

PRIME MINISTER

CIVIL SERVICE RETIREMENT AND RE-EMPLOYMENT POLICY

Until recently, most civil servants below the rank of HEO were allowed to retire at 60, take their lump sum and be re-employed immediately in the same grade.

Ministers decided in 1983 to end this practice, on the grounds that it was wrong in principle to make it so attractive for older staff to stay on, at a time of high unemployment among young people.

But the MPO have run into trouble in implementing this decision. The difficulty is that it effectively takes away existing rights, albeit ones which have arisen by custom and practice, rather than under contract. There is thus a significant risk of successful legal challenge.

Lord Gowrie's preferred solution, when he wrote to colleagues last May (Flag A), was to amend unilaterally the Principal Civil Service Pension Scheme. Amendment would have caused a row with the trade unions, but in return it would - he hoped - have put the legal position beyond doubt.

It turns out that Lord Gowrie's hopes were ill-founded. The Solicitor General has just advised (Flag B) that amendment of the Civil Service Pension Scheme to exclude the possibility of a lump sum followed by re-employment would also be risky. He recommends primary legislation as the only safe route, though even this may require us to fend off action under the European Convention on Human Rights.

Lord Gowrie is considering his next move, in consultation with colleagues. I will keep you in touch.

DMS

17 January 1985

Is it permissible to refer to this in question - time? MS

PRIME MINISTER

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Dms
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Civil Service Retirement and Re-employment Policy

You wondered whether you might make use of the attached material at Question Time.

I have discussed with Tim, and we both feel that there is unlikely to be much mileage in this for you. It is true that the trade unions would oppose withdrawal of the lump sum and re-employment option. But the basic difficulty is a legal one - the Government would be on unsafe ground in proceeding without legislation to "worsen" what has become an accepted "right" for existing staff.

Dms

mt

DAVID BARCLAY

21 January, 1985