

PREM 19/675

33/13 PART II

Confidential Filing

Pay and Pensions

CIVIL SERVICE

Pay Dispute / Strike

PT 1: May 1979

PT 11: March 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.3.82							
5.3.82							
14.3.82							
22.3.82							
24.3.82							
31.3.82							
1.4.82							
22.4.82							
27.4.82							
1.6.82							
16.6.82							
21.6.82							
30.6.82							
2.7.82							
5.7.82							
7.7.82							
Cureb							

PREM 19/675

● PART 11 ends:-

RTA to PM A08940

PART 12 begins:-

Misc 80 (82) 6th May

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Inquiry into Civil Service Pay, volumes 1 and 2, July 1982
Published as Command Papers 8590 and 8590-1

Signed Wayland Date 19 June 2012

PREM Records Team

CONFIDENTIAL

Ref. A08940

PRIME MINISTER

Industrial Affairs

There are three items for discussion:

- i. the British Rail dispute;
- ii. the National Health Service dispute;
- iii. sympathetic industrial action by civil servants
(with particular reference to ii).

On iii. the Chancellor of the Exchequer has circulate a minuted dated 6 July reporting the conclusions of the Ministerial Group on Current Industrial Disputes (MISC 80) and is seeking clearance from the Cabinet for certain action to be taken by the end of this week.

MAIN ISSUES

British Rail

2. MISC 80 will be meeting immediately before Cabinet to review the British Rail dispute. The main issue at present is the policy which the British Railways Board (BRB) should adopt towards lay-off.

3. As the Cabinet is aware from last week's discussion the BRB is obliged under the 1919 Guaranteed Week Agreement to pay guaranteed standard wages for 8 hours per day and 40 hours per week to all its NUR and ASLEF employees who report for work; employees who are on strike or are not prepared to cross picket lines do not have to be paid. At present therefore the BRB is having to pay nearly all its NUR employees and some of its ASLEF employees, as well as all its white collar staff. It is however able to run only limited services

CONFIDENTIAL

and to earn little revenue. Lay-off of the NUR employees and any ASLEF members who are coming to work would save the BRB about £13 million per week.

4. On the other hand the BRB needs to allow time for ASLEF members to drift back to work in such numbers as might break the strike. Moreover NUR members have gained considerable public sympathy by forcing the calling off of their own strike and by their efforts to keep the railways in operation. Finally, as Ministers have agreed, the BRB would be liable to be sued by individual railwaymen for their guaranteed wages and would be likely to lose such an action. Lay-off could therefore transform the public perception of the rights and wrongs of the dispute. In so far as the BRB justified its actions by pleading the financial constraints imposed by the Government, the Government might attract criticism also.

5. The Chancellor of the Exchequer will report to the Cabinet on the latest view reached by MISC 80 on this issue; this will take account of a discussion which the Secretary of State for Transport will have had with Sir Peter Parker about the BRB's current thinking.

6. On action to mitigate the effects of the dispute, the Home Secretary will be holding a meeting of the Civil Contingencies Unit at Ministerial level in the early afternoon following Cabinet. The arrangements to cope with commuter traffic appear to have worked well but the CCU will be considering whether any changes would be desirable at the margin.

NHS dispute

7. It is unlikely that there will be significant new developments to report. The next crucial step will be the meeting of the Nurses and Midwives Whitley Council on 13 July. The TUC Health Services Committee has called a 3-day strike in the period 19-21 July but has asked ACAS to intervene. The Secretary of State for Social Services might be asked whether ACAS is likely to be active.

8. The other aspect of the NHS dispute concerns sympathetic industrial action. Sympathetic action by Civil Servants is dealt with separately below. There is

CONFIDENTIAL

however the question of legal redress under the Employment Act 1980 against those involved in the secondary picketing of hospitals. The Secretary of State for Social Services has reported to MISC 80 that local health authorities have been asked to consult Ministers before they decide to take legal action and that they are likely to do so only if secondary picketing is severely damaging treatment to patients.

Sympathetic industrial action by Civil Servants

9. The main points in the Chancellor's minute of 6 July are as follows:
- a. The Government's strategy should be to take, and be seen to take, firm and resolute action, but not to over-react in a way which would play into the hands of the unions.
 - b. Where misconduct is involved of an overtly political or abusive nature, disciplinary charges should be brought in blatant cases where a charge is likely to stick, bearing in mind both legal and political considerations.
 - c. In cases of unauthorised absence, the normal disciplinary procedures should apply; in addition to the deduction of pay (which is automatic) written warnings should be sent to the staff who absented themselves on 23 June, and this will become widely known as a deterrent to future offenders; repeated offences will attract penalties ranging from formal reprimand to dismissal in the most serious cases.
 - d. All Civil Service managers should receive instructions making clear the relevance of the disciplinary procedures to sympathetic industrial action.
 - e. More generally, the Civil Services rules of conduct, including political activity, should in due course be reviewed in the light of present day circumstances.
10. The essential point about the proposed policy is that unauthorised absence for the purposes of sympathetic industrial action is treated like unauthorised absence for any other purpose and will attract the appropriate disciplinary

CONFIDENTIAL

response. This is not a change of policy but merely the application of an existing policy to a novel situation. The message which the Government has to put across, without giving wider currency within the Civil Service to the idea of action in support of the NHS workers is that, although Civil Servants are not, for good practical reasons, disciplined for absenting themselves in pursuance of a dispute within the Civil Service, but merely suffer a deduction of pay, this does not apply to unauthorised absence for sympathetic industrial action.

11. In relation to the blatant cases of misconduct, the Chancellor, in his minute of 6 July, suggests that the Secretaries of State for Social Services and Employment may report their conclusions orally on certain cases. He had in mind particularly the case of Mr Kevin Roddy, National President of the Civil and Public Services Association, who is a Clerical Officer on the staff of the DHSS with 100 per cent facility time. It is not clear how far Mr Fowler will in fact wish to say anything about this case, which is primarily a management matter for his department. The Cabinet will however wish to be assured that, in deciding what action should be taken, the political and presentational aspects will be given due weight.

Mr Fowler strongly wishes that there will be no discussion of Mr Roddy

- because discussion, if known, might prejudice the government's case before e.g. an industrial tribunal and might give rise to Opposition charges that there was political interference with a Civil Service management

12. On British Rail you will wish to call for a progress report from the Secretary of State for Transport. The Chancellor of the Exchequer may wish to report on the latest conclusions of MISC 80. It should not be necessary to ask the Home Secretary to report on contingency arrangements, unless some particular point of difficulty is raised. MCS
7/7

13. On the National Health Service dispute, you will wish to ask the Secretary of State for Social Services whether there are any new developments.

14. On sympathetic industrial action by Civil Servants, you will not wish to encourage a lengthy discussion since the ground was thoroughly covered by Ministers concerned in MISC 80. You might ask the Chancellor of the Exchequer to refer briefly to his minute and ask whether there are any dissenting voices.

CONFIDENTIAL

CONCLUSIONS

15. You will wish to reach conclusions in particular on the following matters:

i. (if a decision is called for at this stage), on any guidance to be given to the British Railways Board on lay-off;

ii. on the specific steps at the end of this week proposed in paragraph 6(i)-(iii) in the Chancellor of the Exchequer's minute about sympathetic industrial action by the Civil Servants.

REA

ROBERT ARMSTRONG

7 July 1982

CONFIDENTIAL

Top copy filed on Transport: B.R. Pt 5

CONFIDENTIAL

Prime Minister

Jul 7/7

PRIME MINISTER

cc Mr Mount
Mr Walters
Mr Ingham

Cabinet, 8 July: Industrial Affairs

There are three current issues which Cabinet will no doubt wish to consider:-

Industrial Action on the Railways

The only issue for Ministers at present is whether to intervene in the decisions the Board has to take about laying off NUR members for whom there is no work, or dismissing ASLEF drivers and offering to re-employ them on different terms. We think that these are tactical issues which must be left up to the Board. The Government is at present in a strong position, standing well back from the tactics, enjoying a good deal of media support in its handling of the strike, and reaping the longer term benefits of the wide public perception that union leaders cannot always deliver on their threats - and that the threats are not so threatening after all. The balance of advantage in handling NUR lay-off and ASLEF dismissal will become clearer as the strike progresses; meanwhile, we are sure BR is right to do nothing which may hinder the possibility of a successful war of attrition, in which the commuters hold out and the drivers gradually drift back to work.

The NHS Pay Dispute

I am concerned at the expectations aroused in the media by the latest intervention of ACAS. You, and indeed Mr. Fowler, have made it clear that our increased offer to the various NHS groups is final, but this is not yet sufficiently widely believed. I think that our latest offer is entirely defensible in all its elements, and commands widespread public support. We should now be absolutely rock solid in not contemplating any further movement at all, and it would be helpful if Cabinet were to agree that that is the case, and that it should be made clear on every possible occasion.

You haven't, I think, found an occasion to do this yet, except for the nurses.
Jul 7/7

CONFIDENTIAL

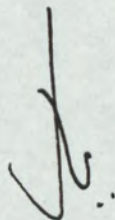
/Sympathetic Industrial

CONFIDENTIAL

-2-

Sympathetic Industrial Action by Civil Servants

You will have seen the Chancellor's note to you of 6 July, reporting the conclusions of MISC 80. Mr. Tebbit and Mr. Fowler argued strongly in MISC 80 for the written warning against unauthorised absence being sent to all civil servants, and not just those who supported the last NHS industrial action. But we think the majority in MISC 80 was right: as a disciplinary offence, unauthorised absence is the same whether it is for the purposes of sympathetic action or anything else, and it would be extraordinarily heavy-handed of management to send a letter to all civil servants containing a threat of dismissal in the event of any further unauthorised absence. The present proposal does give everyone a "free bite", but it should have a significant deterrent effect. But it would be helpful if Cabinet were to agree that there will be no leniency in the treatment of subsequent offenders: if individuals are warned, and repeat their sympathetic industrial action, then a significant disciplinary penalty must follow.



7 July 1982

CONFIDENTIAL

CONFIDENTIAL

MR MOUNT

cc Mr Ingham
Mr Walters
Mr Scholar

The Megaw Inquiry

I have now been able to read through the advance text we have received of the Megaw Inquiry, which will be published next week. I attach:-

The report itself (I think this is still the only copy outside Private Office, so perhaps you could pass it on to Alan, together with the other papers, when you have finished with it). I am afraid there is no escaping reading it through from start to finish: the summary of recommendations is not a good reflection of the report.

The Chancellor's note of 2 July to the Prime Minister, purporting to be preliminary reactions but actually more in the nature of a summary.

A copy of the Government's "Issues Memorandum", which was the central piece of our evidence to the inquiry, sent in last October. If I may, I would like to encourage you to glance at this before you look at the inquiry: paragraphs 5-9 identify the main issues which the Government asked the inquiry to address, and therefore to a large extent establish criteria by which we can judge the report.

I have already mentioned to you what seemed to me to be, judged by those criteria, the strengths and weaknesses of the report. Briefly, the two strengths of the report are the clarity with which it addresses the crucial issue of arbitration, which will have to be considered whatever system is established; and the forceful arguments in favour of performance related pay and range pay: the committee has grasped not only the incentive reasons for providing merit

CONFIDENTIAL

/pay

CONFIDENTIAL

-2-

pay, but their value as a means by which the whole nature of Civil Service management can be improved (351). But there are considerable weaknesses as well, most notably in the committee's frequent failure to establish criteria for its own judgements, and to provide justification for its conclusions. The result is a rather thin report, the impact of which is substantially reduced by Mr. Chalmers' minority report and one which is not much help to management in the really difficult areas, where conflicting objectives have to be reconciled. The committee has also drifted occasionally into the error of allowing it to be too apparent that one of the objectives of the majority is to produce a system that generates lower pay increases in the future.

The early press reports of the inquiry's findings have concentrated on the extent to which the majority have endorsed the Government's position, notably on the use of market factors. But closer examination scarcely bears this out. You may care to glance at my letter of 30 November to the (old) CSD, attached, in which I summarised what seemed at the time to me to be the kind of system the Government wanted - no-one contradicted it. But the system which emerges from Megaw is far more highly structured in its comparability aspects, and far less structured or quantified its market factors, than at the time we envisaged. Megaw's treatment of market factors is definitely one of paying lip service only. The glowing principle of paragraph 91 - "to ensure that the Government as an employer pays civil servants enough, taking one year with another, to recruit, retain and motivate"-disappears into confusion in paragraphs 101 and 102, which I believe to be the central weakness of the report. Here the report explains that market factors are in the longer term unlikely to diverge from the result of comparability (wrong) and all the non-comparability elements are relegated to the status of factors to be taken into account when determining where within a predetermined range the pay settlement should fall. Indeed, by paragraph 208 market factors have become something which

/merely

CONFIDENTIAL

CONFIDENTIAL

-3-

merely aid collecting bargaining, and on which "both sides will wish to ensure that they are properly briefed".

I have already mentioned to you that it would be unwise to accept too readily the judgement of those, such as myself, who devoted a considerable amount of energy into producing at short notice a new pay system for the Civil Service, which never saw the light of day because the Government set up the inquiry instead, in April 1981. We are too likely to regard our own work as perfect and any other superficial. But even while acknowledging that, I do have considerable doubts whether the Megaw inquiry takes us much further forward to a new Civil Service pay determination system - let alone one which is applicable more widely in the public services. For a start, there is too much in it to which the unions will never agree. And there is a good deal which, although it needs further study, is of doubtful workability - the use of the interquartile range, together with selected pay bands and benchmark jobs, and the very important but indeterminate role of non-comparability factors. The Megaw Report certainly does not present a new complete pay system on a platter: at best it is a basis for discussion with the unions.

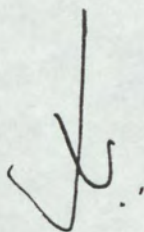
And this rather depressing conclusion leads me to one last thought. A first question for anyone considering the future of Civil Service pay determination must be whether we wish to have a new Pay Agreement at all. The Government's evidence makes much of the desire for "ordered and agreed arrangements" but Ministers may well feel that they have not done too badly in the last two years without them. It is perfectly feasible to envisage a pay determination system in which there is no more structure than that the union puts in a claim, and defends it, and the Government makes an offer, and both sides then bargain. Each side would be free to use whatever evidence it wanted, and the only agreement that would be needed would be on the resolution of disputes, where the Megaw

CONFIDENTIAL /arbitration

CONFIDENTIAL

-4-

arbitration proposals could be incorporated. At first sight, that seems to me a more attractive option than trying to force the Megaw Report into a shape that is mutually acceptable to us and the unions. I should be glad to know what you and Alan feel. There will of course be extensive inter-departmental official analysis of the report, and I will as usual represent the Policy Unit at it.

A handwritten signature in black ink, appearing to be 'J. J.', located below the main text.

5 July 1982

CONFIDENTIAL

CONFIDENTIAL



bc JV JP

10 DOWNING STREET

From the Private Secretary

5 July 1982

e

THE MEGAW INQUIRY

The Prime Minister has studied the Chancellor's minute of 2 July.

The Prime Minister agrees that the next steps are the publication on 7 July of the Megaw Inquiry report, and that Ministers should make no substantive comment for the time being, but simply indicate that the Government will wish to study the report and to have early discussion with the unions. Mrs. Thatcher is content with the arranged Parliamentary Answer which was enclosed with the Chancellor's minute.

I am sending copies of this letter to Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office).

M.C. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

16
CONFIDENTIAL



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

5 July 1982

J.F. Halliday, Esq.,
Private Secretary to the Secretary of State
for Home Affairs,
Home Office

Dear John

MEGAW REPORT

.....
The Inquiry into Civil Service pay, chaired by Sir John Megaw, has now delivered its report to the Chancellor. An advance copy is enclosed. It comprises a majority report signed by all but one of the members, and a minority report by the union member, Mr. Chalmers.

.....
We are arranging to publish the report as a Command Paper on Wednesday afternoon (7 July). Publication will be announced by Written Answer in both Houses, and copies of the draft Answers are also enclosed. These do not comment substantively on the report, but make clear that the Government will wish to consider it fully and to have discussions with the Civil Service unions. The enclosed Question and Answer briefing which has been prepared for the Treasury Press Office amplifies this line of response.

Treasury officials will be sending copies of the report to heads of Departments and their Establishment Officers shortly before publication, together with a suggested notice for all staff.

I am sending copies of this letter and enclosures to the Private Secretaries to the Prime Minister and all members of the Cabinet, to Sir Robert Armstrong and John Sparrow.

Yours sincerely,
Peter

P.S. JENKINS



MEGAW REPORT

NOTES FOR SUPPLEMENTARIES

Q1 What are the Government's reactions to the report's recommendations?

A1 The report has only just been delivered and the Government will now want to study its recommendations carefully before reaching conclusions on them.

Q2 When will you start negotiations with the unions? How long will they take?

A2 As the Chancellor of the Exchequer said [in his Written Answer], the Government intends to discuss the Inquiry's recommendations with the Civil Service unions as soon as both sides have had the opportunity to consider them. It is much too soon to say how long those discussions will take.

Q3 What account will be taken of the minority report?

A3 Naturally the Government will want to examine all the recommendations contained in thereport.

Q4 Will new arrangements be in place for 1983?

A4 The Government asked the Inquiry to report by this summer so that its recommendations could be considered in good time before the 1983 settlement. The Chancellor has made clear the Government's intention to begin discussions with the unions as soon as both sides are ready. It is too soon to judge how much progress can be made towards agreeing new arrangements before the 1983 negotiations.

Q5 Will there be a new Pay Agreement/Arbitration Agreement/Pay Information Board and other specific questions?

A5 Too soon to say. The Government has noted the Inquiry's recommendations on these matters and will be considering them carefully.

Q6 But the unions have already said they are opposed to the majority report's recommendations?

A6 The report deserves careful consideration by both sides before any firm positions are taken on it.

Q7 How will the report affect pay arrangements for other public service groups?

A7 The Inquiry has asked to consider the pay arrangements for the non-industrial home Civil Service. Clearly some at least of its recommendations could have wider implications.

If pressed on nurses' pay: The Health Departments are considering future arrangements for determining nurses' pay with the NHS Management and Staff Side. As the Government has made clear their decisions must await consideration of the Megaw report to the extent that similar questions arise.⁷

Q8 What about the recommendation for a contributory pension scheme?

A8 The Government has noted the Inquiry's recommendation that the Civil Service pension scheme should become fully contributory. It has been considering the arrangements under which civil servants contribute to their pensions as part of its review following the Scott report. It is intended to indicate the Government's conclusions on that in due course.

SJV



Prime Minister

(1)

Agree that the next steps
are publication (on 7 July)

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

and to make no substantive

PRIME MINISTER

comment for the time

being?

Yes
not

MCS 2/7

REPORT OF MEGAW INQUIRY

We have already had a quick word about the Megaw Inquiry. We will obviously need to give its recommendations detailed consideration before we come to any final conclusions but you might like to have my preliminary reactions.

2. In general the majority report offers an approach to the pay of the non-industrial Civil Service which meets our main objective of securing more flexible and less automatic arrangements with a less crucial role for pay comparisons and without any automatic access to arbitration. There would however be some constraint on our room to manoeuvre. The unions are likely to be disappointed with its recommendations which they will regard as supporting the Government's position. We will need to encourage them not to dismiss the recommendations out of hand. From this point of view it would have been helpful if the report had, in places, contained a rather more weighty analysis of the arguments supporting its recommendations.

3. The majority report firmly supports our views on the defects of the old Pay Research System. They accept that this was too rigid, striving for a spurious degree of

/precision and taking



precision and taking inadequate account of "market" and public expenditure considerations. Although the report notes that the system did secure industrial peace and finds that over a period of time it keeps Civil Service pay broadly in line with that in the private sector it unambiguously endorses the need for new arrangements. Its approach to these is broadly consistent with the evidence which we submitted to it.

4. The Inquiry commends a framework for what it describes as "informed collective bargaining". The enclosed note describes how this would work. Comparisons with outside pay would have an important part to play in this process but we have always recognised that some role for comparison is inevitable. The proposals avoid the main weaknesses of pay research, although there will still be room for argument about how the comparisons ought to be made. There would also be greater flexibility in the application of data and a range of other important factors would be taken into account as well.

5. The main indicator from year to year would be the percentage increases being awarded in the private sector only. The Inquiry recommends that Civil Service settlements should be pitched within the "interquartile" range of these outside settlements. This raises a number of technical issues which are not covered fully in the report and which will need to be examined. Comparisons with actual pay levels would take place only once every 4 years but adjustments would still be made within the range indicated by private sector pay settlements in that pay round.

/6. The collection



6. The collection of data, which would cover a wider range of employers and make allowance for smaller firms, would be in the hands of an independent Pay Information Board served by outside consultants. The Board would carry out the analysis of the data previously left to the negotiating parties and could provide a range of other information to them. The report specifically rejects the CBI's proposal that each side should carry out its own data collection. In practice agreed data arrangements should be helpful in the negotiating process.

7. The Inquiry rightly sees pay comparison as being only part of the process of fixing Civil Service pay rates. It emphasises the importance of the "market" factors of recruitment and retention, relative job security and broader economic and financial considerations. Its specific recommendations on the role of cash limits are perhaps deliberately left somewhat vague in terms of actual procedures and we are still left with some problems over this. The Inquiry obviously sees disadvantages in our revealing our negotiating position in advance and wants to see some degree of flexibility in the way in which the cash limit system is operated while taking proper account of the implications of pay for public expenditure.

