

PO CH/GH/0163
PART A

PO CH/GH/0163
PART A

NON-INDUSTRIAL CIVIL SERVICE PAY PROPOSEN MACHINERY OF PAY RESEARCH FOR 1981

DD's JSJB NAJ3
7-3-97

1981

THIS FOLDER HAS BEEN
REGISTERED ON THE
REGISTRY SYSTEM

12-1-81

M



CONFIDENTIAL

Mr Middleton

for Wiggins
CH/EXCHEQUER

REC. -7 MAY 1980

M. Middleton

6 May 1980

10 DOWNING STREET

From the Private Secretary

I enclose two letters which the Prime Minister has received from Lord Shepherd - the first a formal letter forwarding the PRU Board's Annual Report, the second offering some personal comments on the work of the Board.

I would be grateful for a single draft reply for the Prime Minister to send to Lord Shepherd, and also for advice on the publication of the Report.

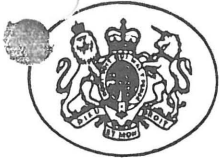
The Prime Minister has decided to invite Lord Shepherd and Sir Derek Rayner to a meeting to discuss the points in Lord Shepherd's second letter and the PRU system generally. There is no need, therefore, for the draft reply to deal with the substance of the letter. The Prime Minister would like the Chancellor and either Mr. Channon or Lord Soames to attend the meeting with Lord Shepherd and Sir Derek Rayner. We will be in touch to arrange a time and date.

I am sending a copy of this letter and its enclosures to John Wiggins (H.M. Treasury), Jim Buckley (Lord President's Office) and to Sir Derek Rayner.

G. E. T. Green, Esq.,
Civil Service Department.

J.P. LANKESTER

CONFIDENTIAL



CIVIL SERVICE PAY RESEARCH UNIT BOARD
 Queen Anne's Chambers
 41 Tothill Street, LONDON SW1H 9JX
 Telephone: 01-273 4465

CHAIRMAN

The Rt Hon Lord Shepherd P.C.

1 May 1980

The Rt Hon Margaret Thatcher MP
 Prime Minister and
 Minister for the Civil Service
 No. 10 Downing Street
 London SW1

Margaret Thatcher

I have sent to you today the report of the Civil Service Pay Research Unit Board on the 1979/80 operations of the Civil Service Pay Research Unit. This letter is a brief personal comment in confidence.

My Board has a role stemming from the 1977 Civil Service National Pay Agreement to satisfy itself that the Unit is undertaking its responsibilities properly and efficiently, and for safeguarding the independence and impartiality of the Unit.

Our report sets out how we have discharged our responsibilities. We are satisfied with the professional approach of the Unit, impressed by the thoroughness with which it goes about its business, and by the high regard in which it is held by most of the organisations with which it deals. There are areas where we have suggested some changes or have asked for some investigations to be made, but we have little doubt about the overall soundness and validity of the Unit's surveys.

I have, over the past year, made clear to the Lord President of the Council and the Minister of State, Civil Service Department, the very restricted role of the Board. We are concerned with only one aspect of the pay research system; the integrity, impartiality and effectiveness of the Unit. We are precluded under our terms of reference from involving ourselves in, or commenting on, the range and type of information produced for the negotiating parties, how the Unit's data is used or interpreted, and on the validity and effectiveness of the pay research system as a whole.

3
17

1-1 MAY 1960
6 11 12 11 9
8 7 6 5 4 3
2 1

The Board's report is thus similarly limited in its scope and you will appreciate that it does not therefore review the whole of the operations of the pay research system. I feel it necessary to say that I, personally, have doubts on how long the independent members of the Board will remain satisfied with their current restricted role.

Y
||
Yours sincerely
T. P. Shepherd

SHEPHERD



CIVIL SERVICE PAY RESEARCH UNIT BOARD
Queen Anne's Chambers
41 Tothill Street, LONDON SW1H 9JX
Telephone: 01-273 4465

4
18

CHAIRMAN

The Rt Hon Lord Shepherd P.C.

1 May 1980

The Rt Hon Margaret Thatcher MP
Prime Minister and
Minister for the Civil Service
No. 10 Downing Street
London SW1

Dear Prime Minister

The terms of reference of the Civil Service Pay Research Unit Board require us to receive an annual report from the Director of the Pay Research Unit, and to submit to you an annual report for publication.

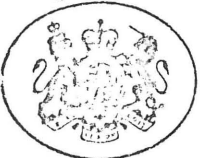
The Board has completed its examination of the work of the Unit for the period of the 1979/80 pay research programme, and I accordingly submit the annual report of the Board which incorporates that of the Director of the Unit.

*Yours sincerely,
The Rt Hon Lord Shepherd*

SHEPHERD

*As per ...
 ~ a response to my
 commission with CSD
 13/5/80
 19
 RAJ*

Civil Service Department
 Whitehall London SW1A 2AZ
 Telephone 01-273 3000



Minister of State

T P Lankester Esq
 10 Downing Street
 LONDON SW1

CH/EXCHEQUER	
REC.	12 MAY 1980
ACTION	Mr McEannachie
COMES TO	CST
	FST
	MST C
	MST L

Sir D Wass
 12 May 1980

Mr France
 Ps, IR
 Ps, C & E
 Ps, DNS

Dear Tim,

PAY RESEARCH UNIT BOARD REPORT

Thank you for your letter of 6 May.

The Government is committed to publish the Pay Research Unit Board's Report as well as that of the Government Actuary on the pension deduction. We would therefore recommend that both reports should be published simultaneously as soon as possible. The Government Actuary is keen that his report should be published before the pensions enquiry starts its work, and we would agree with him. This points to publication just before Spring Bank Holiday. If the Prime Minister is content with this timetable we will therefore arrange the publication of both reports on 22 May. As requested, I enclose a draft reply from the Prime Minister to Lord Shepherd's letter. Since Lord Shepherd is now due to meet the Prime Minister on 14 May to discuss the personal comments he has made on the work of the Board, we have made no reference to this in our draft reply.

I am copying this letter to the recipients of yours.

Yours sincerely
 Gary Rogers

A. P. Rogers

[Signature] 12/5

G D ROGERS
 Assistant Private Secretary

16/5

DRAFT LETTER FROM THE PRIME MINISTER TO:

The Rt Hon Lord Shepherd PC
Chairman
Civil Service Pay Research
Unit Board
Queen Anne's Chambers
41 Tothill Street
LONDON SW1H 9JX

Thank you for your letter of 1 May submitting the report of the Civil Service Pay Research Unit Board covering the 1979/80 pay research programme.

I understand that the arrangements for publication of your report are in hand. The Civil Service Department will be arranging simultaneous publication of it and of the Government Actuary's Report on the pension deduction as soon as possible before the Spring Bank Holiday.

Please convey to the Board my thanks to them and you for all the Board's work on this important subject.

