

PRIME MINISTER

In view of K.V.'s opposition —
we must leave out the fringe bodies
just go ahead with the Civil Service

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

You will recall that Sir Keith Joseph has been holding out against Lord Gowrie's proposal to extend unified grading across the Civil Service as a whole to Principal level. Every other Department with an interest is content to proceed with this.

The proposal was first mooted last July, and its implementation has been delayed since then on account of Sir Keith's concern that the costs to the Research Councils will lead to redundancies, or to the rejection of research proposals they could otherwise accept.

The most important items in this correspondence are attached at Flag A. Policy Unit advice is at Flag B, and suggests that this issue must not be allowed to drag on, with Sir Keith holding up a sensible reform which will have pay-offs across Whitehall as a whole.

Lord Gowrie believes everything possible has been done to accommodate Sir Keith. His latest proposal is that the extension of unified grading should go ahead within the Civil Service, and that the fringe body issues should be handled separately. It seems likely, if this is accepted, that Sir Keith will quickly come under pressure to include his own fringe bodies in the new arrangements, and that he will accordingly continue to resist. You will see he has strong feelings on this.

You do not I think need to get involved in the detail of this, but a general steer from you at this stage, of the kind suggested by the Policy Unit, may be the only way to

get over the impasse.

Content that I should circulate a note saying that:

- (i) you have seen the protracted correspondence;
- (ii) you agree there is merit in further simplifying the grade structure in the Civil Service; and
- (iii) you hope DES will feel able to join other Departments in extending the arrangements to their fringe bodies?

Mark Addison

(Mark Addison)

11 July 1985

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

15 July 1985

Dear Paul

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

The Prime Minister has seen the correspondence on this matter, which rests at present with Lord Gowrie's letter to the Chancellor of 4 July.

The Prime Minister has commented that in view of Sir Keith's opposition to the extension of unified grading to the fringe bodies for which he has responsibility, it would be best to proceed by going ahead now with the proposal for the Civil Service but not for the fringe bodies.

I am sending copies of this letter to Rachel Lomax (HM Treasury), Rob Smith (Department of Education and Science) and Richard Hatfield (Cabinet Office).

Z es
Mark Addison

(MARK ADDISON)

Paul Thomas, Esq.,
Chancellor of the Duchy of Lancaster's Office.

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MR ADDISON

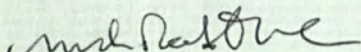
10 July 1985

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

We do not think that DES objections should be allowed to delay this any longer. There is not, as far as we can ascertain, anything peculiar to the DES fringe bodies which justifies the DES objections. We suspect that there is nothing more than institutional inertia and a desire to obfuscate pay differentials underlying these. The Treasury are confident that the extension can assist in pay negotiations, as well as allowing greater mobility within the Civil Service.

It is not clear whether Lord Gowrie proposes to leave fringe bodies to be decided by Departments as they wish. We can see merit in a consistent approach across the Civil Service.

The Prime Minister might either have a quiet word with Keith Joseph, or a Private Office note should say that the Prime Minister has seen this protracted correspondence, sees the merit in simplifying the grade structure in the Civil Service, and hopes that the DES will feel able to extend these arrangements to their fringe bodies, along with all the other Departments.


NICHOLAS OWEN

CONFIDENTIAL



CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street,
LONDON SW1

4 July 1985

Dear Nigel,

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

With the Prime Minister's agreement, I put forward proposals on 3 August last year for the unification of grades at Principal level in the Civil Service. You know that most colleagues, especially those who are major employers of scientific, professional and administrative staff supported the reform, but Keith Joseph saw difficulties in relation to the staff outside the Civil Service in the Research Councils and British Museum (Natural History).

We have examined this further, but Keith remains unable to agree, in view of the cost to the Science Budget, that these changes would be worth having in the Research Councils and BM(NH). He is nevertheless anxious to retain a pay linkage with Civil Service staff.

I believe that, with due consideration of cost, we must press forward with reforms which will help to improve the quality of management and the efficiency of the Service. We do of course need to consider whether they represent value for money. But that must essentially be a matter for the type of judgement our colleagues made before agreeing, as they have in this case, to meet the costs from within their existing provisions. The benefits which accrue from most personnel management and structural developments of this kind are not normally sufficiently tangible to measure precisely against cost.

Whatever the position in the Research Councils, I am confident that this reform can make an important contribution to our overall aims for the Civil Service. It has been accepted that no additional money will be made available, and I think it would be wrong now to deny ourselves the opportunities and advantages which would flow from disposing of the multitude (there are about 100) of different grades at this level of the Service. I understand that your officials can provide suitably economical pay assimilation arrangements for this purpose.

While I recognise that Keith Joseph sees difficulty in this, I think the right course in all the circumstances would be to go ahead with our plans for the Civil Service and handle the fringe body issues separately as we did with the unification of Grades 4, 5 and 6. I would therefore propose, with your agreement, to announce that we shall aim to take this further step in reforming the Civil Service next year on pay assimilation arrangements to be negotiated between the Treasury and the unions concerned. Such an announcement would itself bring about an improvement in the morale of the specialists at this level, among whom there are some specific and quite acute difficulties of retention and motivation. I would expect this to be helpful in the context of the pay measures which I understand the Treasury have under consideration. The cases of fringe bodies would have to be dealt with on their individual merits. Some would no doubt again decide not to follow us, in which case I understand that their pay linkages could still be retained but at an adjusted level.

I am copying this letter to the Prime Minister, Sir Keith Joseph and to Sir Robert Armstrong.

*Yours,
Gowrie*

GOWRIE

CIVIL SERVICE L-7 PM



CNO.