8. Overall the report takes us a long way from the inflexibility of the pay research system. It offers a framework which would help to shape settlements but both sides would have more room for manoeuvre. The "interquartile range" would place some constraint on this, its effects varying according to the pattern of outside settlements each year.

/9. We have attached



9. We have attached considerable importance to avoiding a situation in which we can be taken unilaterally to binding arbitration. The report is helpful here. While it argues in favour of the use of arbitration it recommends that this should only take place with the mutual agreement of both parties and suggests that non-binding mediation should be available as an alternative. It comes down against any attempt to negotiate a general or partial "no industrial action" agreement but suggests a formalised "cooling off" period before any industrial action is taken after a break down in negotiations.

10. In addition to its proposals on pay determination the majority report makes important recommendations about the character of the Civil Service pay system. It gives a welcome impetus towards a greater degree of pay simplification with its proposals for pay bands and opens the way to a less complicated grading structure, as we have already noted. It comes down in favour of centralised pay bargaining (although it suggests that the feasibility of an experiment in delegation to the Ministry of Defence might be examined) and against regional pay and productivity bargaining. Its endorsement of London Weighting is not helpful in current circumstances. It favours major changes to relate pay much more directly to personal performance. We did not commit ourselves on merit pay in our evidence to the Inquiry and colleagues were divided about it. We shall obviously need to consider the way ahead on this with care but the Inquiry have urged us strongly to make early progress with it.

/11. The recommendation



11. The recommendation that we should continue to use the Top Salaries Review Body for advice on higher Civil Service pay is not unexpected or unwelcome. Quite clearly if there is to be a Pay Information Board there would be advantage in close liaison between it and the TSRB.

12. It is helpful that the Inquiry favours the idea of moving to a contributory pension scheme.

13. As I have suggested overall the unions are likely to be disappointed by the majority report. The minority report by Mr Chalmers, the trade union member, indicates the areas on which some of the unions could be expected to concentrate their fire including the use of cash limits, the role of the proposed Pay Information Board and the availability of arbitration. But the unions will not necessarily be wholly united in their reactions and we shall need to try to persuade the more moderate elements to accept that the majority report does provide a helpful starting point for discussion between us on future arrangements.

14. The Inquiry envisages our being able to make a start with introducing their new approach in the 1983 negotiations with the new arrangements being fully in place by 1984. We shall obviously need to be ready for early discussions with the unions but it will not be easy to make much progress towards agreement on future arrangements before our discussions get caught up with the 1983 negotiations. It may be better for us to treat those negotiations as being interim in character. Certainly if we accept the recommendation to establish a Pay Information Board it is unlikely that this could be fully operative by then.

/15. I do not think



15. I do not think that there is any reason for us to hold back from early publication of the report. This is at present planned for 7 July. There have already been leaks in the Press. I think that we should refrain from any immediate substantive comments on the report and simply indicate that we shall want to study it and have early discussion with the unions. It would probably be unrealistic to see these getting seriously under way until after the summer holidays. But it would be helpful to invite officials now to prepare an inter-departmental evaluation of the report for us as soon as this can be arranged.

.... 16. I attach the draft of an arranged Parliamentary Question and Answer which I propose should accompany publication of the report.

17. I am copying this minute to Janet Young, Norman Tebbit and Sir Robert Armstrong.

Jim Rutter

pp (G.H)

2 July 1982

*(Seen and approved by the Chancellor,
and signed in his absence).*

DRAFT QUESTION AND ANSWER [Wednesday 7 July, 3.30 pm]

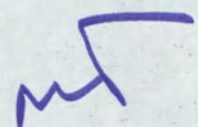
Commons

Q. To ask Mr Chancellor of the Exchequer when the report of the Inquiry into Civil Service pay will be published.

Draft Answer

The Government announced on 29 June 1981 the establishment of an independent inquiry under the chairmanship of the Rt hon Sir John Megaw into the future arrangements for determining the pay of the non-industrial home Civil Service - [Vol 7, Cols 577-584]. The committee of inquiry have now submitted their report. The report was laid before Parliament today and is being published as a Command Paper later this afternoon. Copies are being made available in the vote offices.

I am most grateful to Sir John Megaw and his colleagues for their work and for completing it so promptly. The Government intends to discuss the Inquiry's recommendations with the Civil Service unions as soon as both sides have had the opportunity to consider them fully.



MAJORITY REPORT'S RECOMMENDATIONS FOR NEW PAY ARRANGEMENTS

General

1. The basic principle underlying the new arrangements would be that the Government as employer should pay civil servants enough, taking one year with another, to recruit, retain and motivate them to perform efficiently the duties required of them at an appropriate level of competence.

2. The pay of all non-industrial staff below Under Secretary would be determined by annual negotiations between the Government and the Civil Service unions, based on informed collective bargaining. This is collective bargaining in which the freedom of manoeuvre of both parties is to some degree limited to take account of a variety of different kinds of relevant information.

Pay Comparisons

3. An independent 'Civil Service Pay Information Board' would be set up to provide both parties with information on percentage increases in outside pay each year. The comparisons would be made by management consultants, and would be with private sector organisations only.

4. The Civil Service would be divided into a series of 'pay bands' (eg 'Principal level and equivalent grades', 'Executive Officer and equivalents'). The comparisons would be between 'bench mark' jobs selected from each band and jobs of comparable weight outside.

5. Comparisons would be with organisations which had operative dates and settlements in the first half of each pay round - ie August-February. The parties could ask for information on movements in other organisations in the previous March-July to be taken into account also.

6. Every fourth year the Board would conduct surveys of total remuneration (ie on actual pay levels outside as these stood at the end of the previous pay round). The normal pay trends comparison would also be conducted in the fourth year, covering increases in the first half of the new round.
7. The Board would process and analyse the survey results and present these to the parties by about the end of February each year.

Negotiations

8. Negotiations would take place within the interquartile range (ie the middle two quarters) of the pay movements reported by the Board each year.
9. In deciding where to pitch Civil Service rates within the range the parties would take into account
 - other information provided by the Board (either annually or four-yearly) including pay trends in small firms; relative job security and other fringe benefits; the relative advantage which civil servants derive from the transferability of their pensions;
 - information on the recruitment and retention position inside and outside the Civil Service;
 - cost and economic factors;
 - the degree to which staff were cooperating in efficiency and productivity measures;
 - any adjustments needed in internal relativities.
10. The Treasury negotiators would need to consult employing departments before the negotiations began, to discuss management's objectives and priorities.

11. Every fourth year the negotiators would have the additional information on outside pay levels. This would be taken into account in assessing where, within the interquartile range of pay movements for the current round, rates should be pitched. If Civil Service rates had fallen behind those outside, it might be necessary to adjust for this over one or more years (as settlements would still need to be kept within the prescribed range of pay movements each year).

12. The settlement date would continue to be 1 April, but settlements could be backdated for three months after that.

Arbitration and Mediation

13. If a settlement could not be reached machinery would be available for

- arbitration, by joint agreement of both sides. The results would be binding on both sides subject to the overriding authority of Parliament;
- non-binding mediation - also by joint agreement;
- conciliation machinery - less likely to be used frequently, but to be set up on an ad hoc basis if required;
- provision for a 'cooling off' period after negotiations had broken down.

14. The Civil Service Arbitration Agreement would need to be renegotiated to include these provisions.

Other Features

Internal Relativities

15. The relativities between different grades within each pay band (eg between Principal and Principal Scientific Officer within the

"Principal - level" band) would generally remain the same. But there would be machinery to review them, particularly at the time of the four-yearly total remuneration review. The Inquiry suggest that consideration should be given to reducing the number of different grades and thus simplifying the total pay system.

Performance-Related Pay

16. The pay system would provide for variation of reward according to individual performance. Below Principal level this would be done by making the award of annual increments dependent on the markings in each civil servant's annual report. From Principal to Under Secretary level performance ranges would be introduced. At Deputy Secretary and Permanent Secretary level, pay would vary according to job weight. There would also be merit bonuses available to staff below Principal level, especially those on the maxima of their scales.

Cash Limits

17. Cash limits would have a bearing on Civil Service pay as a measure of what could be afforded in financial and economic terms. But the Government would if possible avoid committing itself publically to a specific level of increase for Civil Service pay in advance of the negotiations, and would leave itself some flexibility to find ways of financing a settlement larger than its initial assumption, if necessary adjusting cash limits after collective bargaining was completed.

Pensions

18. Contributory pension arrangements would be introduced provided the change could be made without additional cost to the taxpayer.

Higher Civil Service

19. The Government would continue to receive independent advice from the Top Salaries Review Body on appropriate pay levels for civil servants at Under Secretary level and above. There would, however, be close liaison between the Review Body and the new Pay Information Board so that Civil Service pay structure could be looked at in a co-ordinated way. The Office of Manpower Economics would provide the secretariat for both bodies.



2000 1982

65462



file

BC

CONFIDENTIAL AND MANAGEMENT IN CONFIDENCE



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Megaw Report:
arrangements for consideration

The Prime Minister has seen your minute of 29 June about the arrangements for handling the Megaw Report at Ministerial and official levels.

The Prime Minister agrees to the arrangements you propose.

MC1

2 July 1982

CONFIDENTIAL AND MANAGEMENT IN CONFIDENCE

SB



10 DOWNING STREET

①

Prime Minister

Agree these arrangements?

rus 1/7

Yes No



cf. J.V.
Prime Minister (2)

Caxton House Tothill Street London SW1H 9NAF

MUS 2/7

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

J O Kerr Esq
Principal Private Secretary
Treasury
Great George Street
LONDON
SW1

MS

30 JUN 1982

50 JUN 1982

Dear John

NEW EARNINGS SURVEY : PAY OF THE NON INDUSTRIAL CIVIL SERVICE

Thank you for your letter of 18 June about the treatment of the pay of the non-industrial Civil Service in the New Earnings Survey for 1982.

We have considered carefully the alternative basis suggested by the Chancellor. And you will realise, it is not easy to find a basis which is entirely satisfactory.

The present method, which aims to reflect the current year's pay position, has been followed for many years. Since 1976 there has been only one year, last year in fact, when the current Civil Service settlement was not reflected in the figures.

The present form asks for amounts payable in respect of the survey period, not amounts actually paid. This provision is partly aimed at excluding back pay or exceptional over-time pay covering several weeks but also covers the point about agreements applicable to the period not in payment at the time.

This being said, however, we accept that the attempt to record the amounts payable is not always successful, and we recognise the Chancellor's concern that, in particular, the civil service appears to receive special treatment to cover delayed settlements in a way which is not the case for most other groups.

We also understand the Chancellor's concern that this year's NES figures will, on present arrangements, reflect two Civil Service settlements. Again, it is not easy to get this matter right. A move to the suggested alternative basis would mean this year's settlement being held over, and either next year or in a subsequent year, when the Civil Service settlement is actually in payment in the Survey period, there will be a catching up and the NES figures will reflect the impact of two settlements. It will be necessary, as it has been hitherto, to be careful in qualifying the published figures with notes on changes in the timing of settlements.



In view of the Chancellor's concern, we are willing to change the basis for this year's Civil Service figures, and will take immediate steps to get Departments to submit revised returns on the basis of rates of pay in force at the time of the Survey. This basis will be followed in future years.

I am copying this letter to the Private Secretaries to other members of E(PSP), and to Michael Scholar at No 10.

Yours ever

Bambery Shaw

J B SHAW
Principal Private Secretary



SC JV

CONFIDENTIAL AND MANAGEMENT IN CONFIDENCE

Prime Minister (1)

Ref. A08856

Agree these arrangements?

PRIME MINISTER

MUS 29/6

Megaw Report: arrangements for consideration

promised for this evening

1. Now that the Megaw Report has been received, you will wish to make arrangements for handling it at Ministerial and official levels.

MUS 29/6

2. I suggest similar arrangements to those adopted for handling this year's Civil Service pay negotiations, ie a Ministerial Group in the MISC series with the Chancellor of the Exchequer in the chair, on the understanding that you would take the chair at any particular meeting where there were important matters in which you wished to become involved. There would also be an Official Group under Treasury chairmanship.

3. On this basis the composition of the Ministerial Group would be as follows:

- Chairman: Chancellor of the Exchequer
- Members: Secretary of State for Defence ✓
- Secretary of State for Social Services ✓
- Lord Privy Seal ✓
- Secretary of State for Employment ✓
- Minister of State, Treasury (Mr Hayhoe) ✓
- Mr Sparrow ✓

The proposed membership is identical with that of the Ministerial Group on Civil Service Pay Negotiations (MISC 66). The only possible candidates for adding to the list are the Secretaries of State for Education and Science and for the Environment who are members of the Ministerial Sub-Committee on Public Service Pay. It seems better however to keep the membership small and confine it to those Ministers who are the biggest Civil Service employers and those with general responsibilities for the Civil Service and for pay.

4. The Official Group, which would be under the chairmanship of Mr Le Cheminant in the Treasury would also have representatives from Inland Revenue, Customs and Excise, MoD, DHSS, MPO, Employment, CPRS and the No 10 Policy Unit.

5. If you agree, I shall make the necessary arrangements as soon as possible.

ROBERT ARMSTRONG

29 June 1982



Prime Minister

②

See p 83 for a summary
of the recommendations. On

the face of it this
gives comparability

an unfortunately large
place on the map.

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

29 June 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

MCS 29/6

Dear Michael

MEGAW REPORT

..... The Megaw Committee's Report was delivered to the Chancellor of the Exchequer this afternoon. A copy is enclosed. As you will see, the Report is signed by all member of the Inquiry except Mr Chalmers (the union member) who has submitted a minority report. The Chancellor will let the Prime Minister have an initial assessment of the Report later this week as soon as he has had the opportunity to study it.

As I told you in my letter of 24 June, we are planning to publish the Report as a Command Paper on Wednesday, 7 July. Publication would be announced by the Chancellor in a Written Answer that afternoon. In accordance with the normal procedures, the Chancellor proposes to circulate printed copies of the Report and the draft Answer to Cabinet colleagues for information next Monday, 5 July.

I am copying this letter (with copies of the Report) to Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office).

Yours ever
Peter

P.S. JENKINS
Private Secretary

Prime Minister ⁽²⁾ SECRET

24 June 1982

9

MR SCHOLAR

MCS 24/6

cc Mr Mount

SECONDARY PICKETING BY CIVIL SERVANTS

ms

I was concerned to hear that there was some feeling in Cabinet this morning that the possibility of disciplinary measures being used against civil servants engaged in sympathetic industrial action had not been taken far enough since last summer. My preoccupation with BR has meant I have had to miss the recent meetings of the official group on industrial action in the Civil Service, but I have talked to the Chairman, and refreshed my memory of the work of MISC 65.

MISC 65 was principally concerned with lessons from the Civil Service strike, where action was taken against their own employers, but it did consider the use of disciplinary action against staff who committed a disciplinary offence during industrial action. It concluded - I attach the relevant extract - that to operate the procedures involved without legal challenge would be difficult; and Ministers accepted the recommendation that no further consideration be given to it.

This is now being looked at again. The Chancellor will make recommendations shortly. Officials have reached a preliminary conclusion that to operate disciplinary procedures in the event of unauthorised/absence in pursuit of industrial action would require reasonable notice being given to staff. That could be done in time for the NHS action called for 17 July. Staff then engaging in secondary picketing would be charged appropriately; there would be a disciplinary hearing; and the permanent Head of the Department would rule a punishment - ranging from reprimand to dismissal. There could be appeals to the CSAT; and, in the case of dismissal, possibly to an industrial tribunal if discrimination could be alleged. But given that sympathetic action is not usually strongly motivated, the warning might well be sufficient to deter action.

The 1980 Act does not help here. The Government as employer is not being damaged by the effect of civil servants picketing hospitals. Disciplinary proceedings are the appropriate response.

J.V.

JOHN VEREKER

SECRET

Surely it is if they are picketing during hours of duty. Ministers who are imposing their moralism in deeper sense

MANAGEMENT-IN-CONFIDENCE

DISCIPLINARY MEASURES

5.18 It is clearly open to management to take disciplinary action against staff who commit a disciplinary offence during the course of industrial action and in any dispute there may be some individual cases of this kind. But the widespread use of disciplinary procedures as a means of seeking to end industrial action seems unlikely to be an effective tactic. The procedures have been designed to deal with individual cases and therefore contain a number of procedural safeguards which could not be set aside without the risk of legal challenge. Moreover, for this reason the procedures tend to take time and effort and their widespread use could therefore place an intolerable burden on management, whose attention can be expected to be fully taken up with coping with the consequences of industrial action. Furthermore, the use of the disciplinary procedures in this way could well give rise to new grievances and allegations of victimisation and thus intensify the industrial action by obscuring the real issues and alienating moderate opinion. It is also likely that the trade unions would insist as part of any agreement on return to work that any disciplinary measures which had been applied as a general response to industrial action should be rescinded.

5.19 We do not therefore recommend that further consideration should be given to the use of disciplinary procedures as a means of seeking to end widespread industrial action, although these procedures may, as in the past, be appropriately used to deal with some individual cases.

MR. INGHAM

Wm
B/b

cc: Mr. Rickett
Mr. Mount

LONDON WEIGHTING

The London Weighting Indices will be published in the Employment Gazette on Thursday 24 June. They will represent an increase over 12 months ago of 16.7% for inner London, and 12.8% for outer London.

You may be asked whether civil servants' London Weighting will be increased accordingly. You should know that the union claim may well be for 5% more ^{by the indices} in each case, because 5% was withheld last year. The unions will also no doubt argue that according to the Government's own criteria the increase ought to be paid, because the increased London Transport costs are inhibiting recruitment (indeed, increased travel costs are a major element in the Index). Ministers have taken no decision on this, but you would be safe in reminding enquirers that there is no commitment to apply the London Weighting Index automatically.

J. M. M. VEREKER

21 June 1982

Civil Service CC J.V.



Prime Minister (2)

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

18 June 1982

MCS 18/6

J B Shaw Esq.
Private Secretary to the
Secretary of State for Employment
Department of Employment

New Barnaby,

NEW EARNINGS SURVEY: PAY OF THE NON-INDUSTRIAL CIVIL SERVICE

with
MCS?

Thank you for your letter of 7 June about the treatment of the pay of the non-industrial Civil Service in the New Earnings Survey for 1982.

The Chancellor is concerned about the prospect of a serious distortion of the earnings figures for the Civil Service included in this survey. They would show a disproportionately large increase because they cover the effects of the two settlements. This would be unhelpful; and publication would be in the autumn, near the start of the pay round.

Our understanding is that in the case of other employees the survey simply records what money was actually paid to them during the Survey period: adjustments are not made for any retrospective settlements. Would it not be more consistent to adopt the same approach in the case of civil servants as well?

The Chancellor would be grateful if the possibility of using the figures of earnings actually paid to civil servants in April could be urgently explored.

I am copying this letter to the Private Secretaries of other members of E(PSP), and to Michael Scholar at No.10.

Yours ever,

J O Kerr

J O KERR
Principal Private Secretary

V.O. 53
②
—
st. 10/11

43

18 JUN 1982
1 2 3 4 5 6 7 8 9 10 11 12

and Service
Pay

17 June 1982

Megaw Report

Thank you for your letter of 14 June about the publication of the Megaw Report.

As I told you on the telephone this morning, the Prime Minister agrees with the Chancellor's view that there is much to be said for publishing the report as a Command Paper soon after receipt, and making the necessary arrangements with the printers for this soon.

MS

8

P.S. Jenkins, Esq.,
HM Treasury.



Prime Minister (2)

Ms 16/6

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

16 June 1982

The Rt. Hon. Norman Tebbit MP
Secretary of State for Employment

MT

Dear Norman

LONDON WEIGHTING INDICES

TPM - WJA PM

Your Private Secretary wrote to mine on 14 June to inform us of the publication of your Department's London Weighting indices for this year.

I reluctantly agree that we have no alternative but to publish these high figures. I think that their size, and the fact that they can be so substantially affected by developments such as London Transport fare increases, lends urgency to the need for a review of their future once we have the Megaw Report. Meanwhile, I think it would be useful if officials in PSP(O) could undertake an early assessment of the handling of London Weighting claims in this pay round, now that we have the index figures.

I am copying this letter to the Prime Minister, members of E(PSP), the Secretary of State for Transport, and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

Prime Minister

①

MR. SCHOLAR

MEGAW REPORT

c. Mr. Mount

Agree the Chancellor's
view about
publication?

MS 15/6

The Chancellor, in his Private Secretary's letter of 14 June, recommends early publication of the Megaw Report.

There is no commitment on us to publish this Report at all. But it is inconceivable that we should not do so sooner or later, because it will undoubtedly be thoroughly leaked by the unions. And I am sure the Chancellor is right to say that we should get it out quickly, principally because whatever it says it will be in the Government's interest for the public to perceive it as being an independent Report, and not a creature of the Government. Thus, if it is helpful, the unions may be encouraged not to think of the Megaw Inquiry as a Government body; if it is unhelpful, we can distance ourselves from it.

I have been unable to find out what Megaw is going to say. I am told that recent press reports were probably accurate (less comparability, more market factors, merit pay) but they were too vague to be of much help. No-one knows what it will say about arbitration: that will of course be relevant in the health service context.

J.M.M. VEREKER

15 June 1982

CONFIDENTIAL

010
CONFIDENTIAL



cc: J ✓
Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14 June 1982

Michael Scholar Esq
10 Downing Street

Dear Michael,

MEGAW REPORT

The Chancellor thought that the Prime Minister would wish to know that there is now a good chance that the Megaw Report will be available to Government earlier than previously expected. There is apparently a better than evens chance that it will be delivered to him on 29 June and virtual certainty that we will have it before the middle of July.