CHANCELLOR OF THE EXCHEQUER

c Chief Secretary
Financial Secretary
Sir D Wass
Mr Ryrie
Mr Middleton
Mrs Heaton
~~Mr P Rayner~~
Mr Cropper

REVIEW OF PAY RESEARCH SYSTEM

I have now read myself into this subject, and this is the first observation to occur me.

2. If we continue with Pay Research (as seems both likely and desirable, despite the problems with which we are all familiar) then it seems to me there are two important changes to make to the system.
3. The first almost goes without saying: the work of the PRU should be far more open, at least to the PRUB if to no one else, and any obvious absurdities in the comparisons should be ended. This was all common ground at our meeting yesterday evening.
4. The second was not touched on at all. At the moment the Pay Research system leads to pay rises that are based on both comparability and indexation (see paragraph 7 iii and Annex B of the paper attached to Mr Channon's note of 16 May). The "comparable" rates of pay arrived at in outside settlements are uprated to the Civil Service settlement date by use of the RPI. This is a "neutral assumption" according to Mr Channon's Annex B. But of course it is not: it brings the "cost-plus" mentality we are trying to eradicate right into the heart of the pay research system.
5. When prices are rising ahead of earnings this indexation to prices will push Civil Service pay rates ahead of other earnings,

8
#22

and vice versa, so there are arguments both ways. But I think this method of uprating cannot be justified in present conditions, it should be up to the Government to decide the size of the uprating. The sums at stake are, I imagine, quite substantial; and they would enable one to reconcile pay research with cash limits more easily.

gc.

GEORGE CARDONA

21 May 1980

SECRET

27480
AM



9
AM
23

PS/CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
Sir D Wass
Mr Ryrie
Mr Middleton
Mrs Heaton
→ Mr Rayner
Mr Cropper
Mr Cardona

REVIEW OF PAY RESEARCH SYSTEM

The Financial Secretary has seen Mr Cardona's minute of 21 May.

He agrees with Mr Cardona that the "neutral assumption" used for updating the comparable rates of pay established through pay research is not in fact neutral at all, and at this point needs to be looked at.

SAL

S A J LOCKE
22 May 1980

S E C R E T



275/50
W

May 24 10

CC Chief Secretary
Financial Secretary
Sir Douglas Wass
Mr Ryrie
Mr Middleton
Mrs Heaton
Mr P Rayner
Mr Cropper

MR CARDONA

REVIEW OF PAY RESEARCH SYSTEM

The Chancellor has seen your minute of 21 May. He has commented that your paragraphs 4 and 5 make an important point in a way which had not occurred to him.

M A Hall

M A HALL
22 May 1980

276/80



cc: Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Sir Douglas Wass
 Mr. Ryrle
 Sir Anthony Rawlinson
 Mr. Middleton
 Mrs. Heaton
 Mr. France
 Mr. Ridley

NOTE FOR THE RECORD

PS/Lord President

DISCUSSION WITH THE LORD PRESIDENT : CIVIL SERVICE PAY

After yesterday's meeting about Zimbabwe debt, the Lord President of the Council stayed behind for a short private chat with the Chancellor. Lord Soames rehearsed some of the arguments from his paper on the PRU for E Committee tomorrow. He said that he saw three possible choices; to abolish pay research, to try to make the pay research recommendations fit into cash limits by means of "fudging" i.e. through adjustment to numbers and all staging; or to continue with pay research, suitably modified. One problem about Lord Soames' middle course was that the Government was already committed to a target of 630,000 over the next four years. In the view of Mr. Channon, the Government would be given a rough ride by the House if it tried to count staff savings to accommodate pay settlements in that number, which the Government was already committed to achieving. The Chancellor said it was central to the overriding objective of getting inflation down that the year on year increase in civil service earnings should be less than backward looking comparability processes were likely to come up with. He mentioned to the Lord President the worries he, the Prime Minister and the Secretary of State for Employment had about the demonstration effect of the forthcoming increase in MPs' pay. They would get 13 per cent as a catching-up payment, and probably around 18 per cent to bring their salaries up to date. It would be very helpful to the Government if they could obtain the agreement of the House to, say, only 9 per cent on top of the 13 per cent. He had, however, earlier that day seen Kenneth Baker MP, who had been very doubtful that the Government would be able to extract such a concession.



2. The Lord President said that civil service pay had always lagged behind the average. His strongly held personal view was that an attempt to hold down civil service pay well below the levels produced by pay research would invite three to four years of expensive industrial strife, which would leave the Government no better off at the end of the day. The lag in comparability arrangements which led to high civil service settlements at a time when other wages were falling applied equally in reverse when outside wages were rising. A possible formula for fixing civil service pay might be to deduct a fixed percentage from the PRU figure when other wages were falling relatively, and adding on the same amount when other wages were rising faster. The Chancellor said that although the Government had been less frank than it might be about it, a fall in real living standards was inevitably taking place. It was vital as far as the Civil Service was concerned to get a settlement which was appreciably below the current rate of inflation. Lord Soames said that if the difference between the year on year increase in the cash limit and the result of pay research was only around 1 per cent, this could be disguised by the usual devices; but a gap of 4 to 5 per cent could not be fudged. If the cash limit was to be the determining factor of civil service pay this was tantamount to the Government withdrawing unilaterally from pay research. He thought that changes in the pay research procedure were negotiable with the civil service unions, but this depended crucially on a clear intention by the Government to honour the findings of the modified PRU.

3. The Chancellor said that manufacturing industry would need to reach very low pay settlements, as a matter of survival; the banking and oil sectors on the other hand would be able to continue to pay well. The Lord President agreed that the weighting of the various analogues may well need to be modified.



4. The Chancellor said he was prepared to look sympathetically at all the Lord President's detailed suggestions for modifying the pay research process; but he still feared that they would fall short of what was needed to guarantee a settlement at a level the Government could accept.

MWD

M.A. HALL

4th June 1980

no page (Ch no. not again)

2/5/79

Page

10
6.6

~~31~~

31



10 DOWNING STREET

CH/EXCHEQUER	
REC.	- 5 JUN 1979
ADDRESS	MR JEREMIAH
COPIES TO	PS/FST
	PS/CST
	PS/MST (C)
	PS/MST (L)
	SIR D. WARSS
	SIR L. AIREY

From the Private Secretary

- MR. LITTLER
- MR. FRANCE
- 5 June 1979
- SIR A. RAWLINSON
- MR. A. M. BAILY
- MR. ANSON
- MR. FER. BUTLER
- MR. ROBBSON
- MR. RIDLEY

Dear Jim,

The Prime Minister would be grateful if the Lord President would put a paper to E Committee on the PRU and the PRU system of pay determination in the Civil Service. She has also asked that such a paper should include consideration of the work of the Government Actuary on the adjustment for differences in superannuation benefits.

