



MO 20/17/6

3rd May 1984

PRIME MINISTER1984 PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVANTS

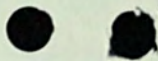
The Chancellor of the Exchequer sent me and other members of MISC 66 a copy of his minute to you of 2nd May. I agree with the negotiating tactics and the improvement in the pay offer that he recommends.

2. On the structure of the final offer, I think that we need to think carefully about giving more to those on the maxima of incremental scales than to those receiving increments. In some cases those on the maxima will be people settling for a quiet life, while those on the lower rungs of incremental ladders will be aspirants striving for future promotion. In management terms we may not want to give smaller financial incentives to those who are making the bigger efforts.

3. I am copying this minute to the other members of MISC 66 and to Sir Robert Armstrong.

Ministry of Defence

3rd May 1984



4 MAY 1984





E  
NO. 10

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

8 May 1984

R C Mottram Esq  
Private Secretary to the  
Secretary of State for Defence

*Dear Richard,*

**PAY NEGOTIATIONS FOR NON-INDUSTRIAL CIVIL SERVICE**

The Chancellor has seen your Secretary of State's minute of 3 May and the comments of the Prime Minister and other colleagues in response to his minute of 2 May.

The Chancellor fully accepts that in management terms we should not give smaller financial incentives to those who are making the bigger efforts. But he is not convinced that this is the implication of structuring a final offer on the lines hinted at in paragraph 4 of his own minute to the Prime Minister. He points out that there are people still on incremental ladders who have settled for the quiet life, just as there are people on the maxima of their scales, or on flat rates, who need some kind of incentive and that those still on scales are also receiving increments which are worth on average about 6 per cent. In the Chancellor's view, the best way to give financial incentives to those who are making the bigger effort is likely to be through a merit pay system, and he understands that Lord Gowrie will shortly be bringing forward proposals for a merit pay scheme.

The Chancellor notes that your Secretary of State is content with the offer he has proposed officials should make early this week and suggests that MISC 66 should discuss the shape of the final offer after the union Conferences.

I am copying this letter to Andrew Turnbull (No.10), to the Private Secretaries to the other members of MISC 66 and to Richard Hatfield (Cabinet Office).

*Yours sincerely,  
Margaret O'Mara*

MISS M O'MARA  
Private Secretary

Civil Service : Pay Pt 14

8 MAY 1984  
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## MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

## 1984 PAY NEGOTIATIONS FOR THE NON-INDUSTRIAL CIVIL SERVICE

I have seen Micheal Heseltine's minute to you of 3 May in which he queries the Chancellor's proposal to give more to those on the maxima of incremental pay scales than to those receiving increments on the grounds that some staff on their maxima will be "settling for a quiet life" while those on the lower rungs of incremental ladders will be "aspirants striving for future promotion". I have also seen your private secretary's letter of 4 May in which you ask the Chancellor to "take account" of Michael's point in structuring the Government's revised pay offer.

Michael's argument is a seductive one which must be true for some people. On the other hand we should not overlook the fact that the pay scales for the clerical and executive officers, and their equivalents, who make up the bulk of our workforce, are short. A clerical or executive officer entering the Service direct from school or university, as most of them do, will have reached the maximum point on their pay scales by the time they are 25 or 26 years old. When the size of the civil service was stable or expanding the best of them could expect promotion to the next grade while they were still in their twenties. But in a contracting service the opportunities for promotion are much diminished. The consequence is that growing numbers of our best younger staffs find themselves on the maximum of their present pay scales with little hope of early advancement. When one considers that, outside London, the maximum gross pay of an executive officer - a grade to which the majority of new entrants nowadays are graduates - is £155 a week, it is clear that, as the economy picks up, we risk a substantial and damaging outflow of experienced staff.

It follows that there is a strong management case for following the Chancellor's advice on the distribution of the proposed new pay offer.

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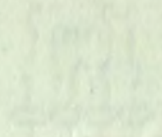
MINISTER OF STATE PRIVY COUNCIL OFFICE

I am copying this minute to the members of MISC 66 and to Sir Robert Armstrong.

g.g.

LORD GOWRIE  
8 May 1984

CONFIDENTIAL



- 8 MAY 1984