This being so it is not too early to begin to think about machinery for publication and handling of the Report.

The Chancellor's view is that there would be a lot to be said for publishing the Report (as a Command Paper) within, say, a week of receipt and we are making the necessary arrangements with the printers to ensure that this can be done. Publishing the Report before the Summer recess will give us adequate time to sound out the views of the key figures in the Civil Service Unions, so that the Government can take their reactions into account in coming to its own conclusions in the autumn.

Yours ever,

PSJ

P S JENKINS
Private Secretary

CONFIDENTIAL

4 JUN 1968

67652

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

jc sv
Prime Minister (2)

mes 15/6

ms

John Kerr Esq
Private Secretary to
Rt Hon Sir Geoffrey Howe QC MP
Treasury
Great George Street
LONDON SW1

14 June 1982

Dear John
Ministers agreed last year (my Secretary of State's letter of 19 October and the Chancellor's reply of 29 October) that the London Weighting Indices should be published as usual in June this year pending the appearance of the Megaw Report and that they should be reviewed again this year in time to affect publication for 1983.

will request if required
The figures will be published in the Employment Gazette on Thursday 24 June. The index for Inner London is 344.6 and for Outer London 282.4. These represent an increase over 12 months ago of 16.7% and 12.8% respectively. The reason for these increases being greater than for prices generally is the large increase in London fares. Other items in the indices eg housing costs, rates, food etc showed little differential between London and the rest of the country.

In terms of the Pay Board allowances, set in 1974 at £400 and £200 for inner and outer London respectively, the indices imply 1982 sums of £1333 and £540 respectively.

I am copying this letter to the Private Secretaries to the Prime Minister, members of E(PSP) Committee, the Secretary of State for Transport and Sir Robert Armstrong.

Yours ever

Barbara Shaw

J B SHAW
Principal Private Secretary

5 JUN 1982

1 2
3 4
5 6
7 8
9



✓ SV

Management and Personnel Office
 Whitehall London SW1A 2AZ
 Telephone 01-273 { 4400
 GTN 273 }

From the Private Secretary

NBPM 16 June 1982

Barnaby Shaw
 Private Secretary to the
 Secretary of State for Employment
 Caxton House
 Tothill Street
 LONDON SW1H 9NA

MCS 17/6

Dear Barnaby,

NEW EARNINGS SURVEY: PAY OF NON-INDUSTRIAL CIVIL SERVICE

with MCS?

Thank you for sending me a copy of your letter of 7 June to John Kerr about the New Earnings Survey reminding us that there will be a misleading impression of the increase in Civil Service pay this year. Unless this impression is corrected, not only will it harm the climate for the next pay round, but it will also be damaging to morale if allegations gain currency that civil servants have gained higher pay increases this year than is the case.

A careful explanation of the figures will therefore be essential as you suggest. But apart from such suitable qualifications as appear in the Survey report itself, it will be important that we mount an effective public relations effort at the appropriate time. This will call for close co-ordination between your officials and those of the Treasury and MPO.

I am sending copies of this letter to Michael Scholar (No.10), John Kerr (HMT) and to the Private Secretaries of the other members of E(PSP).

Yours sincerely,
 Jim Buckley.

J BUCKLEY

CONFIDENTIAL



cc JV

*NBPM
ms 4/6*

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

4 June 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael.

CIVIL SERVICE PAY: IMPROVEMENTS IN OTHER CONDITIONS OF SERVICE

In your letter of 1 June you mentioned that the Prime Minister agreed to the proposals made in the Chancellor's minute of 27 May, subject to the upward adjustment of the generality of allowances for skill and responsibility by 5.9 per cent (the average pay award resulting from arbitration) rather than the 5 per cent originally offered to the Unions.

The Chancellor has now authorised officials to go ahead and implement the full package as amended by the Prime Minister. He is grateful to colleagues for their willingness to accept that the cost of implementation will be absorbed in the same manner as already agreed for the general Civil Service pay settlement.

Copies of this letter go to the Private Secretaries of members of the Cabinet, and to Sir Robert Armstrong.

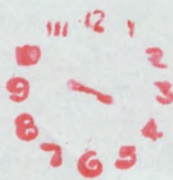
Yours sincerely,

Jill Rutter

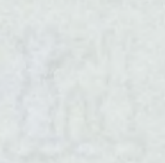
JILL RUTTER
Private Secretary

Treasury Chamber, Parliament Street, SW1P 3AF
LONDON SW1P 3AF

4 JUN 1982



COMPLIMENTS



CONFIDENTIAL



cf SV
Prime Minister (2)

I have already recorded

your decision in the same

sense as para 3 below

HLS 1/6

MO 20/17/6

PRIME MINISTER

CIVIL SERVICE PAY: IMPROVEMENTS IN OTHER CONDITIONS OF
SERVICE

I have seen a copy of the Chancellor of the Exchequer's minute to you of 26th May.

LPM

2. I agree with his recommendations in paragraphs 2b to 2d.
3. On paragraph 2a, I wonder if the Chancellor's recommendation is consistent with our philosophy. These allowances are designed to recognise extra skill and extra responsibilities and we were in favour of a pay settlement which discriminated in favour of special contributions. The money is not great and I do suggest that in this instance we ought to think carefully whether a wide range of staff from typists to private secretaries should be given the impression that we have deliberately been cheese-paring towards them. I would favour paying the full 5.9% for these special allowances, and asking Departments to absorb the extra £0.4M costs.
4. I am copying this minute to other members of the Cabinet and to Sir Robert Armstrong.

Ministry of Defence
1st June 1982

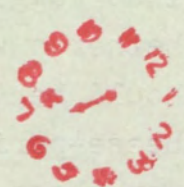
SV

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL





2081 JUN 17 1982

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 June 1982

Dear Peter,

CIVIL SERVICE PAY: IMPROVEMENTS IN OTHER CONDITIONS OF SERVICE

The Prime Minister was grateful for the Chancellor's minute of 26 May.

She agrees to the Council of Civil Service Unions being told that the Government is ready to go ahead with the improvements in conditions of service listed in paragraph 2(a) - (d) of the Chancellor's minute. Against paragraph 2(a), however, the Prime Minister has commented that the cost of a 5.9 per cent increase in allowances for skill and responsibility is so small in relation to what has already been offered that the matter is not worth arguing about. She concludes that the level of increase in these allowances should be 5.9 per cent.

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

Yours sincerely,

Michael Scholar

Peter Jenkins, Esq.,
HM Treasury.

He

CONFIDENTIAL

Prime Minister

(4)

MR. SCHOLAR

Yes - Subject to comment on 2 (a). mt.

Agree to go ahead with the improvements in para 2

c. Mr. Mount of the

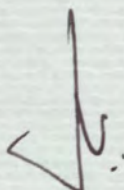
Chancellor's minute? (attached)

MUS 27/5

Civil Service Pay: Improvements in other Conditions of Service

The Chancellor has minuted the Prime Minister proposing that we now implement the minor improvements in conditions of service which were excluded from the Civil Service Arbitration Tribunal.

I am sure this is right. I see no difficulty with other groups, since the improvements offered are marginal; and Peter le Cheminant has confirmed to me that there will be no difficulties created with the negotiations with the Civil Service industrials. Nor is there anything obvious which we should seek to trade these improvements for - the unions have now accepted the new facilities agreement, and the new technology agreement, even though the CPSA is still making unhelpful noises about the latter.



J.M.M. VEREKER

26 May 1982

CONFIDENTIAL

SE JV



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

PRIME MINISTER

CIVIL SERVICE PAY : IMPROVEMENTS IN OTHER CONDITIONS OF SERVICE

As you will recall, the pay offer we originally made to the non-industrial Civil Service included a number of proposals for improvements in other conditions of service, which were not covered by the subsequent terms of reference to the Civil Service Arbitration Tribunal. We agreed to consider them further when the results of arbitration were known.

2. Now that we have accepted the CSAT award on basic pay and annual leave, we need to decide what action to take on these other proposed improvements. They were:-

(a) An increase of 5 per cent in allowances for skill and responsibility. This affects about 26,000 staff and costs about £2 million. In the past increases in these allowances have moved in line with the average increase in pay under the related pay settlement. If we were to follow precedent the level of increase would be 5.9 per cent. But this would cost an extra £0.4 million, and I consider we should not go beyond what we have offered.

(b) Increases of about 11 per cent in existing allowances paid to qualifying Executive Officers on ADP work, and a new allowance of £500 a year for Higher Executive Officers. In each case, the allowances would also, where appropriate, be paid above the maximum of the pay scale. This affects about 4,000 staff, and costs about £1 million.

The sum is so small it is not worth arguing about. Let the matter be 5.9%.



(c) Replacement of luncheon vouchers given to staff under 19, by a cash allowance of £1.20 a week. This would yield administrative savings, and would have no net cost. The necessary administrative changes, including the extension of the arrangements to industrial staff, whose pay settlement is not due until 1 July, could not be completed until later in the year.

(d) Advances for the purchase of season tickets, to be repaid by deduction from pay in the financial year in which the advance is made. This does not count against cash limits, but there is an estimated cost of £1 million in interest foregone.

3. I believe that we should go ahead now with these. The cost is small and the ill-will which the withdrawal of these offers would cause would be quite disproportionate. Moreover they are in line with our management requirements and were drawn to the attention of the CSAT on that basis. They may well have taken them into account in fixing their award even though it was made clear that we were not formally committed to them.

4. We also said at the time of the pay offer that we would be prepared to seek to negotiate a group discount scheme for staff wishing to undertake private medical insurance at their own expense. The possibilities are at present under discussion with the medical insurance companies without commitment. We can consider the position on this again when the discussions have been completed.

5. Subject to any comments from my colleagues, I propose to authorise my officials to confirm to the Council of Civil Service Unions that we are ready to go ahead with the improvements described in paragraph 2. The cost would of course have to be

CONFIDENTIAL



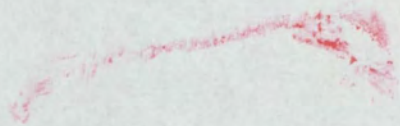
absorbed in the manner we have already agreed for the general pay settlement. Unless I hear to the contrary from colleagues by close of play on Tuesday 1 June I will assume concurrence.

6. I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

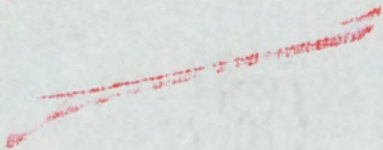
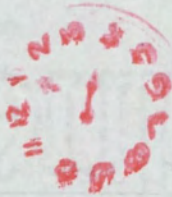
G.H.

26 May 1982

CONFIDENTIAL



RECEIVED
MAY 9 1952



CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

27 April 1982

Dear John,

The Prime Minister held a meeting with Ministers this morning about a number of pay issues. The Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence Scotland, the Lord President, the Secretary of State for Social Services, the Lord Privy Seal, the Secretary of State for Employment, the Chief Whip, the Minister of State, Treasury, Mr. Hayhoe, Sir Robert Armstrong and Mr. John Sparrow were present.

The Chancellor of the Exchequer said that a number of pay issues required decisions. The award of the Civil Service Arbitration Tribunal (CSAT), which gave an average increase of 5.9%, and a range for individuals from 4.75% at the bottom of the scales to 6.25% at the top, was lower than had been feared and higher than had been hoped. In his judgment it was at about the limit of acceptability. He believed that it would involve an addition to the 4% cash limits, although he hoped colleagues would be able to absorb no less than 5% of the 5.9% within existing departmental cash limits by finding further administrative or manpower savings. The Armed Forces Review Body Report (AFRRB) recommended a range of increases which would add 6.1% to the estimated 1982/83 pay bill. He believed that these recommendations should be accepted. The Doctors and Dentists Review Body (DDRB) recommendations, which would add 6% to the pay bill, or 9% when the 3% deducted from the 1981 recommendations was taken into account, would if implemented in full create very considerable difficulties for the negotiations currently in progress with other National Health Service groups. The Top Salaries Review Body (TSRB), which recommended on average a 21.9% increase over current levels, also posed considerable problems. The most logical course was, perhaps, to accept all these recommendations; but this would make the National Health Service negotiations very difficult. If the DDRB recommendations were not fully accepted, there would be a strong case for a less than full acceptance of the TSRB recommendations. There were a number of options here: it would be possible to deduct 3% from the recommended increases, numerically in line with what was being done with the DDRB. An alternative approach would be to deduct 5% on the grounds that the TSRB recommendations were in part making good the 5% shortfall of the salaries awarded in 1981 as against the 1980 recommendations.

/Further

Civil Service
LP's office
civil service pay
Doctors & Dentists pay
TSRB
J. Ver...

Further in the background were the issues of teachers' and police pay. English and Scottish primary and secondary teachers were not subject to arbitration. The English further education teachers' negotiations were probably now stalled awaiting the result of arbitration, but there seemed to be a case for conceding 5.5%, or even 5.9%, given that Scottish further education teachers had settled at an average of 5.5%, with Scottish local authority further education teachers receiving 5.9%.

In discussion there was general acceptance of the Chancellor's conclusions as regards the CSAT award. There was, too, a general disposition to accept in toto the recommendations of the AFPRB. The following points were made in discussion:

- a) There were strong grounds for implementing the recommendations of the TSRB in full. This group, unlike other groups, had never had a full catching-up operation. Problems of recruitment and retention of people of the right calibre were beginning to make themselves felt, and it was of the highest importance to maintain the quality of those who held these posts. The levels of remuneration recommended by the TSRB were low in relation to the private sector. The public expenditure cost was of little importance in the decision. The differentials between these grades and the grades immediately below them had become excessively compressed. There would, certainly, be political difficulty in accepting the TSRB recommendations. There would not be very much less criticism if 3-5% were deducted from these recommendations; to avoid criticism it would be necessary to implement a very much smaller figure, and this was not a practicable option in 1982, bearing in mind the recent history. In any year it would be politically difficult to grasp this nettle; the time had come to do so.
- b) Against this it was argued that acceptance of the TSRB recommendations would make the NHS pay negotiations very hard to handle. It would not be possible to justify offers in the 4-6.4% range to the NHS groups at the same time as 19.4% was offered to senior civil servants and service officers. Nor would it be possible to accept all the Review Body Reports except the DDRB. If the doctors and dentists were held at 6% there was some prospect of sticking successfully to the present NHS offer. To make this one-third reduction on the DDRB recommendations acceptable to the doctors and dentists it would be necessary similarly to cut the TSRB recommendations, by one-third or more. Alternatively, both the DDRB and TSRB recommendations could be accepted in full, but paid in two stages with an abatement of, respectively, 3% and, say, 5% this year.
- c) There was arguably less scope in the NHS than in the Civil Service to squeeze a higher pay increase from a given cash limit. The NHS was a labour-intensive service, and

the Government's policy, in successive public expenditure reviews, had been to budget for a real improvement in the NHS. Demographic trends also worked in the same direction.

d) Departments would not find it easy to absorb part of the cost of the CSAT award within their cash limits, as proposed by the Chancellor. There would be particular difficulties in relation to the prison service, and the defence programme, where the 4% cash limit pay factor was itself already under great pressure as a consequence of the Falkland Islands dispute.

e) On the other hand, the proposal to absorb only part of the CSAT award within existing cash limits would create difficulties with local authorities. The Government's stance with them was that no extra money was available to finance higher pay increases. Their argument would be that the Government was prepared to raid the contingency reserve to finance its own employees' pay increases.

f) With the Task Force at sea it would be unfortunate if there were any suspicion that the Government was holding back its response to the AFPRB recommendations. Ideally all these pay decisions would be announced together. But if this were not possible, there was a strong case for going ahead with the AFPRB in advance of the rest.

The Prime Minister said there were a number of principles to be followed in these matters. It was necessary for broad economic reasons to restrict the level of pay increases. There must, too, be justification for each of the Government's decisions on pay. It was essential that there should be effective management at the top in the public sector. The Prime Minister said that it was agreed that the award of the CSAT, and the recommendations of the AFPRB, should be accepted. The balance of opinion also firmly favoured a full acceptance of the recommendations of the TSRB and the DDRB. There was a good case for announcing all these decisions at the same time, and soon; if this was not possible it would be desirable to go ahead separately with the AFPRB and CSAT. It was recognised that these conclusions would cause very great difficulties with the NHS pay negotiations. The Chancellor of the Exchequer and the Secretary of State for Social Services were, therefore, asked to consider what changes might be necessary to the Government's stance in the NHS negotiations in the light of the meeting's conclusions generally. The results of this consideration together with the group's other conclusions should be put to Cabinet on Thursday 29 April. The Chancellor of the Exchequer should also discuss with the Home Secretary and Defence Secretary the problems which had been raised in relation to the effect of the CSAT award on existing cash limits for the prison service and the defence budget; the general presumption for Departments, however, should be that no less than 1% of the award should be absorbed within existing cash limits. As regards police pay, inter-departmental consideration of the official side report on the police pay system was necessary; when this was concluded she would be grateful if the Home Secretary would bring the matter to colleagues again.

I am sending copies of this letter to John Halliday (Home Office), Michael Collon (Lord Chancellor's Office), Imogen Wilde (Department of Education and Science), David Omand (Ministry of Defence), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office), David Clark (Department of Health and Social Security), Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment), Murdo Maclean (Chief Whip's Office), Adrian Carter (HM Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS). I would be grateful if you and they would give this letter the most limited possible circulation.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL



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

PRIME MINISTER

FINANCING THE CIVIL SERVICE ARBITRATION AWARD

When we discussed this yesterday, I favoured asking colleagues to absorb the first 1 per cent of the excess cost over 4 per cent in their existing cash limits and finding the remainder (0.9 per cent) from the Contingency Reserve. Since that remainder was equal overall to the amount to be clawed back for the NIS, it should not be necessary to make any changes in cash limits.

2. On reflection, I think it would be very much better to make a clear separation of the pay and NIS transactions, in order to avoid the impression that we are using the NIS cut to finance extra pay - precisely what we have urged the private sector not to do. We announced on Budget Day that cash limits would be reduced by the amount of the 1 per cent NIS cut: this reduction should now be made, and any necessary claims on the Contingency Reserve for extra pay, and consequential changes in cash limits, should come later.

3. I therefore propose a variant of paragraph 3(i) of C(82)16 whereby:-

- (a) the NIS clawback is carried through now;
- (b) colleagues are asked to agree not only to absorb the first 1 per cent of the excess but to make every effort to absorb the rest as well;

/(c) The Chief Secretary

CONFIDENTIAL



- (c) The Chief Secretary and I would undertake to give sympathetic consideration in September/October to bids on the Contingency Reserve for any exceptionally hard cases up to a maximum of 1 per cent.

This has the added advantage that it minimises the risk of any further criticism on the lines of the notorious "Times" leader that the Civil Service enjoys automatic access to the Contingency Reserve to finance its pay.

4. Some colleagues may understandably feel reluctant to commit themselves now to trying to find the whole of the excess. But there has been a constant record of underspending on pay subheads even in squeeze conditions (it appears to have been 2½ per cent on pay and g.a.e. combined in 1981-82), and Civil Service numbers on 1 April were some 9,000 below the provision in Estimates. So I think it fair to ask them to make the attempt. But Leon Brittan and I would of course - as agreed yesterday - discuss separately with the Home Secretary and the Defence Secretary the particular problems of the prison service and the Defence Budget.

(G.H.)

April 1982

Civil Service

MR. WALTERS

Civil Service

c. Mr. Scholar ✓
Mr. Hoskyns
Mr. Ingham

CIVIL SERVICE VOLUNTARY WASTAGE RATES

I have finally extracted from the Treasury useful data on retention rates in the Civil Service, which will in some form be included in our evidence before the Civil Service arbitrator. You and the others to whom I am copying this may like to know that (at first sight at any rate) the figures do support the line we have been taking for the last 18 months or so on Civil Service pay, i.e. that the total benefit package as measured by the willingness of staff to move voluntarily to other employment has been improving substantially over the last four years. I am told by the Treasury that there is some preliminary evidence of movement in the opposite direction this year, but I do not have figures.

In summary, the picture is as set out in the attached table. One rather bizarre feature is the way in which retention of all groups is higher, even of those such as ADP staff to whom we have just made an offer of a special increase because of their special skills. I have drawn that to Peter Le Cheminant's attention, in case the arbitrator asks for an explanation.

J.M.M. VEREKER

1 April 1982

	Total Number in Grade 1.10.81	Voluntary Resignation Rates			
		1978	1979	1980	1981
Principals (fast stream)	768	1.4	2.8	1.7	1.3
Administrative Trainees	300	8.2	6.3	7.4	3.8
Economic Advisers	233	1.4	3.0	2.9	2.2
Executive Officers	61,389	5.2	5.4	3.8	2.7
Clerical Officers	121,914	11.5	12.3	9.1	6.3
Clerical Assistants	69,329	14.3	15.3	11.2	7.4
Secretarial Group	30,244	13.2	12.8	9.5	6.8
ADP Staff	8,698	19.3	16.5	10.3	7.1
Scientists	2,881	14.4	14.9	11.5	6.0
Information Officers	5,276	4.4	3.7	2.2	1.6
Lawyers	840	4.0	3.4	1.5	1.1
Tax Inspectors	25,885	9.8	9.9	7.4	4.2

RESTRICTED



Civil Service
bc John Vereker

10 DOWNING STREET

From the Private Secretary

31 March 1982

Government Evidence for the Civil Service Arbitration

The Prime Minister has seen the draft evidence which it is proposed to put before the Civil Service Arbitration Tribunal later this week (circulated under cover of a note by the Secretaries to MISC 66, dated 26 March).