I am sending a copy of this letter to Private Secretaries to members of E Committee and to Martin Vile (Cabinet Office).

Yours

we.

Tim Latham

Jim Buckley, Esq.,
Lord President's Office.

15
RA
43

- 1. MR RYRIE
- 2. CHANCELLOR OF THE EXCHEQUER

Copies attached for:
 Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Sir Douglas Wass
 Mr Ridley

Copies sent to:
 Sir Anthony Rawlinson
 Sir Kenneth Couzens
 Mr Middleton
 Mr Littler
 Mr Unwin
 Mr Bridgeman
 Mr Robson
 Mrs Heaton
 Mr P Rayner

CIVIL SERVICE PAY

On 23 July you suggested to E Committee (E(80)27th Meeting) that, because cash limits would have to override the application of comparability in the 1981 settlement, it would probably be necessary to suspend the Civil Service Pay Agreement. Since six months notice was required, a decision would have to be announced before 1 October and, so as to obtain demonstration effects on the private sector, you envisaged an announcement before the Recess.

2. E Committee, however, decided that the Lord President should be left to continue his discussions with the unions on the improvement of the pay research system before a decision was taken on suspension of the Agreement. The Lord President was to report back in September, in time for the 1 October deadline.

3. Since then we, in consultation with a small interdepartmental group, have been preparing a paper on the main options for the civil service pay system; this work will be available shortly. It has however become clear that the Lord President will not be able to report at all conclusively this month on his parallel talks with the unions. It is therefore necessary to anticipate E Committee's review of the case for suspending the Agreement.

4. This may be easier than it sounds, since the Civil Service Department are firmly of the view that the meeting which the

Lord President had with the unions on 1 August and which was reported in the press, constituted such notice as is required and has been interpreted in that sense by the unions. The Lord President made it clear that cash limits would have to be the major determinant of Civil Service pay in 1981. He did not give notice of formal suspension; but that is felt by the CSD to be unnecessary and in some respects damaging (because it might make it more difficult to reinstate the agreement if that were wanted), as well as being provocative. The Lord President is said to be determined that there should be no allegations of bad faith if primacy is given to the cash limits rather than to pay research and it is envisaged, therefore, that he will write to the staff side in suitable terms to remove any ambiguity there might be. It will probably also be necessary, but at a later stage, to take corresponding action in relation to access to arbitration.

5. It had been our view, as put to you, that formal suspension of the pay agreement was desirable. We are, however, persuaded, on the advice of the CSD, that no substantial additional risk will be run by proceeding as they suggest; the demonstration effect of suspension would be partly lost; but the discussions with the unions about changes in the system might have a better chance of success. The Department of Employment and CPRS concur.

.... 6. In view of the E Committee decision that this matter should not be resolved before the Lord President's report, and in view of the slippage of the report into October, the method of handling needs Ministerial clearance now. The best way of achieving this, on which the Cabinet Office agree, is probably a letter from you to the Lord President, copied to the rest of E. The attached draft is designed to smoke the Lord President out; it invites him to write to the staff side in terms which will avoid accusation of bad faith or yet further breaches of agreements if cash limits take precedence over pay research in the determination of the 1981 settlement.

Pv

(P V DIXON)

11 September 1980

17
45DRAFT LETTER

FROM: CHANCELLOR
TO: LORD PRESIDENT

Copied to: E Committee
Sir Robert Armstrong

At E Committee on 23 July we concluded that you should continue your talks with the Civil Service unions on the revision of the current pay agreement, and report back in September, before we reconsidered the question of giving six months notice of suspending the agreement, which would have to be done by 1 October.

2. I am concerned that time is now running out for that decision. I understand that it is unlikely that you will be able to report at all conclusively this month. [And I myself shall be absent for some time at the end of the month.]

3. I am prepared to accept your judgment as to whether one needs to go as far as formal suspension in order to safeguard the situation adequately. But I think it is vital that 1 October is not allowed to pass without our being fully confident that we have done all that is necessary to avoid accusations of bad faith or breach of agreement if, as the unions have been warned, cash limits override pay research information as a determinant of 1981 settlements.

4. I hope you will agree, therefore, to put the matter on the record in an unambiguous way, referring to suspension explicitly if that is necessary but at the least ensuring that the Government have freedom to act as envisaged by E Committee.

5. If we could agree on such a course by correspondence, it should be possible to defer into October your report back on your discussions with the unions, and I imagine that this is what you would prefer.



PRIME MINISTER

CH/EXCHEQUER	
REC.	20 OCT 1980
ACTION	Mrs HEARD
COPIES TO	CST
	PST
	Sir D. UMS

M. Lydell
M. Miss...
M. Dixon
M. J...

CIVIL SERVICE PAY

As you know I told the Civil Service Unions on 1 August that the cash limit would be the main determinant of the next Civil Service pay settlement in April 1981. At the previous E Committee we had concluded that the pay research evidence would be useful for the distribution of the settlement, and I therefore told the unions that pay research would have a part to play.

21/10

Under the terms of the Civil Service Pay Agreement the evidence collected by the Pay Research Unit is due to be delivered to both parties by 15 November. Most of it is ready now.

At E Committee last Thursday it became apparent that decisions on the cash limits for the public services will have to be taken before the pay research evidence is available to us. At the sort of levels we are now discussing, I see little prospect of varying the distribution of the pay increase for the Civil Service between different groups; nor, as I said at E last week, will we have agreed anything with the Unions on changes to the pay research system in time for the 1981 settlement.

I have concluded that no point would now be served in allowing the pay research evidence to come in. We cannot make any practical use of it ourselves. The unions would only use the figures - which will reflect the "going rate" in the first half of this year - to support their case for higher increases than we are ready to allow.

I therefore propose that we should now formally suspend the operation of the Civil Service Pay Agreement for the April 1981 settlement, to enable us to halt the delivery of the pay research evidence to the two Sides. We shall be accused (and rightly) of breaching the agreement but I do not think we should allow that consideration to deter us.

Ideally we would suspend the Pay Agreement at the same time as we announce our general position on public service pay and our decisions on cash limits. But on the basis of the present timetable for that announcement we should be leaving the suspension of the Pay Agreement too late to prevent the delivery of the Reports to the parties. I therefore propose that we should go ahead with this during the next few days.

19
22/10

19
15
51

I enclose a draft letter which I would propose to give to Mr Kendall, Secretary General of the Council of Civil Service Unions, announcing our decision. I will also need to inform the Chairman of the Pay Research Unit Board, Lord Shepherd, and Director of the Pay Research Unit. I would make clear to them that the Board and Unit will remain in being while we are continuing our discussions with the Unions about the longer term.

I am sending copies of this minute to Geoffrey Howe and Jim Prior.

SOAMES

20 October 1980

Enc.