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

19 June 1985

Earl of Gowrie
Chancellor of the Duchy of Lancaster

NBPM

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Keith Joseph copied to me his letter of 6 June.

I sympathise with Keith's reluctance to divert Science Budget money to financing this change in the Research Councils if, in contrast to other colleagues concerned, he feels it does not deserve to be given priority within the resources available to him. But, as he rightly says, we are all committed to containing public expenditure, and I fear the Treasury simply cannot make additional expenditure available for this purpose - all the more so if, as Keith implies, this is an initiative which the Research Councils could do without.

Copies of this letter go to the Prime Minister, Keith Joseph and Sir Robert Armstrong.

NIGEL LAWSON



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Lord Gowrie
Chancellor of the Duchy of Lancaster
Management and Personnel Office
Great George Street
LONDON SW1P 3AL

6 June 1985

Jan Gray

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for your letter of 8 May. The handling of this matter continues to astonish me.

I have never seen this policy properly costed, nor any serious attempts at an investment appraisal or cost benefit analysis for a development that unquestionably will cost millions. Yet we are constantly pressed by your office to carry out investment appraisals or cost benefit analyses in our fringe bodies, for far smaller sums.

Our colleagues apparently see little or no difficulty in assimilating the extra costs. It must follow that there is slack in their programmes. There is no such slack in the Science Budget. The Research Councils are turning away, every year, many hundreds of university research proposals of world class potential. To meet the cost of unified grading the AFRC would have to lose another 30 posts (out of a total of 516 PSO posts) or 60 if lower grade people went; or reject a further 30 research proposals by universities.

I do not find phasing a desirable way of proceeding. We may find ourselves more or less forced to adopt it but it is still surely to be avoided rather than multiplied. It brings to mind the practice in pay settlements of the late '70s whose bitter fruits we inherited. We are urged by the Treasury to consider the long term costs of policy developments, not just those of the early years. And we are all committed - are we not? - to constraining public expenditure.

I am not willing to agree to the introduction of this reform unless it includes the Research Councils and the BM(NH), on an equal footing with the Civil Service, and unless I am fully compensated for the costs, from outside my programme. Otherwise the proposal should be shelved sine die.

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I am copying this letter to the recipients of yours.

6 JUN 1965

U.S. DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL
WASHINGTON, D.C.

Lincoln

Keefe -



CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

NBM

8 May 1985

Dear Keith,

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Since you last wrote on 30 November, officials have been looking further at the possibilities open to us, and I have received deputations from the SCPS and IPCS. We must now settle this issue, and if we are to preserve any of the momentum left, I must announce our intentions very shortly.

With most of our colleagues, I do, as you know, attach considerable importance to the early introduction of this major reform at Principal level in the Civil Service, to secure the management advantages which we expect to flow from it in the better use of staff and the development of talent. I recognise that these changes would not necessarily apply to all fringe bodies whose pay normally follows the Civil Service. Each case would need to be considered separately, taking account of all the factors involved. I understand that you would expect the Research Councils and the British Museum (Natural History) to argue that it is essential, for staff management reasons, to adopt a change of this kind in Civil Service rules.

The Treasury have been considering again with us the sort of assimilation arrangements for aligning the various pay scales affected which would best suit our respective needs. We had already planned to phase in the pay increases - and thus the costs - involved gradually over a number of years. On current thinking we would extend this period to five years, and the attached note shows the cost of the arrangements we would be

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aiming at for the Civil Service and Research Council/BM(NH) staff concerned if the changes were carried through there. In the latter case the cost would fall on the Science Budget. (Although the precise terms would be the subject of negotiation with the unions, there is little if any doubt that the final terms would ultimately need to be imposed as on the last occasion in the absence of the agreement of the unions concerned).

This approach would enable us to achieve the rationalisation of the Principal grade level immediately, but at a modest cost spread over five years. Costs in the first year (whatever starting date is finally determined) would be minimal, and would remain very small in the early years. This would ease the burden of funding the reform for the Civil Service departments, as well as for those fringe bodies which decided to follow us. I hope that you can now agree to proceed on this basis.

I would like to make an early announcement that we shall aim to proceed with the unification of grades at Principal level in the Civil Service later this year. If you think it would be helpful, I could add that we recognise that this reform could have implications for a number of fringe body staff, and that their position will need to be considered in the light of the changes taking place in the Civil Service.

A copy of this letter goes to the Prime Minister, the Chancellor of the Exchequer and to Sir Robert Armstrong.

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UNIFIED GRADE 7 - ESTIMATED TRANSITIONAL AND LONG-TERM COSTS (AT 1984 PAY RATES)
(Research Councils only)

	DATE OF INTRODUCTION	
	1 October 1985	1 January 1986
Costs in 1985-86	£ 50,000	£ 25,000
Costs in 1986-87	£150,000	£125,000
Costs in 1987-88	£ ½m	£ ½m
Costs in 1988-89	£ ¾m	£ ¾m
Costs in 1989-90	£1½m	£1½m
Long-term Annual Costs	£1½m	£1½m

UNIFIED GRADE 7 - ESTIMATED TRANSITIONAL AND LONG-TERM COSTS (AT 1984 PAY RATES)
(Manpower Count Departments only)

	DATE OF INTRODUCTION	
	1 October 1985	1 January 1986
Costs in 1985-86	£150,000	£80,000
Costs in 1986-87	£ ½m	£ ½m
Costs in 1987-88	£ 1m	£ ¾m
Costs in 1988-89	£2½m	£1¾m
Costs in 1989-90	£4½m	£3¾m
Costs in 1990-91	£5½m	£5¾m
Long-term Annual Costs	£4 m	£4 m

Civil Service: Long-Term Policy A 17.

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