The Prime Minister is content with this draft (she has noted that something seems to have gone wrong with the text of the second line of paragraph 7.3).

I am sending copies of this letter to the Private Secretaries to other members of MISC 66.

M. C. SCHOLAR

Peter Jenkins, Esq.
H.M. Treasury.

RESTRICTED

RESTRICTED

MR. SCHOLAR

Prime Minister

(1)

Content for this evidence to be sent to the arbitrator? Yes and c.c. Mr. Hoskyns

MUS 30/3

Government Evidence for the Civil Service Arbitration

The draft of the evidence which officials propose to put before the Civil Service Arbitration has been discussed and largely agreed in the official group, Misc 67. It is, however, not quite in its final form: I have pointed out to Peter Le Cheminant that Annex F - the retention data - needs to be expanded and broken down by grade, to show that the retention data carry the same weight as the recruitment data in Annex E, and he has agreed to do this.

Otherwise, I think the evidence is about as convincing as we can make it. The Prime Minister should be aware that it is bound to become public knowledge, because a copy of it has to be handed to the unions, and she may want to glance at Sections 1 (which is a summary) and 7 (which is the guts of the Government's case). We have tried to produce evidence as firmly rooted as possible in market factors, with as little weight as possible given to comparability and the cost of living; and the Prime Minister may want to note that paragraph 7.24 contains a clear indication that the Government is not going to accept substantial increases proposed by the arbitrator.

J.S.

29 March, 1982.

RESTRICTED



CSV

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

WBPM

24 March 1982

J. Buckley, Esq.,
Private Secretary to the Chancellor of the
Duchy of Lancaster,
Management and Personnel Office,
Whitehall, SW1A 2AZ

Dear Jim

Thank you for your letter of 15 March and the attached paper for the Megaw Inquiry on recruitment and retention.

The Chancellor of the Exchequer is content for the paper to be submitted subject to the following points. In paragraph 10, he suggests adding "precisely" at the end of the second line. In paragraphs 23-25, on recruitment trends, he considers it important to distinguish between areas of difficulty which have occurred in the past, and the present generally satisfactory position, and to concentrate attention on the latter. The most recent figures for 1981 will, as you know, provide the basis for much of the argumentation in the Government's case before the Civil Service Arbitration Tribunal on this year's pay offer. With this in mind, the Chancellor would propose that these paragraphs should be slightly recast as shown on the attached page.

.....

The Chancellor would prefer not to include the tables in Annex B which deal with the recruitment pattern for a number of "shortage grades" since we are not including any parallel tables for smaller groups of this kind where recruitment has been satisfactory. Instead some of the figures for specific groups could be quoted in paragraph 26, preferably illustrating both "shortage" and "non-shortage" areas. It would also be worth drawing attention to the strikingly large number of applicants for many jobs. The Chancellor understands that certain detailed amendments have been agreed between MPO and Treasury officials to the tables attached to the paper and that these will be included in the final text.

/On timing,



On timing, clearly the paper needs to be submitted to the Inquiry as soon as it is ready and it would be undesirable to withhold its public release for too long a period after that. But it may be sensible to defer its release until after we and the unions have sent in our written evidence on 1982 pay to the Civil Service Arbitration Tribunal.

Copies of this letter and attachment go to the recipients of yours.

Yours ever
Pete

P.S. JENKINS

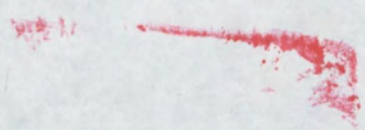
RECRUITMENT AND RETENTION

Revised Paragraphs 23-25

23. Bearing these limitations on the data in mind, Table 1 shows, for the Administration Group, that apart from some decline in 1979 and 1980 there has generally been little difficulty in the recruitment of Administration Trainees. The recruitment of Executive Officers (Table 2) was difficult in 1978 and 1979 but since then has been satisfactory.

24. Table 3, covering the Science Group indicates some difficulty in the past in central recruitment. However, the position improved markedly in 1981.

25. Table 4, for the Professional and Technology Group, shows difficulties in filling total vacancies, again in central recruitment to more senior posts. But the number of applications has increased since 1979.



4 MAR 1988





Civil Service
JLH AH

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

The Prime Minister has seen and noted your minute A07849 of 19 March 1982 with which you sent extracts from the Parliamentary Commissioner for Administration's forthcoming Annual Report for 1981 in which he deals with the effects upon his investigations of resource constraints and industrial action in the Civil Service.

I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Minister of State, Treasury (Commons).

JLH.

22 March 1982

AH

010

Ref: A07849



Civil Service 2.

Prime Minister

PERSONAL AND CONFIDENTIAL

para 31 is helpful. MFD 19/3

mt.

PRIME MINISTER

The Parliamentary Commissioner for Administration has sent me a copy of extracts from his Annual Report for 1981 (to be published on 23rd March) discussing the effects upon his investigations of resource constraints and industrial action in the Civil Service.

2. I attach a copy of the extracts herewith.

3. The Parliamentary Commissioner has asked that this should be given only very limited circulation in advance of publication on 23rd March. I suggest that we should confine knowledge of it to those to whom I have sent copies of this minute until that date.

4. I am sending copies of this minute to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Minister of State (Commons).

Robert Armstrong

(dictated by Sr. R Armstrong and signed on his behalf)

19th March 1982

PERSONAL AND CONFIDENTIAL

Some effects of industrial action in the Civil Service

23. In my Report for 1980³ I explained why industrial action by civil servants was not something on which I could pass judgment. During that year I found in some of my investigations that delay and associated difficulties were attributable to the effect of industrial action by civil servants in 1979. Some of the investigations I have completed in 1981 also hark back to that period. In one case I found that industrial action had exacerbated the delay in settling a claim to attendance allowance; in another it had added to the difficulties in dealing with a claim for a farm grant; and in a third it had caused delay in making refund payments by the Intervention Board for Agricultural Produce, causing hardship to a company for which they could recover no compensation.

24. During 1981 there was another, more widespread and longer lasting, strike in the civil service. This generated relatively few complaints to me at the time—perhaps because many members of the public understood the position sufficiently to realise that I could not intervene to secure immediate delivery of pensions, passports, driving licences and VAT refunds held up as a result of the strike. To those who did complain to me about such matters I had to explain that, much as I sympathised with their predicament, it did not result from administrative action taken by departments in the exercise of their statutory duties (the area defined in the Parliamentary Commissioner Act as my operational territory) and that it was not therefore in my power to investigate.

25. Since the 1981 industrial action ended, I have had referred to me a handful of complaints about the results of the delay in issuing passports. I am now making enquiries of the Foreign and Commonwealth Office, who are responsible

¹ HC 99, HC 250, HC 395, HC 470

² HC 322

3 ³ HC 148

for passport offices, to discover what steps they took at the time and what they have done since in response to requests for help or compensation for inconvenience, distress and financial loss attributed to the breakdown in service. In doing so, I have no wish to rake over the embers of an unhappy passage in public administration. But having said that I would expect departments to take every step open to them to alleviate the effects on the citizen of a strike by government employees and to restore full service as quickly as possible, I think it right now to seek to establish whether this requirement was met by the Foreign and Commonwealth Office. It is too soon to forecast the outcome of my enquiries but it is a subject of some general interest and importance to which the Select Committee on the Parliamentary Commissioner for Administration may wish to direct their attention in due course.

26. Unfortunately, the 1981 strike also had the effect of delaying some of my investigations. Departments were not always in a position to respond to the invitation to comment on a complaint, which is the starting point of my investigation: and my officers were sometimes unable to get immediate access to documents they wanted to examine or to interview officials whom they wished to question. This had the effect of holding up some investigations which were 'in the pipeline' during the 21 weeks while the strike lasted, and I had to write to referring Members explaining the position and asking them and their constituents to bear with me in the meantime. My efforts to reduce the backlog of cases (to which I referred in paragraph 13 of my Report for 1980¹ and on which the Select Committee expressed some concern²) were somewhat hampered in consequence. The number of cases under investigation at the end of 1981 was 164 compared with 162 at the end of the previous year; but of the 164 investigations in progress at 31 December 1981 60 had been referred to the office during the last quarter of the year. A determined effort by my staff in the latter part of the year when things were getting back to normal in departments did much to relieve the problems of the previous period.

Departmental performance under 'the cuts'.

29. I am on record as commenting last year that the constraints imposed on resources in government departments might sometimes mean a reduction in standards of service. In two complaints which I have investigated against the Land Registry this year, I found that while I had no criticism to make of the standard of work done, there had been unacceptable delay in dealing with applications due to the combination of a considerable increase of work with constraints on manpower and financial resources. The Chief Land Registrar in his report for 1980 had already informed the Lord Chancellor of his difficulties. My own investigations confirmed that the hard-pressed staff of the Land Registry had been doing all they could to minimise the inconvenience to the public, and satisfied me that the fundamental cause of the delay illustrated by these complaints could not reasonably be attributed to maladministration in the department.

30. A somewhat similar situation was responsible for delay by the Department of the Environment in dealing with an application for a grant towards the cost of repairing a church. In my report on the case, I said that the small number of inspectors and other staff available for this branch of the Department's work meant that they had been unable to keep pace with the steadily rising workload in the last few years and I could only conclude that the delay in this instance was largely caused by resource problems beyond the control of the Department.

31. I have no doubt that other departments are also feeling the strain and are having to operate a system of priorities in fulfilling their responsibilities. But it would be wrong to infer from my experience of investigations in 1981 that there has been any clear and significant decline in standards generally in the Civil Service from these causes. Indeed, I continue to be impressed by the ability of the administrative machine to cope with all the problems and to provide all the services expected of them and taken for granted by the public at large. If we wish to limit public expenditure, there is bound to be a limit also to the activities government can undertake. We are in danger of demanding simultaneously a reduction in public spending and a maintenance of all the services to which we have grown accustomed in better times.



Chancellor of the Duchy of Lancaster

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

mes to see WM 23/3

Prime Minister 2

19 March 1982

Willie Rickett Esq
10 Downing Street

A word processor is not as cost effective as a competent secretary with an electric typewriter if you are going to change almost every paragraph of a paper: in that case, manipulating the text takes longer than retyping. That is what the last paragraph of this letter means. But in this case MPO did not retype: they circulated a paper with manuscript amendments. I don't think they have an excuse for that, but, despite this letter, I think Lady Young's office have got the message.

Dear Willie,

WM
22/3

RECRUITMENT AND RETENTION: EVIDENCE TO MEGAW - WORD PROCESSORS

We had a word on the phone on Wednesday about the paper on this which I sent to the Treasury on 15 March. You told me that the Prime Minister was content with the paper but was moved to ask, because of the number of manuscript amendments, whether we had a word processor in MPO.

I can now confirm what I told you on the telephone: we have several. There are four machines in London, and they have been there for two years. There are also four at the Civil Service Commission in Basingstoke together with three magnetic card machines. Following the re-organisation and transfer of work to the Treasury, studies have begun to consider this Office's long term requirements.

Because this paper for Megaw was needed urgently it was judged best to produce it by ordinary electric typewriter. I understand that the initial input to a word processor can be slower than to an electric typewriter; but, more importantly, it was recognised that there would be a significant amount of redrafting and that it was not cost-effective to put this work on a word processor.

Yours sincerely,
Jim Buckley.

J BUCKLEY

Prime Minister

(1)

cc Mr. Hoskyns
Mr. Walters

MR. SCHOLAR

Agree submission of this paper
to Megaw?

MCS 16/3

Evidence for the Megaw Inquiry on Recruitment and Retention

The extent to which recruitment and retention data, and the latter in particular, can be used as indices of relative wage rates is an issue first raised by us in MISC 51 (the official group which preceded the establishment of the Megaw Inquiry, which reported to Ministers last Easter); it is fair to say that the initial Whitehall response to the paper prepared by Alan Walters and myself on quit rates was distinctly cautious, but it is remarkable how far the Whitehall consensus has now moved, as indicated in the draft evidence for Megaw enclosed with the letter of 15 March from Lady Young's Private Secretary.

I was consulted over the drafting of this paper, and the amendments (which are clearly visible) to paragraphs 4, 10 and 13 were made at my suggestion. Alan and I are now broadly content with the paper, and it should provide a reasonable conceptual basis for the Megaw Inquiry to introduce market factors to the new pay determination system, if they are so persuaded.

The Prime Minister may care to glance at the first 13 paragraphs, but subject to her own reactions I see no need for further amendment. The MPO should of course be ashamed of themselves for circulating a paper containing so many manuscript amendments, many of them illegible, for Ministerial approval.

J.S.

✓
Havent they got
word processors in
MPO?

16 March 1982

From the Private Secretary



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

Chancellor of the Duchy of Lancaster

15 March 1982—

Peter Jenkins Esq
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Peter,

David Laughrin wrote on 16 February on behalf of the Mewgaw Committee asking for a paper from the MPO on recruitment and retention. I attach a paper which has been cleared through OGM and agreed by the Chancellor of the Duchy.

The Chancellor now seeks the agreement of her colleagues to the submission of the paper to the Megaw Inquiry. The Inquiry asked for all the evidence to be in its hands before the end of February so, as we are running late, I should be grateful for early clearance.

Copies of this, and the paper, go to Michael Scholar (No 10), David Omand (MOD), David Clark (DHSS), Barnaby Shaw (Employment), Jim Nursaw (Attorney General), Catherine Duncan (Lord Advocate), and David Wright (Cabinet Office).

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

DRAFT

RECRUITMENT AND RETENTION IN THE CIVIL SERVICE

I. INTRODUCTION

In its initial evidence to the Inquiry* the Government said that "an essential element in any pay system must be an attempt to assess the market and to consider whether pay rates are at the level required to recruit, retain and motivate the appropriate number of staff of the right quality".

2. The pay research system rested primarily on pay comparisons as a "proxy" for the market. There was no prescribed way for evidence about the actual recruitment and retention position in the Civil Service to be taken directly into account in fixing pay rates for grades covered by pay research. Difficulties in attracting and retaining staff could in some cases lead to reviews of the pay linkages of staff not directly covered by ^{the} pay research, but in general such problems had to be dealt with by means other than pay. At the ~~same time~~ the pay research system provided for pay rates to be increased, if the pay research evidence pointed to this, even though the civil service may have had no difficulty in recruiting and retaining staff. The Government considers that in future information on the actual recruitment and wastage position (taking account of career patterns in the Service) should be taken directly into account in Civil Service pay negotiations.

3. The present paper outlines the main factors affecting recruitment and wastage in the non-industrial Civil Service; draws the Committee's attention to the availability of relevant statistical sources; brings

* Memorandum on Future Pay Arrangements for the Non-industrial Home Civil Service, October 1981: see particularly paragraphs 4b and 9b.

to the Committee's attention certain statistics (and their limitations) relating to a number of key areas; and considers whether a relationship exists between voluntary resignations and indices of pay and other factors.

II. FACTORS AFFECTING RECRUITMENT AND RETENTION

4. The Service's recruitment requirement is determined by the overall wastage rate as modified by the net effect of increases or decreases in departments' staff complements. Staff leave the Service through voluntary resignation (61% of all leavers in 1980), age retirement (28%) and through death, ill health, inefficiency, redundancy and dismissal (which together account for 11%). This paper is concerned with voluntary resignation because it can be a useful indicator of the value an individual places upon his job, and also because of its particular impact on the costs and operational efficiency of departments and its implications for recruitment. Data about an organisation's ability to retain staff provide a particularly good guide to its relative success or otherwise in the labour market and is a potential index of relative wage rate and job conditions. Many of the factors which influence voluntary wastage are also at work in determining success in recruitment and these are discussed in paragraphs 7-12 below.

5. First, the Committee will wish to note that the majority of new entrants join one of the bottom tiers of the Service, ie, at or below the level of Executive Officer or equivalent. Moreover, comparatively few leave voluntarily once they have reached the level of Higher Executive Officer. The majority of staff who resign are under the age of 30 (see paragraph 30 and Annex E below)

On the basis of present career patterns,

6. *Therefore,* the Service's ability to find enough recruits rests heavily on its success in attracting school and further education leavers, and people in their early careers with other employers. There is however, some variation between staff groups, most notably in respect of posts requiring the specialist skills of lawyers, accountants, vets etc - professionals with outside experience. In these cases the relevance, breadth and quality of job experience and acquired skills (following normal qualification) will be of greater importance than the more readily measurable qualifications of recruits to the basic grades.

7. Against this background, and given the maintenance of broadly consistent selection criteria from year to year, the ability of the Service to obtain sufficient recruits at any time depends upon two inter-related factors. First, it will depend on the size of the pool of suitably qualified prospective candidates (in terms of academic/professional qualifications, experience and personal qualities). The size of this pool will change from time to time and from location to location and is not directly within the control of the Government as an employer. In some specialised skills, eg electronics engineers, there may be a national shortage and it may therefore have to be accepted that total employer demand cannot be satisfied. In such circumstances the Civil Service can only realistically aim to secure a reasonable share of the available supply.

8. Secondly, the ability of the Service to recruit will depend on its relative attractiveness as an employer. This depends on many interactive factors, including

- a. relative pay;
- b. comparative attractiveness of its conditions of service (including pay-related benefits);
- c. the nature and location of the jobs on offer;
- d. career prospects;
- e. the nature of the work;
- f. physical working conditions;
- g. perception of job security;
- h. perception of the Civil Service (which will be influenced by recruitment publicity and advertising, and more generally by press, Parliamentary and public comment)

Most of these factors are, to some extent, within management's control, subject to resource constraints.

9. All these factors will vary in their weight and impact both through

time and according to circumstances. The changing levels of economic activity and unemployment generally are important overall influences but the precise impact of these and the above factors on recruitment and retention at the micro level will differ between grades and groups, depending on the type of skill/experience involved, age, sex, structure and location.

10. Although it is possible to identify the main factors affecting recruitment and voluntary wastage

It is not possible to assess

their relative weight. Relative pay is clearly one important factor, and may sometimes be the dominant factor, but the exact effect it has on an individual's decision to join or leave an organisation will be inter-linked with some or all of the other factors set out in paragraphs 8 and 9, as well as with personal and domestic circumstances.

Some voluntary wastage rates and

recruitment data will thus reflect the whole benefit package of pay and non pay factors and an adjustment in any one element of the package is likely to feed through into wastage and recruitment patterns

11. The success or otherwise of the Service's recruitment efforts is also influenced by the level of its own requirements. For instance, the much reduced demands for Executive Officers and clerical staff, following the Government's decision substantially to reduce the size of the Civil Service, and the very low recent rates of wastage, have helped to eliminate the long-standing recruitment shortage in these grades in London.

12. Other less obvious factors may also affect the Service's level of success in recruitment. An example is the volatile nature of the demand for staff, particularly in the more specialised disciplines. A complete withdrawal from the recruitment market for a period (for example the Inland Revenue Valuation Office had no vacancies for graduate estate surveyors in 1980 or 1981 following a requirement for 200 in 1979) can pose particular difficulties for re-entry to the market at a later date. A lack of consistency in demand can act as a deterrent particularly at the new graduate level, because careers advisers and undergraduates become used to the absence of such vacancies and are not easily directed towards them when they re-appear.

III. COSTS OF VOLUNTARY RESIGNATION AND RECRUITMENT

13. The higher the rate of turnover arising from voluntary resignation in any organisation the higher the costs incurred in the recruitment and training of replacements, and in the reduction of efficiency through loss of expertise and experience. There may also be a loss of individual and corporate morale. Nevertheless in all organisations there will be resignations arising from personal circumstances (marriage, work of spouse, pregnancy etc) whatever the relative levels of pay and conditions of service or the rate of unemployment. Wastage will also arise from an acknowledgement that some people are technically or temperamentally ill equipped for the work (and problems of motivation can arise when staff who wish to leave the Service cannot do so through lack of opportunities outside - but this raises issues outside the scope of this paper). There is no single optimum rate of wastage, and indeed a degree of mobility is both inevitable and desirable. Nevertheless employers generally have an interest in limiting excessive voluntary wastage, because of the costs involved, consistently with their other management objectives.

The costs of wastage in the Civil Service will vary considerably

from group to group. As has been pointed out in evidence to the inquiry from some of the main employing departments, the loss of highly trained specialist can be more expensive, even at relatively low resignation rates, than those from a larger group with higher turnover. Indeed a specialist may have experience which could prove irreplaceable if lost. Thus there is no unique optimum wastage rate and the circumstances relating to each group of staff concerned must be examined to determine what rates may be unacceptably high.

IV. INFORMATION ON RECRUITMENT AND WASTAGE

a) Sources of Statistics

14. The Committee's attention is drawn to the recruitment statistics in the "Factual Material" on the main groups and classes in the civil service.

15. The primary source of centrally held manpower statistics for the non-industrial Home Civil Service is PRISM, a computer based personnel information and statistics system. PRISM provides information on number of entrants and leavers, both of which can be analysed by personal attributes such as grade (or grade level), group, age, sex, geographical location, length of service and employing department. Analyses can be made for both current and past periods (to the beginning of 1975) by individual attribute, or by combinations of attributes. PRISM is to be replaced in April 1982 by a simpler purely statistical system, ^{named NAVIGATE} which will continue to depend on a data supply from computerised departmental records and will retain the capacity to provide analyses of data relating to resignations and new entrants. Historic data for the period 1975-80 will be transferred to the replacement system. The main difference between the two systems so far as retention and recruitment are concerned is that the new system will not provide data for shorter than calendar quarterly periods ~~for on professional disciplines~~. ^{nor will it provide disaggregated data} on the main disciplines which make up the Science and Professional and Technology groups. Data broken down by discipline will be held in departments.