DRAFT LETTER FROM THE LORD PRESIDENT TO MR KENDALL

When I met the Council of Civil Service Unions on 1 August I said that the cash limit would be the major determinant of Civil Service pay next year. I also make it clear that the Government wished to see a number of changes in the present pay research system, some of which involved changes to the existing Pay Agreement.

As you and your colleagues will be well aware, the economic position at present is an increasingly difficult one. There is an overriding need to combat inflation, and the Government has made clear the need for restraint in pay settlements generally in this round. This need has become even more apparent than it was when I saw the Council. I believe there is growing recognition that this approach is the right one in the national interest.

Our discussions with the Council on the pay research system have shown that it would be unrealistic to think in terms of early agreement, although we attach importance to pushing ahead with our talks.

Against this background the Government has decided that the Pay Agreement should be suspended so far as the 1981 settlement is concerned. I much regret that this should be necessary.

21
54
~~54~~

1. MRS HEATON
14-10-80
2. CHANCELLOR OF THE EXCHEQUER

cc: Chief Secretary
Financial Secretary
Sir Douglas Wass
Mr Ryrie
Mr Middleton
Mr Dixon
Mr Unwin
Mrs Gilmore
Mr Riley
Mr Cardona

CIVIL SERVICE PAY

Sad though it is to record, there is only one response you can make to the Lord President's minute of 20 October to the Prime Minister, and that is "I told you so". Your paper E(80)71 advocated formal suspension of the pay agreement, both to show the private sector that the Government meant business in taking a tough line on public service pay, but also to avoid there being any doubt in the minds of the Civil Service Unions about the Government's position, and to ensure that we were not put in the wrong by breaching the agreement. However, the meeting of E Committee on 23 July decided against formal suspension, and the Lord President's statement to the Unions instead asserted that cash limits would be the major determinant of the 1981 settlement. You returned to the point in your letter of 12 September to the Lord President, and again his reply concluded that formal suspension was not necessary. Now, and for precisely the reason we advocated - that having the pay research evidence available to the parties serves no useful purpose other than to embarrass the Government - the Lord President has concluded that formal suspension is necessary. But to achieve it, we have to break the pay agreement.

Nonetheless, we can only conclude that the Lord President is right, if belatedly. We recommend you to support him.

There is one point on the draft letter which he proposes to give to the Secretary General of the Council of Civil Service Unions. The second sentence of the second paragraph links to higher inflation in pay settlements. As drafted, it could imply that the Government's policy of higher inflation is the cause of higher inflation.

22
SS

WJEL:SA/17

DRAFT MINUTE TO THE HOUSE MONDAY 20 OCTOBER 1981 FROM CHRISTOPHER OF THE EXCHEQUER

Copies to Lord President
Secretary of State for Employment

CIVIL SERVICE PAY

I have seen a copy of the Lord President's minute to you of 20 October.

I think it is a pity that we have now been put into the position of having to break the Civil Service pay agreement by suspending it out of time. For some months, I have been of the view that we should need to suspend, and drew attention to this in my paper E(80)71 and in my letter to the Lord President of 12 September. I would not now dissent from his judgment in favour of suspension.

para added
Pv1]

I do, however, question one of the arguments for doing this, that it will not be practicable to vary the distribution of the 1981 Civil Service pay settlement between different groups. The responsibility for managing the Civil Service will remain even if the Agreement is in abeyance; and it is certainly not our intention to create a uniform level of settlement across the public services even if we adopt, as we did last year, a standard figure for the pay assumption to use in cash limits.

I have one comment on the draft letter attached to his minute. As the second sentence of the second paragraph now reads, it links the need for restraint in pay settlements with the need to deal with inflation. I think the argument goes wider and includes public expenditure. So perhaps the simplest course is to delete the reference to the overriding need to combat inflation, relying instead on the first sentence about the difficulty of the economic position, which subsumes the problem of inflation.

I am sending copies of this minute to ~~Christopher Seames~~ ^{the Lord President} and ~~Jim Prior~~ ^{Secretary of State for Employment}.



PRIME MINISTER

CIVIL SERVICE PAY

Mr Middleton
Mr Dixon
Mr Darwin
Mr Payne
Mr Cardona

23

CH/EXCHEQUER	
REC.	23 OCT 1980
ACTION	Mr Heaton
COPIES TO	CST FST Sir D. Warr Mr Payne

50

I have seen Christopher Soames' minute to you of 20 October. I agree that no point is served by letting the pay research evidence come in. But I am alarmed that it now seems that we shall need to breach the Civil Service Pay Agreement to achieve this objective. This is bound to lead to a row with the unions over a matter of principle which it would have been much better to avoid given the inevitable row over the size of next April's settlement.

It has for some time been appreciated that, in order to avoid accusations of bad faith, it would be necessary to serve formal notice before 1 October under the terms of the Agreement that it would not be operated for next April's settlement; and Christopher Soames' letter to Geoffrey Howe of 17 September made clear that a further letter would be sent to the unions in good time to avoid any possible doubt on this important point. I understand that such a letter was sent on 19 September. Would it not be better therefore, in order to minimise the risk of accusations of bad faith, to seek now to rely on that letter as having given formal notice? If this approach were to be followed, the letter that is now to go to the unions would first confirm that the letter of 19 September constituted formal notice; and would then make clear that the pay research evidence would not be forthcoming.

Copies of this minute go to Christopher Soames and Geoffrey Howe.

23

J P
October 1980



24
51

10 DOWNING STREET

EXCHEQUER	
REC	24 OCT 1980
ADDRESSEE	Mrs Heaton
CLASSIFICATION	CST
DATE	Fst 23 October, 1980.
Sir D Wass	
Mr. Pyrie	
Mr. Middleton	
Mr. Dixon	
Mr. Unwin	
Mrs. Gilmore	
Mr. Ridley	Mr. Cardona

From the Private Secretary

per Jim

Civil Service Pay

The Prime Minister has now considered the Lord President's minute of 20 October about Civil Service pay. She has also seen the Secretary of State for Employment's minute of 23 October.

The Prime Minister agrees that action should be taken now to prevent the pay research evidence from coming in. As regards Mr. Prior's suggestion that this could be achieved by invoking the letter of 19 September, I have told the Prime Minister that your Department is quite clear that the terms of that letter do not in themselves amount to formal suspension of the pay agreement. On that basis, she agrees that formal suspension of the agreement for 1981 should now be announced quickly, though she hopes that the Lord President will make good use of the letter in defending the Government's action.

I am sending copies of this letter to Peter Jenkins (HM Treasury) and Richard Dykes (Department of Employment).

