of the upper and lower quartiles of outside pay movements which emerge from the OME Report. It would be premature to take a firm view about arbitration now. It will first be necessary to establish the prospects for a negotiated settlement and if this seems remote to assess the alternative risks and costs of arbitration and industrial action, now that the unions have built up their strike funds again.

Timing

10. The unions have asked for a meeting of the National Whitley Council. This is now planned for 28 March. It is unlikely that they will want a meeting about pay before that date (and also unlikely that they will table a formal claim).

11. Recommendations will be prepared for Ministers in due course on the negotiating position which should be taken up, including the shape and size of an opening position. The union conferences take place in mid-May. Their aim is likely to be to secure a negotiated settlement or a commitment to arbitration before those conferences take place as a means of heading off any pressure at them for industrial action.

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Conclusions

12. Ministers are invited to note:-

- a) this assessment of the outlook for the 1984 negotiations; and
- b) that officials will make recommendations on the Government's negotiating position in due course.

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cc: MOD + F.P. Kemp,  
DHSS HMT.  
DI Emp. CO  
M/S, PCO  
M/S, HMT (msHaghet)

10 DOWNING STREET

From the Private Secretary

26 March, 1984

1984 Pay Negotiations for Non-Industrial  
Civil Servants

The Prime Minister has seen, and noted without comment, the Chancellor's minute of 16 March and the attached Report from the Chairman of the Official Group.

I am copying this letter to Private Secretaries to members of MISC 66 and to Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

D. C. L. Peretz, Esq.,  
H.M. Treasury

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