16. Analyses of entrant and resignation figures are published annually in Civil Service Statistics (whose table content has varied from one year to another). A special article "Voluntary Wastage in the Non-industrial Home Civil Service" was published in the 1978 issue.

17. The Civil Service Commission holds information about the recruitment exercises for which it is responsible. Statistical tables and commentary are published in the Civil Service Commission Annual Report. These relate to the recruitment process from application to appointment stages, and are concerned mainly with the minority of candidates who apply to join mobile grades (broadly speaking at Executive Officer and equivalent level and above). These statistics do not match those of entrants obtained from PRISM because they are based on the date of the Commission's schemes of recruitment and not on the date of recruits' entry into the Service; and because they reflect the situation at a given cut off date and do not take account of candidates who decline appointment at a late stage after that date.

18. In addition, PRISM (and its successor) ^{MANAGE} has the flexibility to provide ad hoc statistics at short notice on entrants and resignations for individual non industrial grades. These can be analysed by a wide range of attributes. PRISM is used as the source for regular reports which are circulated within HM Treasury and the ^{Management} ~~Manpower~~ and Personnel Office, as well as to some Principal Establishment Officers, on selected servicewide resignation rates.

b) Delegated Recruitment

19. At Executive Officer level and above recruitment is predominantly

carried out centrally by the Civil Service Commission. At the non-mobile levels of Clerical Officer and below (which accounted for 90% of all entrants in 1981) it is mainly carried out locally by Departments. The Government intends that the Civil Service Commission should withdraw completely from all non-mobile recruitment, probably in early 1983 (see Factual Background Memorandum, paragraph 3.10). For competitions carried out by the Commission, records are maintained centrally ^{covering} the number of applicants, candidates declared successful, and candidates certificated. Apart from the Commission's record of the number of candidates nominated for certification no information about local competitions for more junior posts is at present collected centrally on a regular basis, although statistics are provided by departments on an ad hoc basis as required for management purposes. If recruitment and retention data are to play a more prominent part in Civil Service pay determination in future, as the Government believe should be the case, machinery for co-ordinating and assessing recruitment and retention data on a regular basis would need to be established with departments.

c) Trends in Recruitment 1973-1982

20. Annex A shows the number of entrants quarterly to the non-industrial Home Civil Service between 1973 and 1981 (~~not~~ seasonally adjusted). The chart shows a drop in the number of recruits after 1978.

21. Recruitment figures can also be provided for each of the main groups and classes (including a number of specialist grades) covered by Civil Service Commission recruitment schemes. Examples are at Annex B and are based on material in the Civil Service Commission's ~~Annual~~ ~~Reports~~ Reports. For each of the schemes they show the number of vacancies declared by departments, the number of applicants, and the outcome of

successive stages of the selection process, but precise information is not available on the numbers finally taking up offers of appointment. Because of the way the statistics have been compiled they have certain limitations. In particular it has been necessary to combine grades in a number of cases because separate figures are not available for every grade level at each stage of the recruitment process.

22. There are some difficulties in using the data in Annexes A and B to measure the ease or difficulty with which the service has recruited in recent years. The most useful indicator would be the actual number of unfilled vacancies in each group or category. However, the 'vacancy' figures in some schemes of recruitment provide no more than broad indications of departments' expected requirements. For example in the EO recruitment scheme departments are required to notify the number of 'vacancies' to the Civil Service Commission well in advance and as manpower plans change or departments seek to mitigate shortages by, for instance, internal transfers or the reallocation of work or as expected wastage rates change so the demand for recruits will change and the expected requirements may not always match the actual position.

The vacancy figures also provide no indication of the length of time for which vacancies remain unfilled. This information would need to be collected centrally on a consistent basis for any accurate and quantified assessment of the recruitment position to be made from year to year for pay purposes, and would require careful definition and resource-intensive monitoring. Another point to be borne in mind is that the Civil Service Commission's published tables have to be based on the known position at a given cut off date. Thus the figures shown in the 'Appointed' columns in the Annex B Table

represent the numbers certificated at that cut off date but take no account of certificated candidates who subsequently decline appointment or candidates in the 'Cases not settled' column who are subsequently certificated and take up appointment. The figures in Annexes A and B should therefore be taken as no more than broad indications of the recruitment position in recent years.

23. Bearing these limitations on the data in mind, Table 1 shows, for the Administration Group, that although there was some decline in 1979 and 1980, the service has generally been able to fill a high proportion of its AT vacancies. The recruitment of Executive Officers, (Table 2) though generally satisfactory, was difficult in 1978 and 1979.

24. Table 3, covering the Science Group indicates some difficulty in recruitment during the period. However, the position improved markedly in 1981.

25. Table 4, for the Professional and Technology Group, shows recruitment difficulties throughout the period and particularly over the last four years. 23% of vacancies at the PTO I and PTO II (graduate entry) levels were filled in 1979, 43% in 1980 and 47% in 1981.

26. Tables 5-8 of Annex B show recruitment data for Petroleum Specialists, Accountants and Lawyers (England and Scotland). These are specialist grades to which recruitment has proved particularly difficult over the years, whereas there are other grades, eg Information Officers and Research Officers, where recruitment has been generally satisfactory.

27. The above statistics do not however fully reflect areas of particular difficulty - or ease - of recruitment. Difficulties have been experienced in the recruitment of certain disciplines within the main grades (eg,

electronic engineers, nuclear installation inspectors, computer scientists), and in attracting recruits to other small specialist groups and classes (eg vets and doctors). Shortages in these and other grades have a disproportionate effect on the ability of the Service to perform its statutory and non-statutory obligations. In such areas the need is often to employ candidates of the highest quality sometimes from a narrow field of expertise. An indication of the grades principally affected is provided by the list of "shortage Grades" compiled by the Civil Service Commission showing recruitment schemes for which approval has been given for the payment of removal expenses on first appointment. The current list is at Annex C.

d) Trends in Voluntary Resignation 1975-81

28. Annex D shows monthly resignations (seasonally adjusted) of men and women from the non industrial Home Civil Service since 1973. The chart shows the monthly number of leavers reaching a low point around the beginning of 1976 (about 1800 females and 700 males), but rising strongly to a peak at the beginning of 1979 (over 3,000 females and 1,400 males). Thereafter the chart shows a sharp and continuing fall to early 1981.

Annual resignation rates are at Annex E, Table 1(A).

29. The reasons for resignation are not monitored on a service-wide basis. However, just under half of the Service is staffed by women, so the greater number of female leavers may be attributed mainly to domestic factors.

30. Annex E shows that resignation rates tend to diminish with increasing age and seniority, and so the majority of resignations are of staff who are still in the early stages of their careers. Although there are variations between staff groups, about 70% of

resignations in 1980 were of staff with less than five years service and a similar proportion were aged under 30. Some 95% of all resignations were from grades at the level of Executive Officer or below, ie, from the main recruitment grades.

31. Thus, long term changes in the number of resignations are partly a reflection of the 'external' factors associated with pay relativities etc, and partly of 'internal' factors such as the proportion of women in the service and the age and seniority structure.

32. Annex E provides tables in a standard form giving (where applicable) resignation rates by sex (section A), by levels broadly equivalent to Administration Group grades (B) and for selected grades, by groups within grade level (C). The latest figures are for 1981 and are included on a provisional basis in Table 1. Structural characteristics are examined for 1980 in Tables 2-4.

a. Table 1 shows that the service-wide pattern - of rising rates between 1976 and 1979 followed by a fall ⁱⁿ 1980 and 1981 - occurred at all levels below S30 level, and in most of the selected grades.

b. Table 2 illustrates higher resignation rates for women than men and how the balance of numbers in grade between the sexes affects the combined rate (of the rates for male dominated P & T III and IV grades and those for LOIs in which women are predominant).

c. Tables 3 and 4 show the general decline in rates with increasing age and length of service (both less pronounced for women) respectively.

33. The tables repeatedly bring out the association of higher rates with juniority of grade level but they also reveal differences between grades at a similar level. Some of these differences are explicable in terms of age, sex and length of service structure and, although not illustrated, geographical location.

e) General

34. The Committee will wish to consider a number of more general factors bearing on the recruitment and retention data. First, there are questions about the quality both of recruits and of those who leave. It is easier for good quality staff to leave and particularly easy for staff with special skills which are readily marketable. Replacement may be particularly difficult in certain specialised areas.

Assessing the quality of both wastage and recruitment is to a large extent judgemental, although the ratings used by selection boards can provide a guide to the recruitment intake each year. There are indications, for instance, that the quality of recruits to the Administration Trainee grade has fallen in recent years. Although the demand for such recruits has fallen (Annex B, Table I) there has been a long-term decline in the number of external candidates given the top mark (A) in the competition. In other areas the quality of candidates has at times exceeded expectations. In the mid-1970's, for instance, a high proportion of applicants for Executive Officer were graduates and some graduates even applied for Clerical Officer posts; and there has been an increase in the number of eligible candidates applying for most Civil Service competitions at both national and local level in the past eighteen months.

35. Secondly, there are questions about the degree of disaggregation between groups of staff which is needed for a satisfactory analysis of the recruitment and retention position. Clearly, data on the non-industrial Civil Service as a whole may mark very different patterns between, say, the Administration Group and the Science Group. Within each group, too, different patterns may emerge. Wastage amongst data

processors, for instance, remains high while for the rest of the Administration Group it has been declining. The position may also vary between localities and grades.

Thus service-wide figures, whether expressed as the number of resignations or in terms of rates, can conceal large and important variations. This may be illustrated by the table below which shows that youth, juniority of grade, and geographical location can be associated with rates well above the national average.

SELECTED VOLUNTARY RESIGNATION RATES:

Period	All Staff	Annual percentage rates		
		Clerical Officer (and LO 2)		
		All ages (UK)	Men Aged Under 25 UK	Outer London
1975	5.7	8.3	11.3	16.3
1976	5.3	7.3	10.7	20.9
1977	6.5	8.8	12.9	20.4
1978	8.4	11.7	18.4	29.5
1979	8.8	12.5	21.2	36.7
* 1980	6.1	9.0	13.5	25.0
* 1981	4.2	-	-	-

* Provisional; Clerical Officer breakdown not yet available.

Source: PRISM

Reading from left to right the selected rates increase the smaller and more clearly defined the sub group shown.

36. Thirdly, there are inevitably time lags in the availability of data. Entrant and leaver figures from PRISM or its successor system will normally take 2½ to 3 months to become available. In multi-vacancy recruitment schemes for general service grades a year or more may elapse

between the declaration of vacancies and the time when the successful candidates take up appointment. In local competitions, and those for small numbers of posts, the results may be known much more quickly; but reliable data on the final number of candidates appointed is not likely to be available until about four months after the start of a competition. Where local data needed to be amalgamated centrally the time-lag could be larger, since departments run their competitions when necessary and not on any common, regular, timetable.

V . THE RELATIONSHIP BETWEEN PAY, RECRUITMENT AND WASTAGE

37. The Committee will ~~no doubt wish to consider~~ the relationship between pay, recruitment and wastage in the Civil Service. Annex F shows pay plotted against resignations and along side the national unemployment rate. There are however technical problems in constructing appropriate indices and relating them one to another particularly if applied to sub sections of the Service, and the chart should be read with reference to the notes attached. In particular it is important to note that the index of pay has been constructed for use in analyses of resignations and has no special standing in its own right.

38. The chart suggests that the service-wide flow of resignations is affected both by pay and the availability of alternative jobs outside the Service.

39. Some preliminary multiple regression work to examine the relationship between resignations and pay and unemployment (or both) has been inconclusive but this may be the result of technical problems which have not been fully explored.

40. As well as assessing the effects which pay can have on recruitment and retention, the Committee will wish to consider how far the recruitment and retention position can be taken as an indicator to help in setting future pay rates.

VI. CONCLUSIONS

41a) Statistics on recruitment and voluntary resignations are available from a number of sources including PRISM (and its replacement ^{TRANSATE}).

b) ^{Over 95} / per cent of recruitment takes place at E0 level and below. From 1983 departments will be wholly responsible for all recruitment of non-mobile grades (ie broadly at Clerical Officer level and below).

c) Recruitment also takes place at higher levels, particularly to specialist posts. Continuing shortages have been experienced in some of these grades.

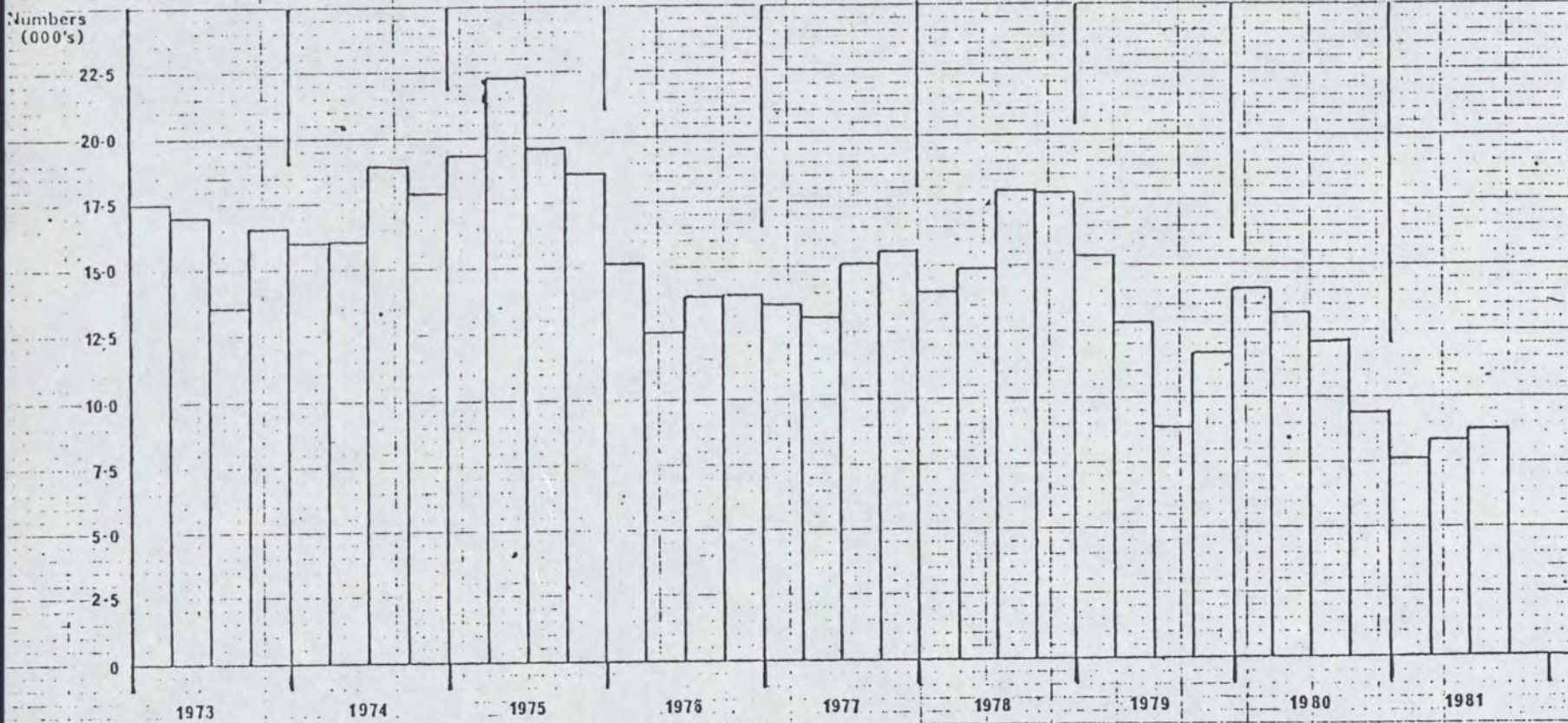
d) There are many factors bearing on the scale of recruitment and voluntary resignation. These will differ in their weight and significance over time and according to circumstances. Rates of wastage are generally at their highest in the recruitment grades, amongst staff under the age of 30, and amongst women.

e) The costs of resignations will vary according to circumstances. Age, sex, grade structure etc, have a bearing on rates of leaving. Some wastage is inevitable, even desirable; there is no unique optimum rate. *Some disaggregation of service-wide wastage figures is essential.*

f) Resignation rates do not reveal the extent to which the most able staff are leaving the service, nor do most current recruitment indicators reveal the extent to which the quality of recruits may be changing. *There are inevitably time-lags in the availability of recruitment and retention data.*

ENTRANTS (seasonally adjusted)

Non-industrial Home Civil Service



RECRUITMENT BY THE CIVIL SERVICE COMMISSION 1975-1980

Administration Trainees: External and Internal Candidates Combined

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	247	2229	294	232	22	94
1976	190	3163	211	170	5	89.5
1977	160	2898	174	135	5	84
1978	160	2708	186	146	7	91
1979	145	2402	165	116	15	80
1980	100	2281	101	78*	2	78
1981	55	2478	69	53 ⁺	-	96

* Additionally 17 candidates were appointed from the 1979 competition.
 1979 Additionally 5 candidates previously granted deferment were appointed.
 1978 " 3 " "
 1977 " 8 " "
 1976 " 15 " "
 1975 " 22 " "

+ Additionally, 2 candidates were appointed from the 1980 competition.

EO and Departmental Equivalent Open Competition

ANNEX 1
TABLE 2

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)
1975	6080	24681	7558 *40	5719 *33	270 *1
1976	3176	20819	4057 *23	2883 *3	231 -
1977	2881	22561	4323 *12	2779 *3	254 -
1978	3781	20956	4417 *16	2503 *4	243 -
1979	3550	%15041	4074 *26	2767 *8	250 *1
1980	1935	%10653	2312 *33	1841 *22	67 -
1981	1774	+%23868	3236	1378 [#]	1016 [#]

* In addition:- EO posts offered to Administration Trainees, Assistant Statisticians etc.

% The actual number of applicants for these years is not known. This is because candidates were invited to take the qualifying test by various public advertisements and only those who took the test were counted as applicants.

}	1975	Additionally	314	candidates	were	appointed	from	1974	competition
	1976	"	178	"	"	"	"	1975	"
	1977	"	237	"	"	"	"	1976	"
	1978	"	696	"	"	"	"	1977	"

+ In 1981, following the abandonment of the separate Limited Competition, in-Service candidates competed in the Open Competition and this accounts in part for the much increased numbers.

Because of the large number of cases not yet settled no meaningful figure can be provided at this stage.

SCIENCE GROUP

ANNEX

SSO, HSO and SO Combined: Centralized and Decentralized Recruitment Combined

TABLE 3

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	850	15557	1430	693	58	81.5
1976	320	10416	508	236	24	74
1977	330	10864	744	260	53	68
1978	800	12756	1469	509	90	64
1979	919	12559	1596	530	74	58
1980	400	6842	857	324	39	81
1981	328 355	9828	690	301	49	92

Within the recruitment procedures for the Science Group, candidates can be interviewed and recommended for appointment for more than one post. The "Recommended for Appointment" figures reflect this feature of the arrangements.

1979 Additionally 78 candidates were appointed from the 1978 competition.

1980 Additionally 85 " " " " " " 1979 " "

PROFESSIONAL AND TECHNOLOGY GROUP

ANNEX B

PTO I and II Combined

TABLE 4

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	973	6592	1025	629	70	65
1976	351	4088	367	241	12	69
1977	292	3128	323	199	23	68
1978	1061	4329	611	358	35	34
1979	1251	2991	504	288	63	23
1980	484	3100	352	208	36	43
1981	291	3483	220	136	5	47

Petroleum Specialists

TABLE 5

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975						%
1976						
1977	25	190	12	9	-	36
1978	26	247	9	7	-	27
1979	45	400	31	17	2	37
1980	37	203	14	4	1	11
1981	28	296	16	11	1	39

Petroleum Specialists have only been recorded as a separate item since 1977.