Handwritten flourish

Tim Laker

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

1254/10

25
58



CH/EXCHEQUER	
REC.	24 OCT 1980
ACTION	Mrs Heaton
CLASS	CST
	FST
	Sir A. Warr
	Mr Lynne
	Mr Middleton

Mr Dixon
 Mr Unwin
 Mr P Rayner
 Mr Cardona

PRIME MINISTER

CIVIL SERVICE PAY

I have seen the minute of today's date from the Secretary of State for Employment commenting on my minute of 20 October to you. I am glad that he agrees that we should stop the pay research evidence coming in.

Two events have occurred since I wrote which in my view require us to move very quickly to give effect to a decision to suspend pay research for 1981. First, the Financial Times has apparently heard a garbled report to the effect that the Government has already decided to suspend the Pay Agreement for next year and to inform the unions of the decision at a meeting tomorrow. Mr Kendall says that they have approached him for comment on it. Secondly, Mr Kendall himself has been instructed by the Council to see the Director of the Pay Research Unit tomorrow to request the immediate delivery of those of the Unit's reports which are already complete: unless we suspend the Pay Agreement, the Director may find it difficult to withstand this request for long.

I am clear that the terms of the letter of 19 September do not, in themselves, amount to formal suspension of the Pay Agreement, but I shall of course make good use of the letter in defending our action.

What is clear is that the only way of preventing the reports coming in - and we are all agreed on the need for this - is to announce the formal suspension of the Pay Agreement for 1981 and to do so quickly.

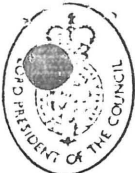
I am sending copies of this minute to those who received the earlier correspondence.

S.

SOAMES

23 October 1980

1234



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon William Whitelaw, CH, MC, MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON SW1H 9AT

Sir O Warr
Mr Payne
Mr Middleton
Mr Dixon
24 October 1980

Mr Darwin
Mr Payne
Mr Carsons

Dear Willie,

CH/EXCHEQUER	
REC.	24 OCT 1980
ACTION	Mm Heaton
COPIES	CST
10	FST

CIVIL SERVICE PAY

With the agreement of the Prime Minister I will be telling Mr Kendall (General Secretary of the Council of Civil Service Unions) on Monday afternoon that we are suspending the operation of the Civil Service Pay Agreement so far as the 1981 settlement is concerned.

When I met the Council in August I told them that the cash limit would be the major determinant of Civil Service Pay next year although I also said that pay research would have a part to play. (This was in accordance with our conclusion in E Committee in July that the pay research evidence might be useful in deciding on the distribution of the settlement.)

Subsequently the unions were given formal notice of this position under the terms of the Pay Agreement which requires us to give 6 months notice of intention to withdraw from all or part of it.

It is now clear that at the kind of pay levels for the public services which we are discussing there will be no role for pay research. We have therefore decided to set aside the Pay Agreement as a whole with immediate effect. This goes beyond the terms of the notice we gave. But, since pay research will not apply in the 1981 settlement, suspension now makes our position quite clear.

In answering any charges of breaching the Agreement we can point firmly to the fact that we gave due notice to the unions that next year's settlement would have to be determined on the basis of the cash limits position.

We are still in discussion with the Council on changes to the pay research system for the longer term and I shall be making it clear to Mr Kendall that we want these talks to continue.

27
60
~~54~~

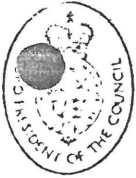
My officials will be providing Departments with background briefing on which they can draw in dealing with queries from their staff after the suspension has been announced publicly immediately following my meeting with Mr Kendall.

I am copying this minute to the Prime Minister, all members of the Cabinet, including the Minister of Transport and Sir Robert Armstrong.

Thames

Christoph

SOAMES



Civil Service Department
 Whitehall London SW1A 2AZ
 01-273 4400

28
 And
 bl

From the Private Secretary

24 October 1980

Tim Lankester Esq
 Private Secretary to the Prime Minister
 10 Downing Street
 LONDON SW1

CHIEF CLERK	
REC.	24 OCT 1980
MINISTRY	Minister
NAME	Mrs Heaton
TO	CST
	EST
	Sir D Wass
	Mr Rynia
	Mr Middleton

Mr Dixon
 Mr Unwin
 Mr. P. Rayner
 Mr. Cardona

Dear Tim,

CIVIL SERVICE PAY

When I spoke to Clive Whitmore last night about this to forewarn you that the Lord President was writing, he told me that the Prime Minister's decision, which was in line with the Lord President's thinking, was about to be despatched. We agreed that to avoid confusion I would not send my minute. I collected your note and we are now inviting the Secretary General of the union side, Mr Kendall, to meet the Lord President. This will now be early next week to allow time for us to adequately brief the management in departments. I will be in touch about the precise timing.

... Attached is the Lord President's minute which I think we should put on the record. It does contain some new information.

I am copying this, with the Lord President's minute, to ~~John Wiggins~~ (Chancellor's Office) and Richard Dykes (Employment).
 Peter Jenkins

Yours sincerely,

J BUCKLEY

29
62

PRIME MINISTER

Mr Dixon
 Mr Unwin
 Mr P Rayner
 Mr Cardona

CH/EXCHEQUER	
REC.	24 OCT 1980
ACTION	Mrs Heaton
C. IT.	CST
TO	FST
	Sir D. Warr
	Mr Byrne
	Mr Middleton

CIVIL SERVICE PAY

I have seen the minute of today's date from the Secretary of State for Employment commenting on my minute of 20 October to you. I am glad that he agrees that we should stop the pay research evidence coming in.

Two events have occurred since I wrote which in my view require us to move very quickly to give effect to a decision to suspend pay research for 1981. First, the Financial Times has apparently heard a garbled report to the effect that the Government has already decided to suspend the Pay Agreement for next year and to inform the unions of the decision at a meeting tomorrow. Mr Kendall says that they have approached him for comment on it. Secondly, Mr Kendall himself has been instructed by the Council to see the Director of the Pay Research Unit tomorrow to request the immediate delivery of those of the Unit's reports which are already complete: unless we suspend the Pay Agreement, the Director may find it difficult to withstand this request for long.

I am clear that the terms of the letter of 19 September do not, in themselves, amount to formal suspension of the Pay Agreement, but I shall of course make good use of the letter in defending our action.

What is clear is that the only way of preventing the reports coming in - and we are all agreed on the need for this - is to announce the formal suspension of the Pay Agreement for 1981 and to do so quickly.

I am sending copies of this minute to those who received the earlier correspondence.