PROFESSIONAL ACCOUNTANT GROUP

ANNEX B

Accountants and Senior Accountants Combined

TABLE 6

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	81	723	80	46	1	57
1976	48	472	54	30	-	62.5
1977	53	369	49	32	4	60
1978	61	288	62	31	3	51
1979	51	211	50	24	2	47
1980	30	351	53	18	12	60
1981	31	294	40	21	3	68

LEGAL GROUP

ANNEX B

Legal Assistants and Senior Legal Assistants (England) Combined

TABLE 7

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	112	702	126	97	2	87
1976	82	522	86	58	2	71
1977	102	730	95	64	3	63
1978	104	453	110	75	1	72
1979	75	491	66	46	5	61
1980	51	580	57	36	4	71
1981	31	717	33	24	—	77

LEGAL GROUP

A. EX B

Legal Assistants and Senior Legal Assistants (Scotland) Combined

TABLE 8

YEAR	DECLARED VACANCIES (1)	APPLICATIONS (2)	RECOMMENDED FOR APPOINTMENT (3)	APPOINTED (4)	CASES NOT YET SETTLED (5)	COLUMN (4) AS PER CENT OF COLUMN (1)
1975	56	126	57	41	1	73 ³
1976	59	163	61	41	2	69.5
1977	26	95	34	26	-	100
1978	48	126	44	17	15	35
1979	42	108	40	30	3	71
1980	19	54	23	11	8	58
1981	20	129	24	19	1	95

SCHEDULE OF DESIGNATED SCHEMES FOR 1982

Printing Officers	HMSO
Retired Officers for London, NI and the RAF	MOD
Instructional Officers Grade III	MSC
Senior Accountants/Accountants ministers	All Departments
Senior Auditors and Auditors	E and A and District Audit Service
Assistant District Auditors	Dept of the Environment
Medical Officers	Home Office (Prison Dept)
Toxicologists	DHSS
Veterinary Officers	MAFF
Computer Scientists (SO/HSO/SSO).	MOD
Electronics and Electrical Engineers (SO/HSO/SSO)	MOD
2 Science Group posts at SCRDE	MOD
Seismic Interpreters	NERC
Systems Analysts and Computer Specialists	Research Councils
Head of Computing and Data Communications	British Library Lending Division
Electronic Engineering (Science and P&T Group)	Research Councils
Building Services Engineers (M&E) (PTO I, III, IV)	Scottish Office
Electricity Meter Examiners	Department of Energy
Petroleum Specialists	" "
Printing Officers (PTO IV Parity)	HMSO
Medicines Inspectors (PTO I Pharmacists)	DHSS
Electronic Engineers (PTO II)	"
Evaluation Engineers (PTO II)	Dept of Trade
PTO III for PDTC	MOD
PTO IV (largely for nuclear area)	"
PTO I and II (including Health Physicists)	"
PPTOs in Radioactive Waste Management Division	Dept of the Environment
TTO IIIs	GCHQ
PTO I and II Electronic Engineers	"
Radio Technicians	"
Nuclear Installations Inspectorate	HSE
Mines and Quarries Inspectorate	HSE
TTO IIIs for London and Manslope Park	F&CO
Building Services Engineers (MEE) (PTO I & II)	Metropolitan Police Office
Computer Specialists (PTO I & II)	CCTA

Note.

New entrants to the civil service must normally pay their own removal expenses on first appointment. Exceptionally limited financial assistance may be made available towards the cost of house sale and purchase in recruitment schemes where an acute shortage of suitable applicants is expected. The designation of shortage grades has to be approved by the Civil Service Commission. About 400 vacancies are covered by the above schedule.

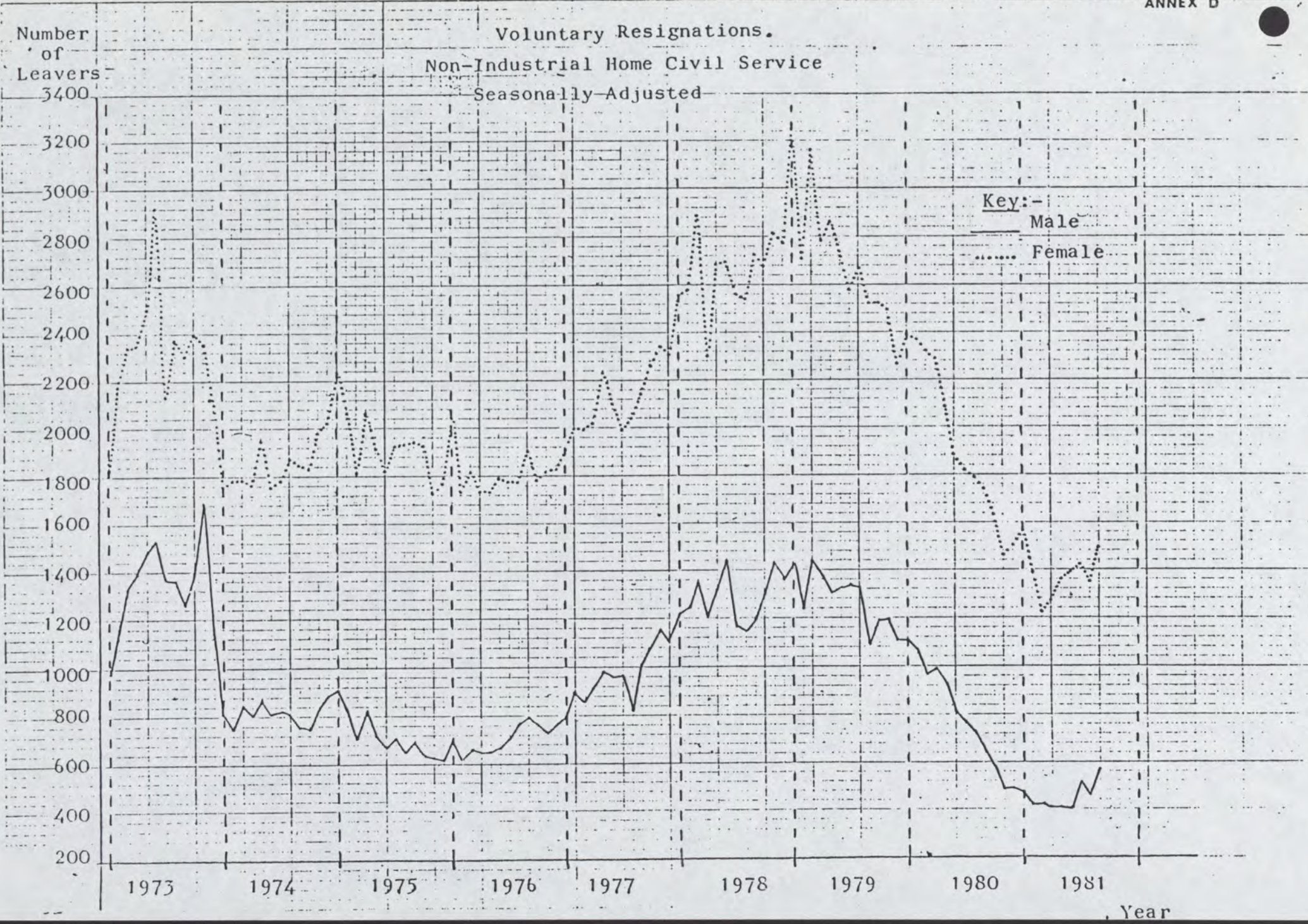


TABLE 1 TRENDS IN RESIGNATION RATES

Non industrial Home Civil Service

A. All grades by sex

	Per cent rate			
	Men	Women	Men and Women (Numbers)	
1975	2.8	9.3	5.7	31,600
6	2.8	8.5	5.3	30,700
7	3.8	9.7	6.5	37,300
8	5.1	12.1	8.4	47,900
9	5.3	12.9	8.8	49,200
1980	3.3	9.3	6.1	33,400
81 ¹ (prov)(Numbers)	2.0	6.6	4.2	22,700

B. All grades by grade level

	Per cent rate						
	Cleri- cal ²	EO	HEO	SEO	Princi- pal	Grades above Princi- pal	All levels
1975	8.8	2.9	1.2	1.3	0.9	1.0	5.7
6	7.9	2.9	1.0	1.0	0.9	0.9	5.3
7	9.5	3.6	1.6	1.6	1.3	1.1	6.5
8	12.3	4.8	2.2	2.0	1.2	1.0	8.4
9	13.0	4.8	2.2	1.9	1.4	1.1	8.8
1980	9.0	3.3	1.8	1.5	1.1	0.6	6.1
81 ¹ (prov)(Numbers)	6.0 18,600	2.2 3,000	1.3 690	1.1 260	0.8 120	0.6 70	4.2 22,700

1 Figures for 1981 are provisional and subject to upward revision

2 CA and CO levels combined

TABLE 1 (cont'd)

C. By selected grade within group

Per cent rate

	Admini- stration Group	Social Security Group	Tax Officers	Science Group	P and T Group	
<u>HEO level</u>	<u>HEO</u>			<u>HSO</u>	<u>P & TO II</u>	
1975	0.8			2.4	0.8	
6	0.7			1.5	0.7	
7	1.0	No grades at this level		2.4	1.6	
8	1.2			3.8	2.1	
9	1.4			4.5	2.6	
1980	1.1			3.2	2.0	
81 ¹	1.0			2.2	1.4	
(prov)(Numbers	220			90	120	
<u>EO level</u>	<u>EO</u>	<u>LO1</u>	<u>TO(HG)</u>	<u>SO</u>	<u>P & TO III</u>	<u>P & TO IV</u>
1975	3.2	n.a	4.3	4.1	0.7	1.6
6	3.2	4.2	5.2	4.3	0.6	1.3
7	4.0	4.8	5.4	6.3	1.2	2.8
8	5.1	5.9	6.2	8.5	2.1	4.1
9	5.4	5.8	6.1	9.9	2.4	4.3
1980	3.7	4.2	4.3	6.4	1.7	2.3
81 ¹	2.6	3.2	2.3	3.2	1.2	1.8
(prov)(Numbers	1,200	520	230	100	130	190
<u>CO level</u>	<u>CO</u>	<u>LO2</u>	<u>TO</u>	<u>ASO</u>		
1975	7.2	n.a	9.7	10.2		
6	6.7	9.3	7.7	9.4		
7	8.1	10.4	8.8	9.6		
8	10.8	13.6	11.7	14.4		
9	11.6	15.5	12.7	15.6		
1980	8.1	11.0	9.4	11.8		
81 ¹	5.9	7.5	5.3	5.9		
(prov)(Numbers	5,200	2,500	860	170		
CA and Typing	CA	Secretarial Group				
		Typing Grades				
1975	9.2	11.1				
6	9.0	9.9				
7	10.9	11.1				
8	14.5	13.6				
9	16.2	13.5				
1980	11.1	9.9				
81 ¹	7.4	7.3				
(prov)(Numbers	5,200	1,800				

Source: PRISM

1, 2 See notes on previous page

4. LE 2 RESIGNATION RATES BY SEX 1980

Non industrial Home Civil Service

B. All grades by grade level

	Per cent rate						
	Clerical (1)	EO	HEO	SEO	Principal	Grades above Principal	All levels
Men	6.9	2.1	1.4	1.3	0.9	0.5	3.4
Women	10.0	6.6	4.9	4.5	4.4	2.2	9.4
Men and Women	9.0	3.3	1.8	1.5	1.1	0.6	6.1
Numbers: Men	6,400	2,000	640	280	110	60	9,600
Women	20,800	2,300	280	60	40	20	23,800
Men & Women	27,200	4,300	920	340	150	80	33,400

(1) CA and CO levels combined

C. By selected grade within group

	Admini- stration Group	Social Security Group	Tax Officers	Science Group	P and T Group	
	<u>HEO level</u>	<u>HEO</u>		<u>HSO</u>	<u>P & TOII</u>	
Men	0.6	No grades at this level		2.8	2.0	
Women	3.5			6.8	3.4*	
Men and Women	1.1			3.2	2.0	
Numbers: Men	120			110	170	
Women	130			30	..	
Men and Women	250			140	170	
	EO	LO1	TO(HG)	SO	P & TO III	P & TO IV
<u>EO level</u>	<u>EO</u>	<u>LO1</u>	<u>TO(HG)</u>	<u>SO</u>	<u>P & TO III</u>	<u>P & TO IV</u>
Men	2.3	1.6	2.4	5.6	1.7	2.2
Women	5.9	6.9	7.6	9.1	7.0	11.5
Men and Women	3.7	4.3	4.3	6.4	1.7*	2.3*
Numbers: Men	660	130	160	140	200	240
Women	1,050	540	290	60	..	10
Men and Women	1,710	660	450	200	200	250

*Based on small numbers and therefore possibly unrepresentative
..less than 10

Table 2 (contd)

		Per cent rate			
		Admini- stration Group	Social Security Group	Tax Officers	Science Group
<u>CO level</u>		<u>CO</u>	<u>LO2</u>	<u>TO</u>	<u>ASO</u>
Men		6.8	10.3	8.7	10.6
Women		8.8	11.2	9.7	14.3
Men and Women		8.1	11.0	9.4	11.8
Numbers: Men		1,940	820	450	230
Women		5,130	2,830	1,140	140
Men and Women		7,070	3,650	1,590	370
<u>CA and typing</u>		<u>CA</u>	<u>Secretarial Group</u>		<u>All Groups</u>
			<u>Typing Grades</u>		
Men		12.1	9.0*		3.3
Women		10.9	9.9		9.3
Men and Women		11.1	9.9		6.1
Numbers: Men		1,670	10		9,600
Women		6,170	2,590		23,900
Men and Women		7,840	2,600		33,400

*Based on small numbers and therefore possibly unrepresentative.

Source: PRISM

TABLE 3 RESIGNATION RATES BY AGE 1980

Non industrial Home Civil Service

A. All grades by sex

Years	Men	Women	Per cent rate	
			Men and Women (Numbers)	
Under 20	13.9	14.0	14.0	4,800
20-24	12.2	16.0	14.7	11,600
25-29	5.7	16.4	10.9	7,000
30-34	2.6	10.1	5.4	3,200
35-44	1.7	4.9	3.0	2,800
45-54	0.9	2.8	1.8	2,000
55 and over	0.8	3.6	1.9	2,100
All ages (Numbers)	3.3 9,600	9.3 23,800	6.1	33,400

B. All grades by grade level

Years	Clerical(1)	EO	HEO	SEO	Principals	Per cent rate	
						Grades above Principals	All levels
Under 20	16.6	9.0	-	-	-	-	14.0
20-24	16.1	8.3	11.6	7.1*	-	-	14.7
25-29	15.1	7.1	7.3	6.0	2.5*	-	10.9
30-34	9.1	3.5	2.7	3.6	3.1	1.4*	5.4
35-44	5.2	1.5	1.2	1.7	1.5	0.6	3.0
45-54	2.9	0.8	0.5	0.5	0.6	0.4	1.8
55 and over	2.9	1.0	0.9	0.7	0.8	0.7	1.9
All ages (Numbers)	9.0 27,200	3.3 4,300	1.8 920	1.5 340	1.1 150	0.6 80	6.1 33,400

(1) CA and CO levels combined

*Based on small numbers and therefore possibly unrepresentative

Table 3 (contd)

Per cent rate		
Year	Admini- stration Group	Secretarial Group
CA and typing	CA	Typing Grades
Under 20	13.6	14.7
20-24	19.1	19.2
25-29	20.9	19.0
30-34	12.9	12.8
35-44	7.3	6.7
45-54	3.9	3.4
55 and over	4.2	3.9
All ages {	11.1	9.9
Numbers	7,840	2,600

Source: PRISM

TABLE 4 RESIGNATION RATES BY LENGTH OF SERVICE 1980

Non industrial Home Civil Service

A. All grades by sex

Years	Per cent rate			
	Men	Women	Men and Women	(Numbers)
Under 1	13.5	16.6	15.5	6,700
Above 1 but below 2	10.1	13.8	12.5	5,300
Above 2 " " 3	9.2	13.5	12.0	4,600
Above 3 " " 4	7.2	11.9	10.1	3,100
Above 4 " " 5	7.7	16.1	12.4	4,200
Above 5 " " 10	2.6	5.9	4.4	6,000
Above 10 " " 20	1.0	4.0	2.2	2,700
20 and over	0.4	2.2	0.8	800
All ages (Numbers)	3.3 9,600	9.3 23,800	6.1	33,400

B. All grades by grade level

Years	Per cent rate						
	Clerical(1)	EO	HEO	SEO	Princi - pal	Grades above Princi - pal	All levels
Under 1	17.2	7.3	6.7	4.1*	3.2*	1.3*	15.5
Above 1 but below 2	13.6	8.6	8.5	4.7	5.7*	1.2*	12.5
" 2 " " 3	12.9	8.7	9.7	7.5	4.0*	3.1*	12.0
" 3 " " 4	11.2	6.8	8.1	4.2	6.1*	1.8*	10.1
" 4 " " 5	14.3	9.0	7.4	6.5	2.1*	1.0*	12.4
" 5 " " 10	4.9	4.0	3.9	3.3	1.6	0.9	4.4
" 10 " " 20	3.2	1.9	1.2	1.2	1.4	0.5	2.2
20 and over	1.4	0.7	0.7	0.4	0.6	0.3	0.8
All ages (Numbers)	9.0 27,200	3.3 4,300	1.8 920	1.5 340	1.1 150	0.6 80	6.1 33,400

(1) CA and CO levels combined

*Based on small numbers and therefore possibly unrepresentative

TABLE 4 (cont'd)

By selected grade within group

Per cent rate

Years	Admini- stration Group	Social Security Group	Tax Officers	Science Group	P and T Group
<u>HEO level</u>	<u>HEO</u>			<u>HSO</u>	<u>P & TO II</u>
Under 1	8.3*			7.9*	6.1*
Above 1 but below 2	9.5*	~~~~~		4.3*	12.6*
" 2 " " 3	7.4*	No grades at this level		12.8*	15.5
" 3 " " 4	3.1*			12.5*	11.6*
" 4 " " 5	1.3*			7.6*	6.7*
" 5 " " 10	2.3			5.8	4.3
" 10 " " 20	1.0			1.8	1.3
" 20 and over	0.5			0.5*	0.4*
All ages (	1.1			3.2	2.0
(Numbers	250			140	170

EO level	EO	LO1	TO(HG)	SO	P & TO III	P & TO IV
Under 1	7.1	12.2	-	9.2	5.0*	5.1
Above 1 but below 2	10.1	6.7	11.4*	11.6	9.1*	6.2
" 2 " " 3	13.0	9.9	14.6*	10.2	4.8*	7.5
" 3 " " 4	8.2	7.9	11.5	5.8*	5.5*	3.1*
" 4 " " 5	9.6	12.1	15.3	12.4	4.1*	7.0
" 5 " " 10	3.8	5.3	5.0	9.0	3.0	3.7
" 10 " " 20	2.0	2.4	3.0	3.7	1.8	1.7
20 and over	1.3	0.8	0.6	0.6*	0.4	0.8
All ages (	3.7	4.3	4.3	6.4	1.7	2.3
(Numbers	1,710	660	450	200	200	250

CO level	CO	LO2	TO	ASO
Under 1	17.8	21.2	15.1	14.4
Above 1 but below 2	13.8	16.3	14.8	13.6
" 2 " " 3	13.6	13.2	13.4	16.3
" 3 " " 4	11.4	12.0	13.8	16.2
" 4 " " 5	16.3	16.4	16.0	20.8
" 5 " " 10	4.8	6.8	7.7	10.0
" 10 " " 20	3.2	4.0	4.8	3.1*
20 and over	1.5	1.4	1.3	-
All ages (	8.1	11.0	9.4	11.8
(Numbers	7,070	3,650	1,590	370

*Based on small numbers and therefore possibly unrepresentative

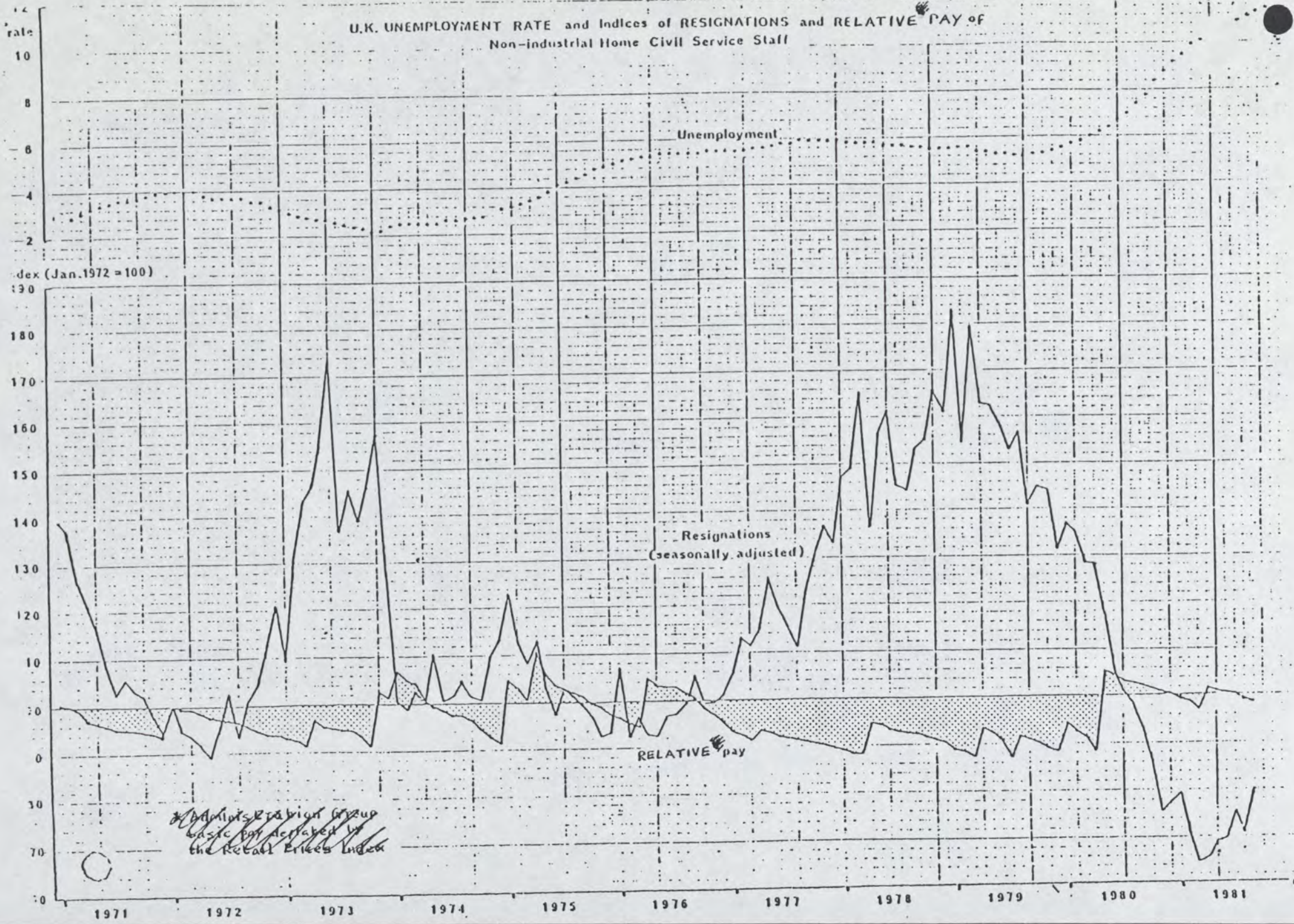
Table 4 (contd)

Per cent rate

Years	Admini- stration Group	Secretarial Group
CA and typing	CA	Typing Grades
Under 1	15.7	18.9
Above 1 but below 2	13.9	14.1
" 2 " " 3	14.3	15.0
" 3 " " 4	12.7	11.2
" 4 " " 5	14.8	16.8
" 5 " " 10	4.6	6.1
" 10 " " 20	3.2	4.2
20 and over	2.4	1.5
All ages ((Numbers	11.1 7,840	9.9 2,600

Source: PRISM

U.K. UNEMPLOYMENT RATE and Indices of RESIGNATIONS and RELATIVE PAY of Non-industrial Home Civil Service Staff



Admiralty Pay Group basic pay deflated by the Retail Prices Index

STATISTICAL NOTES

SOURCES AND METHODOLOGY

Unemployment is the monthly UK Unemployment rate series published by the Department of Employment. Resignations is of staff from the non-industrial Home Civil Service and pay is the average gross weekly earnings of non-manuals in the National Government Service (mainly from the "New Earnings Survey") divided by the monthly Retail Price Index (both published by the Department of Employment).

2. For ease of comparison the resignations and pay figures have been converted to indices with a January 1972 (= 100) base. ^{There are no resignation figures for 1973 and} January 1972 is chosen for the index base as a settlement date at which the effects of pay and unemployment on resignations from the Service was probably broadly neutral.

3. Other months or combinations of months could have been taken for the base, and the main consequence in this context would have been to raise or lower the pay line vertically in relation to resignations and with it the position of the horizontal for the index value of 100. Therefore the stippled area is to an extent a matter of charting circumstance. However it is included as a visual aid to assist the reader in following the commentary in the text.

Resignations

4. It would have been preferable to use the rate of voluntary resignations rather than the numbers since the pool of staff from whom they come

(ie the size of the Service) has altered during the period. However monthly resignation rates figures are not so readily available. In particular the Resignations index under-represents the decline in rates during 1975 and over-represents the decline since mid-1979.

PAY

5. The earnings figures mentioned above are taken from the New Earnings Survey in which earnings are generally recorded for an April pay period. However these may reflect pay rates for an earlier (or sometimes later) settlement date. For these occasions the index records the position as being at the settlement date (eg the 1972 NES figure is taken as applying to 1 January 1972) even though average earnings will in part be attributable to the Service staff structure in April. The likely distortion is probably very slight.

6. Where there have been other pay rate changes between successive Surveys (eg the 1 July 1979 and the 1 January 1980 stages of the 1979 pay agreement) earnings figures have been interpolated on the basis of the known rates of increase for the Administration Group.

Summary

7. The technical compromises mentioned above are only of relevance for detailed analysis of the series but should be borne in mind when reading the commentary. However it is important to note that the index of

Pay has been constructed for use in analyses of resignations and has no special standing in its own right.



bcc: Mr. Vereker

JD 8
Civil Service

10 DOWNING STREET

From the Private Secretary

5 March, 1982.

Dear Peter,

Civil Service Pay

Thank you for your letter of 3 March about the unions' request for arbitration on the pay of Senior Principals and Assistant Secretaries.

I have shown this letter to the Prime Minister. She is content for the Chancellor of the Exchequer to proceed as he proposes.

I am sending copies of this letter to the Private Secretaries to the members of MISC 66 and to David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

Peter Jenkins, Esq.,
HM Treasury.

SECRET AND PERSONAL

SW

CS Fay
res

MANAGEMENT IN CONFIDENCE

File civil service DS



bc Vencker

10 DOWNING STREET

From the Private Secretary

4 March 1982

EVIDENCE FOR MEGAW : NO STRIKE ARRANGEMENTS

Thank you for your letter of 26 February, with which you enclosed a paper for the Megaw Committee on no strike arrangements.

I have shown this to the Prime Minister, who is content for its submission to Megaw.

I am sending a copy of this letter to Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Omand (Ministry of Defence), David Clark (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Jim Nursaw (Law Officers' Department), Christine Duncan (Lord Advocate's Department) and David Wright (Cabinet Office).

M. C. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

MANAGEMENT IN CONFIDENCE

R

~~SECRET~~

7

MR. SCHOLAR

c. Mr Hoskyns

CIVIL SERVICE PAY

We had a word about the letter to you from the Chancellor's office inviting the Prime Minister's approval on the arrangements for arbitration of the Civil Service pay settlement; you had to put this to the Prime Minister before I had an opportunity to comment, and you have of course now indicated her approval in your letter to the Chancellor's office.

But you will have seen that Lady Young is not happy about the proposal to include Assistant Secretaries and senior Principals in the arbitration. As you know, I too have my doubts: and within Whitehall there is considerable disagreement as to the best approach. Notwithstanding the Prime Minister's endorsement of the Chancellor's proposals that these groups should be included, you may feel in the light of the letter from Lady Young's office that Ministers ought to find time for a very quick discussion of this.

The argument for including Assistance Secretaries and senior Principals is straightforward. It was not clear to the unions when we offered them arbitration that they would be excluded (although they are excluded from the normal Civil Service arbitration arrangements) and including them now would avoid a substantial row, accompanied by accusations of breach of good faith. Suspicions that the Government intended to penalise these groups would be rife. But there are three rather strong counter-arguments:

- (i) Since the Government has excluded these groups from the offer, on the grounds that we need to know the TSRB outcome first, it would be inconsistent to agree that their pay should be settled by arbitration now.
- (ii) As Lady Young says, the TSRB point is a substantial one, and it works in both directions: if we cut the TSRB right down, we may need to cut down on Assistant Secretaries; conversely if we managed - as I think the Prime Minister

/ wishes -

SECRET

SECRET

- 2 -

wishes - to do something extra for the TSRB groups,
there is room for some of the benefit trickling down
to Assistant Secretaries.

(iii) Agreeing to the inclusion of these groups in arbitration
now sets a precedent, and it will be difficult to exclude
them from arbitration in future.

J.

J.M.M. VEREKER

3 March 1982

SECRET



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

e JV

The Chancellor of the
Duchy has doubts (as does
John Verker) about the proposal
to put Assistant Secretaries

3 March 1982 and Senior Principals' pay

to arbitration. But she does
not press these, and the
Ch/Exchequer sticks to his
view (which you endorsed).

MCS 4/3

M Scholar Esq
10 Downing Street
LONDON SW1

Dear Michael

CIVIL SERVICE PAY

Thank you for your letter of 2 March recording the Prime Minister's views on the Chancellor's proposals on a number of points affecting the Civil Service pay settlement this year (and in particular the terms of reference for arbitration) which I set out in my letter of 1 March.

We now have the agreement of Ministers to all of the Chancellor's proposals with the exception of that relating to the Union's request for arbitration on the pay of Senior Principals and Assistant Secretaries. Even on this point we have substantial agreement though the Secretary of State for Employment wants us clearly to state that we are not setting a precedent for the future; and the Chancellor of the Duchy of Lancaster is concerned that, if the Government were later to decide to override the arbitrator's award, the staff concerned would make common cause with their subordinates.

The Chancellor of the Exchequer remains of the view that the basic reason for including these grades in the arbitration this year - that otherwise the Government will be accused, once again, of breaking its word - outweighs the other considerations, valid though they may be. He was grateful to the Chancellor of the Duchy of Lancaster for saying that she would be prepared to abide by his judgement and accordingly intends to authorise officials to include Senior Principals, Assistant Secretaries and their equivalents in the terms of reference for arbitration now being discussed with the Unions.

At the same time he feels sure that it should be able to cover both the Secretary of State for Employment's and the Chancellor of the Duchy's points in the case which the Government will be making to the Arbitration Tribunal. In particular he thinks we

SECRET AND PERSONAL



could write a fairly powerful piece for the arbitrator (and indirectly for the staff concerned) which would make it clear that we would have preferred to exclude them from the arbitration on managerial grounds including uncertainty about the TSRB's recommendations; that we regard our agreement to their inclusion in arbitration (which is provided for in the Civil Service Arbitration Agreement) as a one-off operation; and that we had agreed to it only after strong representations by their Unions. We would of course remain free to adjust their pay upwards after arbitration in the light of our decisions on TSRB if we so wished.

I am copying this letter to the Private Secretaries of members of MISC 66 and to Sir Robert Armstrong.

Yours ever
Peter

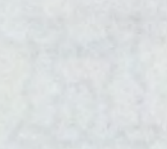
P S JENKINS



3 MAR 1962



CONDUCTOR





Secretary of State for Industry

Prime Minister (2)

Mus 4/3

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

3 March 1982 2 Ps

Rt Hon Geoffrey Howe MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Dear Geoffrey,

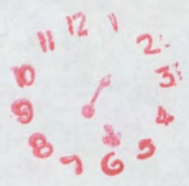
I have followed the correspondence about the form our evidence to the Megaw Inquiry might take on Merit Pay in the Civil Service. While I think that the adoption of some form of merit pay could be a useful innovation in the management of the Civil Service, we have to recognise the very real practical difficulties which would need to be overcome in introducing an effective system. It follows that I found your revised paper, which gives a greater recognition to these problems, preferable to the original draft.

2 I do not wish to make any comments on the paper. However, I would like to take the opportunity it provides to emphasise the importance I attach to Departments being given much greater flexibility both to retire staff early and to recruit from industry and commerce staff who can provide skills and experience of industry which, notwithstanding the industrial exchanges we are seeking to develop, are not as readily available as I would like to see within the Civil Service. I hope that from the work in which your Department and the Manpower and Personnel Office are presently engaged there will emerge proposals providing Departments with the greater flexibility to retire and recruit staff which my Department would find of particular help.

3 I am copying this letter to the Prime Minister, to all members of the Cabinet, Sir Robert Armstrong and Sir Derek Rayner.

[Handwritten signature]
Ketch

4 MAR 1982



CONFIDENTIAL



File

cc: Mr. Verelst

DSS

10 DOWNING STREET

From the Private Secretary

3 March 1982

MEGAW INQUIRY

You wrote to Clive Whitmore on 1 March enclosing draft evidence to the Megaw Inquiry.

I have shown this to the Prime Minister who has no comments on the draft.

M. C. SCHOLAR

Muir Russell, Esq.,
Scottish Office.

CONFIDENTIAL

5

Prime Minister (2)

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
CTN 273 4400

MUS 3/3

2 March 1982

Chancellor of the Duchy of Lancaster

Peter Jenkins Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

cc JV

Dear Peter,

CIVIL SERVICE PAY

will request if required

Thank you for sending me a copy of your letter of 1 March to Michael Scholar. The Chancellor of the Duchy of Lancaster agrees that the issues raised in MISC 66(82)13 and MISC 66(82)14 can be dealt with in correspondence.

As to a) and c) in your letter (non-pay elements; discussions on medical insurance and the statement of the Government's offer) Lady Young agrees with the Chancellor of the Exchequer and hopes that arrangements will be made accordingly; the MPO staff concerned are ready to assist Treasury officials in discussion with representatives of the medical insurance companies.

The question of extending arbitration to Senior Principals, Assistant Secretaries and related grades ((b) of your letter) raises wider issues than are dealt with in MISC 66(82)14. It is not altogether clear that the balance of advantage lies in closing the issue now, and in a way that may eventually prove disadvantageous.

Should it be necessary to over-ride the arbitration award, it would certainly be preferable to do so without having increased the risk that staff in these grades would make common cause with their subordinates, possibly by participating in, or being sympathetic to, industrial action. By excluding them from arbitration we would avoid this prospect. More generally, there is something to be said for denying the unions the opportunity to determine the structure and level of a settlement in these grades. Ministers have not considered what would be appropriate and have held the position open, thus allowing room to depart from the form of the offer to the lower grades if that seemed appropriate (on the other hand, the unions can scarcely force this against Ministers' will, even if TSRB make as high a recommendation for the Under Secretary as it is envisaged they may). It is not evident that long term management interests are well served by closing the issue immediately. Determination of new rates by reference to the recommendations of TSRB, as well as by reference to the award of the arbitrator, may well be seen by the grades concerned as recognition of the interests they share with top management.

These considerations point in the direction of refusing access to arbitration and offering a guarantee of "no worsening" - paragraph 10 (ii) of MISC 66(82)14. But the balance as against the manifest disadvantages of that course is a fine one. The Chancellor of the Duchy would be very ready to leave the decision to the Chancellor of the Exchequer in the light of the comments received from other members of MISC 66.

I am copying this letter to the Private Secretaries of Members of MISC 66 and to Sir Robert Armstrong.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

5 MAR 1982

10 9 8 7 6 5 4 3 2 1
B H 12 1

4 JG

File



bc: Mr. Verker

10 DOWNING STREET

From the Private Secretary

2 March 1982

CIVIL SERVICE PAY

Thank you for your letter of 1 March about the decisions required on a number of points in relation to the Civil Service pay settlement for this year.

The Prime Minister agrees with the Chancellor on all three points listed in your letter.

The Prime Minister also saw your letter to me of 26 February with which you enclosed a draft letter which it was proposed Mr. Le Cheminant should send to the Secretary-General of the CCSU.

As I told you on the telephone this morning, the Prime Minister is content for Mr. Le Cheminant to send the letter as drafted.

I am sending copies of this letter to the Private Secretaries to members of MISC 66 and to David Wright (Cabinet Office).

M. C. SCHOLAR

Peter Jenkins, Esq.,
H.M. Treasury.

1

MR. SCHOLAR

✓

Yes mb

Prime Minister

Agree submission of
c.c. Mr. Hoskyns
this no-strike paper to Megaw?

EVIDENCE FOR THE McGAW INQUIRY: NO-STRIKE ARRANGEMENTS

MCS 3/3

I think the Prime Minister agreed to wait for the discussion of the MISC 65 report, on lessons from the Civil Service dispute, before considering the draft paper proposed by the Treasury on the history of no-strike arrangements. As you know, there was in fact virtually no mention of no-strike arrangements in this morning's discussion, and as I said in my brief on the MISC 65 report, striking is already sufficient for dismissal on grounds of breach of contract. I fear therefore that there is little future in pursuing this any harder than it has already been put in our earlier evidence, and the largely historical paper proposed by the Treasury seems to me fair.

Handwritten signature

2 March 1982

FIVE

de sv

RM.
3



10 DOWNING STREET

From the Private Secretary

2 March, 1982

Lessons from the 1981 Civil Service Dispute

I attach a note of a meeting held here this morning, at which Ministers discussed the report by the Official Group on Lessons from the Civil Service Dispute (MISC 65) circulated under cover of Sir Robert Armstrong's minute of 11 February.

I am sending copies of this letter to David Omand (Ministry of Defence), David Clark (DHSS), Jim Buckley (MPO), Barnaby Shaw (Department of Employment), Jim Nursaw (Attorney General's Office), Adrian Carter (Mr Hayhoe's Office, HM Treasury), Gerry Spence and David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq
HM Treasury

R

cc master
of AW

SUBJECT

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON TUESDAY 2 MARCH 1982 AT 10.30AM
TO DISCUSS THE LESSONS FROM THE 1981 CIVIL SERVICE DISPUTE

Present

The Prime Minister
Chancellor of the Exchequer
Secretary of State for Defence
Secretary of State for Social Services
Chancellor of the Duchy of Lancaster
Secretary of State for Employment
Attorney General
Minister of State, Treasury (Mr Hayhoe)
Mr Ibbs

Sir Robert Armstrong
Mr P L Gregson

The meeting had before it the report by the Official Group on Lessons from the Civil Service Dispute (MISC 65) circulated under cover of Sir Robert Armstrong's minute of 11 February.

The Chancellor of the Exchequer said that the report contained lessons both about avoiding industrial conflict in the Civil Service and about preparing for and dealing with such conflict if and when it occurred. Under the first heading there were some useful strategic insights, notably the need for Ministers to give adequate attention to their role as employer and manager of the Civil Service. Under the second heading there were recommendations which he supported about organisation during a dispute and about the review of departmental contingency planning, and also some detailed conclusions and recommendations about management responses to industrial action, which he endorsed. In particular there was a need to overcome the operational difficulties where local managers were unwilling to apply the procedures for Temporary Relief from Duty (TRD). It would not be right to introduce

SECRET AND PERSONAL
MANAGEMENT IN CONFIDENCE

legislation to permit lay-off without pay for the Civil Service alone. It was desirable to consider the discontinuance of check-off facilities in the event of industrial action. There should also be further study of taxing strike pay, management ballots and clarifying the obligations of managers. He agreed that "no-strike" agreements were not worth pursuing, with the possible exception of certain specialised groups of staff, for example in the Ministry of Defence.

The following points were made in discussion:

a. Although it was undesirable to introduce legislation about lay-off without pay for the Civil Service alone, further consideration should be given to introducing such legislation on a general basis. It was however a radical step since it would enable employers to override contracts which had been freely entered into. It would be necessary to consider whether lay-off without pay should apply only when staff were without work because of industrial action taken against their own employer or when they were without work because of any industrial action. There was also a problem of timing; it might on balance be better to introduce such legislation as an act of deliberate policy rather than on an emergency basis in response to a major industrial dispute. The merits of the proposal, and the precise provisions of the Bill which had been drafted on a contingency basis last year ought to be re-examined.

b. A major lesson of the report was the key role played by middle managers. It was not only desirable to redefine obligations and conditions of service; there had to be a major effort to capture the loyalty of staff at all levels. The Treasury and the Management and Personnel Office would be tackling the different aspects of the problem.

c. The report (paras 5.36 and 5.37 and recommendation 5.77(g)) had proposed no change in the practice of not recording on the personal files of staff whether or not they took industrial action. It was however important that this consideration should be borne in mind in

SECRET AND PERSONAL
MANAGEMENT IN CONFIDENCE

considering candidates for promotion, at any rate to posts with managerial responsibilities. On the other hand the settlement of the 1981 dispute, like most settlements of disputes, included a "no victimisation" clause. This issue needed to be looked at further; the best course might be to ensure that the personal files of those who had performed particularly well during an industrial dispute should be noted appropriately.

The Prime Minister, summing up the discussion, said that the MISC 65 report was generally endorsed and in particular the recommendations on morale and communications in part 3 (which were in part already being implemented), the recommendations on organisation in part 4, the recommendations in part 5 for further action on the discontinuance of "check-off" facilities, the taxation of strike pay, management ballots, and clarifying the obligations of managers, and the recommendations in part 6 about the review of departmental contingency plans. The Treasury, in consultation with the Management and Personnel Office, should re-examine the case for including in personal files information about whether an individual had taken industrial action, or had performed particularly well during an industrial dispute. Ministers would need to look again at the case for legislation to permit the lay-off without pay of those who were without work because of industrial action.

The meeting -

1. Invited the Chancellor of the Exchequer, in consultation with other Ministers as necessary, to arrange for the implementation of the proposals in the MISC 65 report, in the light of the Prime Minister's summing up.
2. Invited the Secretary of State for Employment to circulate a paper reviewing the case for legislation on lay-off without pay in the event of industrial action, (to apply generally, and not to the Civil Service alone), and explaining the detailed scope of the draft legislation prepared in 1981.

2 March 1982



File A24

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL

MR PRIESTLEY

MEGAW PAY COMMITTEE

Thank you for your minute of 26 February 1982 about Sir Derek Rayner's appearance before the Megaw Committee.

I have shown this to the Prime Minister and she is content for Sir Derek Rayner to speak to the Committee in the way proposed in paragraph two of your minute. She has added that she hopes that he will make the point that pay research as we knew it until it was suspended was not based on the right data, a view which she believes she has heard Sir Derek Rayner express in the past.

AW.

2 March 1982

A24



Prime Minister

①

2 PPS

Sc IV

Content for SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

Re submission of this paper?

mt

rus 2/3

C A Whitmore Esq
Private Secretary
No 10 Downing Street
LONDON SW1

1 March 1982

Dear Clive,

MEGAW INQUIRY

My Secretary of State having been invited by Sir John Megaw to submit evidence to the Committee of Inquiry, he is anxious that he should make his response. The issue particularly affecting his interests is that of local pay, but my Secretary of State has delayed his own comments until the general service-wide case could be put to the Committee by the Chancellor of the Exchequer in his paper on the subject. The Chancellor's paper has only now been agreed and put to the Committee and the Scottish Office paper should now follow as quickly as possible, particularly as the time for commenting to the Committee has all but run out. The paper, a copy of which I attach, has been cleared through the Official Group which raised no comment on it.

If I have received no comments on the paper by Wednesday night, I shall arrange for its submission thereafter to the Megaw Secretariat.

I am copying this letter and the attached paper to the Private Secretaries to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Defence, Social Services and Employment, the Attorney General, the Lord Advocate and Sir Robert Armstrong. A copy goes also for information to the Private Secretary to the Secretary of State for Wales.

mt
Muir

A MUIR RUSSELL
Private Secretary

OGM(82)11

23 February 1982

INTERDEPARTMENTAL GROUP ON THE MEGAW INQUIRY

EVIDENCE BY SCOTTISH OFFICE

Note by the Secretary

The Scottish Office have revised their departmental evidence for the Inquiry (previous draft circulated as OGM(81)52). The attached paper now needs to be cleared as quickly as possible, and any comments should be sent to the OGM Secretariat (273 3165) by 5.00 pm on Wednesday 24 February.