SOAMES

23 October 1980

30
~~31~~
63

CHANCELLOR

cc: Chief Secretary
Financial Secretary
Sir Douglas Wass
Mr Ryrie
Mr Middleton
Mr F E R Butler
Mr Dixon
Mr Unwin
Mrs Heaton

TCSC 27 OCTOBER: SUSPENSION OF PAY RESEARCH

1. By the time you see the Committee, the Lord President will have told the unions of the Government's decision. You may therefore be questioned on it. A text of the final letter to the unions will be coming direct to your Office from CSD.
2. The line to take on the reasons for the decision is as follows. The unions were told in August that the cash limit would be the main determinant of the April 1981 settlement. They were also told that pay research would have a part to play. The Civil Service Department gave formal notice of the position to the unions in September in accordance with the Pay Agreement. The Government has now concluded that pay research cannot play a useful part in relation to the 1981 settlement. It has therefore acted now to clarify the position in good time. While suspension goes beyond the notice given earlier to the unions it does no more than reflect the reality of the situation as it has developed.
3. I suggest you avoid being drawn on the detailed implications of the announcement. You can fairly leave that for Lord Soames. However, you can take credit for the Government's insistence that cash limits will be the major determinant of public service pay settlements this year, even when this entails tough action to achieve it: you can indicate that the pay element in cash limits will be in single figures, though the final decision on the precise figure still has to be taken: and on the other side, that the suspension does not constitute an overall adverse judgement on pay research in perpetuity, and that (hopefully) the Lord President will be continuing his negotiations with the unions on improvements in the present pay research arrangements.



P M RAYNER

27 October 1980

27 October 1980 31

Page 64

Dear Mr Kendall,

When I met the Council of Civil Service Unions on 1 August I said that the cash limit would be the major determinant of Civil Service pay next year although I foresaw pay research playing some unspecified part. I also made it clear that the Government wish to see a number of changes in the present pay research system, some of which involve changes to the existing Pay Agreement.

As you and your colleagues will be well aware, the economic position since then has become increasingly difficult. There is an overriding need to combat inflation and the Government is convinced of the paramount importance of restrained pay settlements generally in this round. This has become even more apparent than it was when I saw the Council and in the circumstances I see no place for pay research in the April 1981 settlement.

Against this background the Government has decided that the Pay Agreement should be suspended so far as the 1981 settlement is concerned. I much regret that this should be necessary. Our discussions with the Council on changes to the pay research system for the longer term have not yet got very far but I attach importance to pushing ahead with them.

Yours sincerely
Christopher James

CH/EXCHEQUER	
REC.	3 10 OCT 1980
ACTION	MRS HEATON
COPIES TO	CSP
	FST
	SIR D. MASS
	MR RYRIE
	MR MIDDLETON
	MR DIXON
	MR URWIN
	MR P. RAYMER
	MR CARDONA

SOAMES

32
65
39



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

C. M. Poyner & others

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

CH/EXCHEQUER	
REC.	3 1 OCT 1980
ACTION	<i>Mr Robson</i>
COPIES TO	<i>CS</i>
	<i>PS</i>
	<i>MS(c)</i>
	<i>MS(u)</i>

31 October 1980

Sir D. LAM
Sir A. MAURICE
Mr. Lyall
Mr. Robson
Mr. Little
Mr. Middleton

Dear Chancellor,

At yesterday's Cabinet we discussed briefly the point made in paragraph 6 of C(80)65 in which you proposed that for cash limits purposes we should decide now on a provisional pay factor for the pay round starting in August 1981; and that this should be two percentage points below the figure we adopt for the pay round which has now begun.

Mr. Dixon
~~*Mr. B. G. G. G.*~~
~~*Mr. H. G. G.*~~
Mr. R. G. G.
Mr. C. G. G.

I can well understand the reason for making this proposal. We all hope that the general level of pay settlements will decline and will continue to do so. But I am concerned at the additional strain which this course would place on our efforts in this pay round. It will not be possible for us to disguise the assumption that has been made about the next pay round and it will appear that we are deciding now on what amounts to a two year pay policy for the public services. This is certainly how it will be presented by the unions even if the figure for the 1981/82 pay round is described as only being "provisional". It is far from clear yet how the present pay round as a whole will turn out and it is important for us not to appear at this stage to close off options on the longer term treatment of public service pay. For example it is important we should not give the impression that we are deciding now that pay research cannot return for the non-industrial Civil Service in April 1982. This would belie our recent assurances to the unions that we are prepared to review that possibility in the light of progress in our discussions with them on improvements to present procedures.

It seems to me that there are two courses we could follow which would save us from boxing ourselves in and avoid giving the impression that we are launching an incomes policy, at least for the public services, and at least for two rounds.

- a) to use the pay factor fixed for the present round in making provision for any settlements in the 1981/82 pay

4/3/11

round which fall within the period of the 1981/82 cash limits. It would be made clear that the provision made for these settlements would be adjusted up or down once we were in a position to make a firm judgement on their appropriate level. I recognise that this would involve being prepared to contemplate "claw back" which would not be easy;

b) to assume a nil increase for those settlements which will fall in the 1981/82 pay round and then to adjust the cash limits upwards nearer the time. This would involve accepting in advance the need for upwards adjustment but would make it clear we were not making any assumptions about the 1981/82 round at this stage.

I would myself prefer either of these courses to the one you propose; it may well be that (b) is the less difficult of the two.

As this is somewhat technical, I thought I would put the problem to you and colleagues on paper before our discussion in Cabinet.

I am copying this letter to the Prime Minister, other members of the Cabinet, including the Minister of Transport and Sir Robert Armstrong.

Yours sincerely,

Buckley
(Private Secretary)

for

SOAMES

✓ Mr Ryne Mr Dixon 2/12
sent Mr Odling Sme 34
2/12 67



CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State (C)
Mr Ridley
Mr Cropper
Mr Cardona

PAY RESEARCH

I do not have the close familiarity with Pay Research which would be needed to comment adequately on this matter. Nevertheless I would make the following points.

1. Pay Research tends to be thought of in terms of "equity". It would be more to the point to think of it in terms of providing a substitute for the kind of market intelligence which is available in the private sector.
2. There are many jobs of the category which used to be described as "clerks, typists etc" which are common to both private and public sector. People of this sort are usually pretty mobile and where alternative employment is freely available in the locality they do in fact move about a great deal. One always knows therefore whether one is paying the right rate by the scale of wastage, the difficulty of recruitment and so on.
3. Nevertheless it is commonplace for firms to make comparisons between themselves to ensure that their figures are about right. Thus we used to exchange information with Players and Raleigh, the other major employers in the Nottingham area. The exercise was carried out by the Personnel Division and viewed with suspicion by the Finance Division. Similar arrangements existed on the Retail side of the business: and in addition there are a number of private organisations providing information of this kind.

35
~~68~~
68

4. The information was never regarded as more than indicative or complementary. What mattered in the end was the fact of wastage, recruitment and staff morale.

5. When therefore one is dealing with staff who are fully mobile particularly between the public and the private sector, there is a place for pay research - I come later to the question who should do it - but it should be seen only as one input into a system which placed most of the weight on recruitment, wastage etc.

6. I do not know what categories would be covered by my "mobile" description: or how far up the scale they would go. But this could no doubt be ascertained.

7. Above the mobile grades, there is a very great difficulty. I do not believe that in general comparable jobs do really exist in the private sector. It is true of course that specialists such as scientists, lawyers, doctors, and possibly statisticians, accountants and economists are found in both sectors: and there is also a tendency for big businesses to develop bureaucracies which bear a superficial resemblance to the Civil Service. But in general I do not think there really are "comparators" except at a superficial level nor do I think the comparators are widespread. One would need to question the people who chose the comparators very closely to discover what in fact goes on.

8. There is also a very considerable feedback effect here: ie an increase given in the civil service to match an alleged salary level in the private sector then leads to a comparable increase being given in the private sector.

38
69

9. This question of what happens in the case of the middle grades is parallel with the question I have raised before in relation to Boyle - namely what is it that Boyle really does. The impression I form is that originally Boyle was looking at movements in salary levels but as time has gone by he has moved in the direction of comparing absolute salary levels. Whether the resulting closing of the gap between public and private salaries is justified or not, it would have the effect over the years of resulting in above average increases in the public sector. There is evidence that this has happened.

10. If a pay research body exists it ought not to be run by Civil Servants or serviced by Civil Servants. I do not think that anyone can be objective about their own salary. It would be well worth considering whether and on what terms the information could be bought in.

11. We need to know a great deal more about the whole Pay Research/Boyle system if we are to come to the right conclusions.

AC.

LORD COCKFIELD
28 November 1980

c. Mr Ryan
Mr P. Rayner 20/11 37



Civil Service Department
Whitehall London SW1A 2AZ
01-272 4400

The Rt Hon Sir Geoffrey Howe, QC, MP
Cancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

23 December 1980

C/EXCHEQUER	
REC.	29 DEC 1980
ACTION	Mr Buckley
COMES TO	METC CST L MID D WARD MR RYAN MR MIDDLETON MR GERRARD MR DAVEN

Dear Chancellor,

CIVIL SERVICE PAY RESEARCH

As you know, we suspended the Civil Service Pay Agreements and the pay research procedures governed by them only in relation to the April 1981 settlement.

Under those procedures we would need to reach agreement with the Civil Service unions by the middle of next month on the detailed arrangements for external surveys by the Civil Service Pay Research Unit in readiness for the negotiations on the April 1982 settlement. It is much too soon for us to decide whether we shall be able to reach agreement with the unions on the kind of changes we want to the pay research system or even then whether or not we will wish to return to pay research as the basis for the 1982 settlement. At the same time we do not want now to rule out that option.

The sensible thing would be to postpone a decision on this until the summer. Therefore I propose that we should decide now that if in the event we do return to pay research we would ask the PRU to bring up to date in the autumn the information which it has collected this year but has not released to the negotiating parties. This would not prejudice our room for manoeuvre in deciding how to interpret or apply the evidence following the discussions with the unions on pay research procedures.

To cancel the arrangements for fresh surveys would technically involve a further breach of the Pay Agreements. The unions will therefore no doubt protest about it. But since it will keep open the option of a return to pay research in 1982 I hope that they will at least acquiesce in it.

CONFIDENTIAL

Unless you or other colleagues see any objection I propose to write to the Civil Service unions on 9 January to tell them:

- (a) we still have a long way to go in our discussions on changes to the pay research system;
- (b) we do not yet know whether there will be a basis on which both sides will want a return to pay research in 1982;
- (c) against this background we do not want to launch fresh external surveys which might prove to have been wasteful;
- (d) but at this stage we do not want to close any options for 1982;
- (e) and therefore we propose to instruct the PRU not to begin fresh surveys. If a return to pay research is agreed then they should bring up to date in the autumn the information on pay rates collected this year.

I am sending copies of this letter to the Prime Minister, to other members of the Cabinet, including Norman Fowler and to Sir Robert Armstrong.

SOAMES

CONFIDENTIAL

34
70

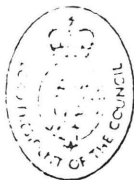
Unless you or other colleagues see any objection I propose to write to the Civil Service unions on 9 January to tell them:

- (a) we still have a long way to go in our discussions on changes to the pay research system;
- (b) we do not yet know whether there will be a basis on which both sides will want a return to pay research in 1982;
- (c) against this background we do not want to launch fresh external surveys which might prove to have been wasteful;
- (d) but at this stage we do not want to close any options for 1982;
- (e) and therefore we propose to instruct the PRU not to begin fresh surveys. If a return to pay research is agreed then they should bring up to date in the autumn the information on pay rates collected this year.

I am sending copies of this letter to the Prime Minister, to other members of the Cabinet, including Norman Fowler and to Sir Robert Armstrong.

†

SOAMES



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Sir Geoffrey Howe, QC, MP
Cancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

23 December 1980

C/EXCHEQUER	
REC-	29 DEC 1980
ACTION	Mr Buckley
COMES TO	CSI FST
	MSTC MSTL SIR D. WISS MR RYAN MR MIDDLETON MR FER BILLEN MR DIXON

29/12

MR P. RAYNER
MR RIDLEY

Dear Chancellor,

CIVIL SERVICE PAY RESEARCH

As you know, we suspended the Civil Service Pay Agreements and the pay research procedures governed by them only in relation to the April 1981 settlement.

Under those procedures we would need to reach agreement with the Civil Service unions by the middle of next month on the detailed arrangements for external surveys by the Civil Service Pay Research Unit in readiness for the negotiations on the April 1982 settlement. It is much too soon for us to decide whether we shall be able to reach agreement with the unions on the kind of changes we want to the pay research system or even then whether or not we will wish to return to pay research as the basis for the 1982 settlement. At the same time we do not want now to rule out that option.

The sensible thing would be to postpone a decision on this until the summer. Therefore I propose that we should decide now that if in the event we do return to pay research we would ask the PRU to bring up to date in the autumn the information which it has collected this year but has not released to the negotiating parties. This would not prejudice our room for manoeuvre in deciding how to interpret or apply the evidence following the discussions with the unions on pay research procedures.

To cancel the arrangements for fresh surveys would technically involve a further breach of the Pay Agreements. The unions will therefore no doubt protest about it. But since it will keep open the option of a return to pay research in 1982 I hope that they will at least acquiesce in it.

PS/CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (L)
Mr Ryrie
Mr Dixon
Mr Odling-Smee
Mr Ridley
Mr Cropper
Mr CardonaPAY RESEARCH

You asked for comments on the minute of 28 November from the Minister of State (L).

Although the CSD say that they have taken their own thinking further on most of the ideas put forward for changes in pay research by the Lord President in his memorandum E(80)53 (many of these ideas are much in line with the Minister of State's suggestions), they have not got far in discussions with the Civil Service unions because of the dispute over the suspension of pay research for 1981.

More generally, however, the group under Mr Ryrie's chairmanship which is considering the future of arrangements for pay determination in the public services has been working in a direction which would lead to pay research, and comparability generally, being significantly downgraded and more weight being given to market factors; it would also involve the avoidance of any commitment to implement the results of arbitration, comparability exercises, or the like if doing so was inconsistent with the discipline of cash limits. Until they can be put in this sort of context, pressing ahead with changes in the pay research system could be tactically unwise because doing so would tend to imply that the Government thought that all that was necessary was to change the detailed operation of the system, and because the unions would almost certainly demand firmer commitments to implement the results of pay research as a condition of agreeing to the other changes.

We would therefore suggest that Treasury Ministers should not press for early progress on pay research until the work in Mr Ryrie's group is further advanced. As already noted, that work is heading in a direction very much in line with the Minister of State's comments.

M. S. BUCKLEY

5 December 1980

69/128
10/36 179
42

1. MR ~~BUCKLEY~~
2. MR ~~RYRIE~~ W.S.R. 5/1
3. CHANCELLOR OF THE EXCHEQUER

cc: Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Sir Douglas Wass
 Sir Anthony Rawlinson
 Mr Littler
 Mr Middleton
 Mr Bridgeman
 Mr F E R Butler
 Mr Dixon
 Mr Robson
 Mrs Gilmore
 Mr Ridley
 Mr Cardona

CIVIL SERVICE PAY RESEARCH

The Lord President's letter of 23 December points out that under the Civil Service Pay Agreements, agreement would need to be reached by the middle of January with the Unions on external surveys by the Pay Research Unit in readiness for the negotiations on the April 1982 settlement. The Lord President **suggests** that no fresh surveys should be undertaken, thus postponing a decision on whether pay research should form the basis for the 1982 settlement until the summer.

We agree with the Lord President that it is too early to contemplate a substantive decision now. You are still considering the paper on future arrangements for pay in the public services submitted under cover of Mr Ryrie's minute of 19 December. If you and your colleagues accept anything like this approach, then pay research as it is operated in the past will not be appropriate in the future, although an information-gathering arrangement would still form a part of the negotiations. Even if you and your colleagues were to agree to the continuation of pay research in some form, there would certainly need to be changes from present arrangements. In any event, no final decisions could be taken until the Lord President's negotiations with the unions on the current proposals for change were completed.

We therefore recommend you to agree to the Lord President's proposal, which would mean that no new external surveys are conducted, but leave open the possibility

either of having full pay research, or of having information on which to base negotiations, on the basis of updating this year's unreleased data. You asked whether this goes far enough to permit wider disengagement. It does, since the decision whether or not to suspend the Pay Agreement in respect of the 1982 settlement is entirely open, and does not (as you will recall) need to be taken until September.

Given the ill-will which resulted in October from suspending the Pay Agreement out of time, it is important that the message be conveyed to the unions in good time. The Lord President proposes to write on 9 January, and any reply from you should issue before then.

A draft is attached.



P M RAYNER

5 January 1981

✓
6/81
44

FROM: Chancellor of the Exchequer
TO : Lord President
Copies: Prime Minister, Members of Cabinet, Minister of Transport,
Sir Robert Armstrong

CIVIL SERVICE PAY RESEARCH

Thank you for your letter of 23 December.

I agree with you that there is no prospect of our reaching a final decision on whether or not pay research should continue in its present form to meet the timetable under normal pay research procedures. On the other hand, we must keep the options open, even if we decide that pay research in its traditional form should not continue, we may nonetheless want pay research data to be available as one input into the 1982 negotiations. I therefore agree with your view that we need to keep the options open, and I am content for you to proceed in the way you propose.

I am sending copies of this letter to the recipients of yours.

cc. Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr. Ryrie
Mr. Littler
Mr. Middleton

CONFIDENTIAL



Mr. Bridgeman
Mr. F.E.R. Butler
Mr. Dixon
Mr. Robson
Mrs. Gilmore
Mr. Buckley
Mr. P. Rayner
Mr. Ridley
Mr. Cardona

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

8 January 1981

The Rt. Hon. Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council

A handwritten signature in black ink, appearing to read 'Geoffrey Howe'.

CIVIL SERVICE PAY RESEARCH

Thank you for your letter of 23 December.

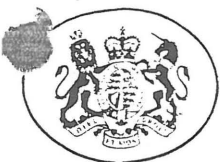
I agree with you that there is no prospect of our reaching a final decision on whether or not pay research should continue in its present form to meet the timetable under normal pay research procedures. On the other hand, we must keep the options open, even if we decide that pay research in its traditional form should not continue, we may nonetheless want pay research data to be available as one input into the 1982 negotiations. I therefore agree with your view that we need to keep the options open, and I am content for you to proceed in the way you propose.

I am sending copies of this letter to the recipients of yours.

GEOFFREY HOWE

A large, stylized handwritten signature in black ink, likely 'Geoffrey Howe'.

CONFIDENTIAL



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

9 January 1981

The Rt Hon Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London SW1

CH/EXCHEQUER	
REC.	12 JAN 1981
ACTION	MR BUCKLEY
COPIES TO	

Dear Christopher.

CIVIL SERVICE PAY RESEARCH

- 1 In your letter of 23 December to Geoffrey Howe you suggest that we should postpone any decision about the role of PRU in the 1981 pay negotiations.
- 2 I think it is most desirable to keep all our options open and I agree with the terms in which you propose to write to the unions.
- 3 I am copying this letter to the Prime Minister, to all Cabinet colleagues and Sir Robert Armstrong.

Eames

Kear

CONFIDENTIAL

84
36
47



PH/EXCH/QUEEN
 12 JAN 1981
 MR. BUCKLEY
 MR. D. WATSON
 MR. L. J. BROWN
 MR. G. H. B. BROWN
 MR. D. XAN
 MR. P. BAYNAN
 MR. RADLEY

10 DOWNING STREET

From the Private Secretary

12 January 1981

Dear Tim,

The Prime Minister has seen the Lord President's letter of 23 December about Civil Service pay research, and - provided other Ministers are content - she agrees with his proposals for dealing with pay research in 1982. The Prime Minister assumes that the arrangements proposed would not in themselves limit our ability to make desirable improvements in the PRU system.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet and to David Wright (Cabinet Office).

[Handwritten signature]
 Tim Laker

Jim Buckley, Esq.,
 Lord President's Office.

CONFIDENTIAL

IF 531821295
ET404 RET 135673479-000028 RT ID: TY
EL-BV-OB-0-54-0014-2-03-02
SKP:TCZ00033341-00011 CUST:CI 26
REF1 033341 NRM
File Desc: 2: PO-CH/GH/01:3 PART A 1 Srv: 15/03 12:30pm GMT For: ROBY*
IRENE RIPLEY
R [Barcode] HALF

531821295
T
PLUS BOX NUMBER
CUSTOMER ID
E T 4 0 4
[Barcode]