It will then be submitted to Scottish Office Ministers, for clearance with the Prime Minister and other Ministers most closely concerned.

Mrs M E Brown
HM Treasury

23 February 1982

DRAFT

COMMITTEE OF INQUIRY INTO PAY ARRANGEMENTS FOR THE NON-INDUSTRIAL CIVIL SERVICE

EVIDENCE BY THE SCOTTISH OFFICE

1. As a medium-sized department with responsibilities over a very large range of subjects, the Scottish Office does not seek to duplicate the evidence submitted by the central Departments on particular subjects as they relate to the Civil Service as a whole. The question of geographical variation in rates of pay however is a subject of considerable importance to the Secretary of State for Scotland not only because of the concentration of Scottish Office employees in Scotland and their dispersion throughout the country but because of the wider economic issues associated with pay levels in Scotland.
2. The paper on local pay, already submitted to the Committee, describes in some detail the present evidence on variation in earnings. It also discusses the main options which would be available if it were decided to introduce geographical differentials in Civil Service rates of pay. As that paper shows, differences between earnings at regional level outside London are in general not large: if South-East England as a whole is excluded, the range is even narrower.
3. The local pay paper emphasises the imprecision of the New Earnings Survey data for purposes of direct application to any particular grade of Civil Servant. It therefore uses for illustrative purposes the NES data for "clerical-related staff" as providing a near, though by no means exact, match with Civil Service clerical workers. In the data Scotland

appears as one of the lowest paid regions in the UK (although with considerable variation of rates paid within Scotland itself). If however the data for clerical and related occupations are confined to males aged 21 and over, Scotland appears in the middle of the outside-London range (see Table 1 attached). More notably, if the data used are those related to the earnings of ^{all} non-manual males aged 21 and over, Scotland comes out as the most highly paid region outside the South-East by a substantial margin (Table 2 attached). When account is then taken of the particularly marked range of clerical earnings from area to area within Scotland, as shown in Annex 3 ^{Treasury paper} to the /, it seems clear that any system of local pay variation, apart possibly from one constructed on the simple basis of a large town allowance, could not be applied in Scotland satisfactorily until a good deal more exact information was available both for grades and for areas within Scotland. Even differentiation on the basis of local authority regions would be "broad brush". Our impression is that, for instance, clerical pay rates in Oban are lower than in Glasgow: both are in Strathclyde. The practical difficulties in implementing a system of local pay in Great Britain as a whole which are outlined in the local pay paper would therefore apply with at least equal force within Scotland.

4. One particular aspect of local pay which could be of some consequence to Scotland (and to other regions in the UK) would be the effect on dispersal policies. Individuals would be even more reluctant than they are at present to move to a dispersal area if that meant a drop in salary. At present staff transferred out of London retain London weighting on a

mark-time basis (ie until overtaken by other increases in their salary) and similar arrangements would presumably apply to meet any marked changes in the pay levels applicable as a result of local pay variations. But such measures would be of temporary benefit only (and given the logic on which pay differentials would be based, no special consideration could be given on a permanent basis to those dispersed). We recognise the obverse of the argument, namely that in so far as the evidence of lower salary levels generally in a dispersed area was reflected in Civil Service salaries, cost savings to the Government as an employer would accrue from the dispersal policy.

5. In practice the example of dispersal provides a good illustration of the discussion in paragraphs 26 to 28 of the Treasury paper about the case for local pay applied on the one hand to "mobile" grades and on the other hand to "non-mobile" grades. Dispersal is no more than a particular example of the mobility obligation as it applies to the more senior grades; and local pay variations at these grades would seem less relevant than in the case of the junior clerical grades (a proposition which for Scotland at least would appear to find support in the figures in Table 2).

RECRUITMENT AND WASTAGE

6. As indicators of unnecessarily high or excessively low rates of pay in relation to the local market, recruitment and wastage rates in the Scottish Office are not conclusive; /see following paragraph / For the most part they do not appear to suggest that pay rates are out of line with the market demand. The majority of the

Administration Group staff in the Scottish Office are employed in or close to Edinburgh and the available data therefore refer entirely to that area; no significant figures are available for other parts of Scotland.

RECRUITMENT

7. This takes place locally for clerical grades only and figures are available for CO and CA boards in South-East Scotland (serving the needs of all departments there and not only the Scottish Office). For the period from the beginning of 1978 to May 1981, the position can be summarised as follows:-

<u>COs</u>	
1978	Three applications for every vacancy of which all were filled;
March 1980- May 1981	Four applications for every vacancy of which all were filled;
<u>CAs</u>	
1978	1.5 applications for every vacancy of which only 50% were filled;
February 1980- May 1981	1.7 applications for every vacancy of which just over 50% were filled

Since the summer of 1981 there has been only limited recruitment in the area but for both COs and CAs the number of applicants per vacancy has risen sharply.

8. Recruitment was frozen for three months from May 1979 and remained at a low level for the rest of that year and there was no lack of applicants for vacancies. Thereafter as unemployment increased generally, the number of applications as a proportion of vacancies rose but beyond that it is difficult to draw any direct conclusion from the figures about the effect of Civil Service rates of pay. The Scottish Office has been able in recent years to attract

CO recruits both in sufficient numbers and of the calibre required; we have had ^{rather} less success in attracting sufficient numbers of CAs of the expected quality. There is at the same time some evidence that we are recruiting people at CO and CA level whose abilities are higher than the work demands with consequent problems of providing such staff with a real measure of job satisfaction.

WASTAGE

9. Wastage rates in the last three to four years do not suggest - except in the case of EO and HEO computer staff - that rates of pay are leading to wastage of staff. This is especially true at this time of high unemployment. In general, even when unemployment is at more normal levels, wastage rates in the Scottish Office - except in the case of computer staff - are not abnormal by Civil Service standards. The Scottish Office has experienced generally higher rates of wastage of EO and HEO computer staff than have occurred in the rest of the Service as a whole. These losses have generally been to other computer installations of which there is a relatively high concentration in and around the Edinburgh area. Our competitors for computing staff have usually been able to offer higher salaries to trained staff than have been available in the Civil Service.

CONCLUSION

10. Scottish Office experience suggests that the attraction in principle and difficulties in practice in varying Civil Service pay locally which apply throughout Great Britain as a whole would apply no less to the different regions

of Scotland. In the Scottish case there is a particularly clear need for more exact data about earnings levels for the relevant groups before any local pay variations could be implemented. Local pay particularly if applied to mobile staff could affect the implementation of dispersal policies, to Scotland and elsewhere.

AVERAGE GROSS WEEKLY EARNINGS OF CLERICAL AND RELATED OCCUPATIONS

APRIL 1980

(a) Men 21 and over.

	<u>Weekly Earnings</u> £	<u>95 per cent Confidence limits (£)</u> %	<u>% difference from GB less SE</u>
South East	110.7	1.2	12.3
Greater London	115.1	1.4	16.7
Remainder of South East	103.2	2.0	4.7
East Anglia	94.5	3.6	-4.2
South West	99.1	2.8	0.5
West Midlands	100.0	2.6	1.4
East Midlands	96.5	3.2	-2.1
Yorkshire & Humberside	98.1	2.6	-0.5
North West	99.5	2.0	0.9
North	98.2	3.0	-0.4
Wales	98.3	3.4	-0.3
Scotland	99.0	2.6	0.4
Great Britain	103.5		
Great Britain (excluding South East)	98.6		

AVERAGE GROSS WEEKLY EARNINGS OF NON MANUAL MALES (21 AND OVER)
APRIL 1980

TABLE 2

	<u>Weekly Earnings</u> £	<u>95 per cent Confidence limits (±)</u> %	<u>%-difference from GB less SE</u>
South East	152.7	0.8	14.0
Greater London	162.3	1.2	21.2
Remainder of South East	141.5	1.2	5.7
East Anglia	131.9	3.2	-1.5
South West	132.0	2.0	-1.4
West Midlands	131.2	1.4	-2.0
East Midlands	130.2	1.8	-2.8
Yorkshire and Humberside	132.4	1.6	-1.1
North West	136.2	1.4	1.7
North	134.8	2.2	0.7
Wales	132.5	2.4	-1.0
Scotland	139.6	1.6	4.3
Great Britain	141.3		
Great Britain (excluding South East)	133.9		



dc sv
Prime Minister

2

rus 1/3

MO 20/17/6

PRIME MINISTER

LESSONS FROM THE 1981 CIVIL SERVICE DISPUTE

I welcome the discussion on 2nd March on the report by officials and Sir Robert Armstrong's covering minute.

2. Defence has its own special problems. By our organisation we are very dependant on civilians (110,000 industrials and 110,000 non industrials) across the whole defence spectrum including key operational areas. Such an arrangement has many merits, notably financial. But I am sure we need to take further steps to provide better insurance against industrial action.

3. Some we can do ourselves, including the use of Service personnel where possible. But these are limited. The papers before us mention two other areas to which, looked at in defence terms, I would attach more importance, notwithstanding the problems they entail, than is given:

a. firstly we have sharp experience of how the withdrawal of a few non-industrials can invalidate a large industrial force and the rest of the non-industrials. TRD is no solution. The power to lay off all the non-industrials without pay - as we can do for industrials - would pose the staff and Unions with a greatly heightened dilemma. I accept the dangers set out in Paragraph 7 of Sir Robert Armstrong's note but I suggest there are also advantages. I understand that the Australian Government took powers of this sort limited to Commonwealth employees in 1977;



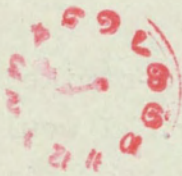
b. there is a very strong case for a "no-strike" rule in defence. Legislation is one possible way. I would certainly not want to try to buy it by agreement as that simply opens the Department to blackmail. But I should like to see more thought given, in parallel with the invitation to the Megaw Committee, to a system whereby staff, when offered promotion to management level, had to accept as a condition of the higher rank a "no-strike" undertaking. In such circumstances the penalty could be reversion rather than dismissal.

I am copying this minute to those Ministers who are attending the meeting tomorrow.

CONFIDENTIAL JN.

Ministry of Defence

1st March 1982



1 MAR 1982

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

①

Agree that P LeCheminant
should write as proposed?

MR. SCHOLAR

Yes ml

cc: Mr. Hoskyns

MIS 1/3

CIVIL SERVICE PAY NEGOTIATIONS

The Chancellor's Private Secretary proposes, subject to the Prime Minister's agreement, that Mr. Le Cheminant write to the Secretary-General of the CCSU confirming our agreement to go to arbitration.

The Prime Minister can certainly agree this: we are of course committed to it already. There are two quite tricky, but subsidiary issues, with which the Chancellor's committee on Civil Service pay (MISC 66) will be dealing: whether or not to include Assistant Secretaries and Senior Principals in the arbitration, and the terms of reference for the arbitrator. I am sure the Chancellor will be consulting the Prime Minister before going firm on these points.

1 March 1982

CONFIDENTIAL

Civil Service
From the Private Secretary



Chancellor of the Duchy of Lancaster

P S Jenkins Esq
Private Secretary to the
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Management and Personnel
Whitehall London SW1A 2AT
Telephone 01-273 4400
GTN 273 4400

1 March 1982

NBPM

msi/3

Dear Peter,

MEGAW INQUIRY: JOB SECURITY

Thank you for your letter of 25 February seeking comments on the paper the Treasury has prepared on 'Job Security' in the Non-Industrial Civil Service.

While the Chancellor of the Duchy is generally content with the paper she is concerned that paragraphs 6 and 7, which deal with comparisons between the redundancy figures for the non-industrial Civil Service and those for employees who receive redundancy payments, may be misunderstood by the Committee. She would therefore like to see the latter part of paragraph 6 and the fifth sentence of paragraph 7 expanded a little. In particular she is concerned that the position of civil servants over 60 who are being compulsorily retired as a direct result of the manpower reductions should be clarified. In this respect you will wish to know that Treasury Solicitor has recently advised us that people in this position are in fact 'redundant' and we have informed departments that they should be considered as such and given their appropriate entitlements; these include, for example, longer periods of notice in some cases. With this in mind, she suggests that the last two sentences of paragraph 6 be amended to read:-

"But 'redundancy' is narrowly defined in the civil service and the technical category referred to above only covers civil servants who have not reached the minimum retiring age of 60. Nor does it include those who have left under special pre-redundancy schemes. For comparative purposes it is necessary therefore to include those civil servants aged between 60 and 65 who have been compulsorily retired as a direct result of the manpower reductions and perhaps also those who have left under other premature retirement schemes related to the period of the run-down. Accurate central figures are not available for the former case but the figures are thought to be of the order of a few thousand. On this basis the proportion of those made redundant in 1980 was of the order of 3 to 6 per thousand which corresponds with some of the predominantly 'white collar' standard industrial orders in 1980."

In relation to the 'provisional' estimates for civil service figures in 1981, mentioned in the fifth sentence of paragraph 7, our initial inquiries with departments indicates a significant degree of mis-classification. It seems clear that the 1.4 figure mentioned is an under-estimate and 2.0 per thousand is nearer the real figure. However, given we are still pursuing our inquiries, that this change does not alter the basic argument, and that the paper makes it clear that this is a provisional figure, the Chancellor is content for it to stand. She would however like to see one amendment to this paragraph and that is replacing 'involuntarily' in the first line on page 3 with 'compulsorily as a direct result of the manpower reductions', in order to distinguish those who should be considered as redundant from those who leave involuntarily for reasons of fitness or efficiency.

In the light of Treasury Solicitor's recent advice about the position of the over-60s we have asked departments to identify how many of those over-60 have actually been made redundant. We will not have their responses until April but hopefully this will enable us to give more accurate figures to the Committee in due course. You might therefore like to mention this in the covering letter.

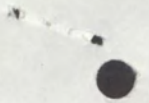
The Chancellor of the Duchy has asked me to mention one further point which arises out of the paper and which may have implications for future pay negotiations, particularly on the industrial side. Many of the manpower reductions have so far been achieved through natural wastage. This source, is however, rapidly diminishing and departments are increasingly having to resort to redundancies. There is therefore likely to be a considerable escalation in the number of redundancies in the non-industrial civil service in the next couple of years. The overall rate, however, may be little different from that in other areas and may not therefore present undue difficulties in relation to the arguments put forward in the paper. However, the planned reductions amongst industrial civil servants, particularly arising from the rundown of the Royal Dockyards, will have a significant effect on their rate of redundancies, probably pushing them above those for many of the S.I.C. Orders, - a fact which will not be lost on their trade union representatives, who will no doubt wish to ensure that 'adequate weight' is given to job security.

Finally I expect you will already have picked up a couple of typing errors - in the penultimate line of paragraph 5 where 'or' should read 'of' - and in the 'Memorandum' in the second line of paragraph 6 where two of the letters have been interposed.

I am copying this letter to the recipients of yours.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY



es



bc John Vereker

10 DOWNING STREET

From the Private Secretary

1 March 1982

Megaw Inquiry

You wrote me two letters on 24 February enclosing draft evidence to the Megaw Inquiry on reductions in Civil Service manpower and on productivity pay. I have shown these letters to the Prime Minister. She has also seen copies of your letters of 24 February and 25 February to the Chancellor of the Duchy of Lancaster's Office on, respectively, Government evidence on merit pay, and on job security. She has, further, seen Jim Buckley's letter to you of 24 February on the pay structure.

The Prime Minister is content for all these pieces of evidence to be submitted to Megaw. She has commented on the draft on productivity pay that it might usefully include a paragraph making it clear that the long-term process of reducing Civil Service numbers sprung from the Government's aim of reducing Government intervention and regulation, and was entirely different in nature from the Government's immediate productivity objectives.

I am sending a copy of this letter to Private Secretaries to Members of the Cabinet, Jim Nursaw (Attorney General's Office), Christine Duncan (Lord Advocate's Department), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

Peter Jenkins, Esq.,
HM Treasury.

5



Prime Minister

Agree A, B, and C?

MCS 1/3

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 1 March 1982

Michael Scholar Esq
Private Secretary
No.10 Downing Street
LONDON SW1

Dear Michael

CIVIL SERVICE PAY

You will by now have seen the two MISC 66 papers (MISC 66(82)13 and MISC 66(82)14) asking for Ministerial decisions on various points connected with the next stage of the Civil Service pay settlement for this year. Although a meeting of MISC 66 has been arranged for next Thursday (4 March) to take these papers the Chancellor of the Exchequer hopes that it may be possible to deal with them in correspondence.

There are three issues for decision:-

- ✓ A | a. Should the non-pay elements in the offer (season tickets, allowances etc) be introduced now or held back for later consideration in the light of developments (MISC 66(82)13)? The Chancellor of the Exchequer's view is that they should be held back - though he would wish to authorise officials to open non-committal discussions with the Medical Insurance Companies to prepare the ground for future action.
- ✓ B | b. Should the arbitration extend to Senior Principals, Assistant Secretaries and related grades (MISC 66(82)14)? The Chancellor's view is that these grades should be included in arbitration this time for two reasons: excluding them would cause yet another row about whether the Government was breaking its word and, given the form of the Unions' claim, it seems unlikely that any arbitration award would prove embarrassing to Government when it comes to consider the pay of Under Secretaries in the light of the TSRB report in April.
- ✓ c | c. Should the terms of reference simply state the Unions' claim or should they also include a statement of the Government's offer (MISC 66(82)14). This is essentially a matter of presentation. The Chancellor's view is that we should include the offer as well as the claim in the terms of reference to avoid misunderstanding.

/Given the desirability



Given the desirability of settling the terms of reference for arbitration quickly it would be most helpful if colleagues could let the Chancellor have their views if possible by the evening of Tuesday 2 March.

I am copying this letter to the Private Secretaries of Members of MISC 66 and to Sir Robert Armstrong.

*Yours ever
Peter*

P S JENKINS
Private Secretary

CONQUEROR



Chancellor of the Duchy of Lancaster

The Rt Hon Sir John Megaw
Chairman
Inquiry into Civil Service Pay
22 Kingsway
LONDON
WC2B 6JY

NBPM

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 4400
GTN 273

1 March 1982

cc to Civil Service

Dear Sir John,

Our Secretaries agreed that I should write to you about the matters mentioned in Mr Laughrin's letter of 10 November which touch on the responsibilities of the Management and Personnel Office. The main topic for me in that letter is pay structure. The Committee has indicated that it would be interested to know if the Government is planning any further moves towards a more unified structure in the Civil Service or a reduction of the number of grades, categories and groups. Mr Laughrin's letter also seeks to establish how far the Government expects the Committee to give a view on these points.

will request if required

The Fulton Committee recommended a unified grading structure with a common pay range at each grade level. Since then, unified grading has been introduced down to Under Secretary level. At lower levels, there is the system of categories and occupational groups described on pages 5 and 6 of our Factual Background Memorandum. Staff join a particular occupational grouping when they are recruited, and their jobs, careers, salaries etc will depend on which grouping they belong to. Only at Under Secretary level and above do all staff (with very few exceptions) share the same pay and grading system right across the Service, whatever their previous occupational grouping.

The call to extend unified grading was reiterated in the Eleventh Report from the Expenditure Committee (Session 1976/77) and in the Report of the Treasury and Civil Service Committee on the future of the Civil Service Department (1980). In the White Paper on The Future of the Civil Service Department (Cmd 8170) the Government said that it would look again at the structure of Civil Service grades to establish the objectives that it should meet and see what changes may be needed. This examination is proceeding but the Government would not want to come to a conclusion on structure before seeing the Committee's recommendations on pay.

The close link in the Civil Service between pay and structure is discussed on page 33 of the Factual Background Memorandum. The present arrangement of occupational groupings, within which careers are managed, works well enough in most areas. But it does inhibit movement of people from one type of work to another, and it can cause difficulties when jobs cannot readily be allocated to a particular grouping. A basic question is

whether we should give greater priority to occupational mobility and reduce the distinctions between staff from different disciplines and occupations.

In pay terms, the primary consideration since Priestley has been to produce a pay structure which reflected outside pay rates for broadly comparable work. This involved the introduction of pay distinctions on market grounds between staff of different disciplines or occupations, even though they might be at similar levels in terms of job weight or organisational hierarchy. Further refinements in pay distinctions between different groups of staff would make it easier to respond to differences in the pay market and in recruitment and retention of particular skills and disciplines.

By contrast, a reduction in such pay distinctions would make it easier to have fewer separate occupational grades; and the fewer occupational distinctions there are, the more flexibility is management likely to have in organising work and deploying staff. From that point of view, it may be desirable to pay less attention to market rates for a particular group of staff and more to internal pay relativities.

In short, a balance has to be struck somewhere between internal management needs on the one hand and the reflection of pay fluctuations in the outside market on the other hand. And since circumstances change, in relation to both pay and other management requirements, the structure may require adjustment from time to time.

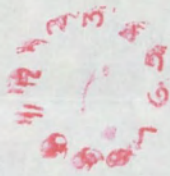
The Government does not expect the Inquiry to make any detailed study of the specific groupings of staff within the pay structure. This would be a formidable task. But it would welcome any views which the Committee wishes to offer on the broad approach to pay structure and on the relevance of internal relativities in fixing pay rates for different groups of staff, particularly when they are performing similar tasks (eg some areas of the Science and P & T Groups), including the use of internal pay links between different grades.

Yours sincerely

Baroness Young

BARONESS YOUNG

2
F-2 MAR 1968



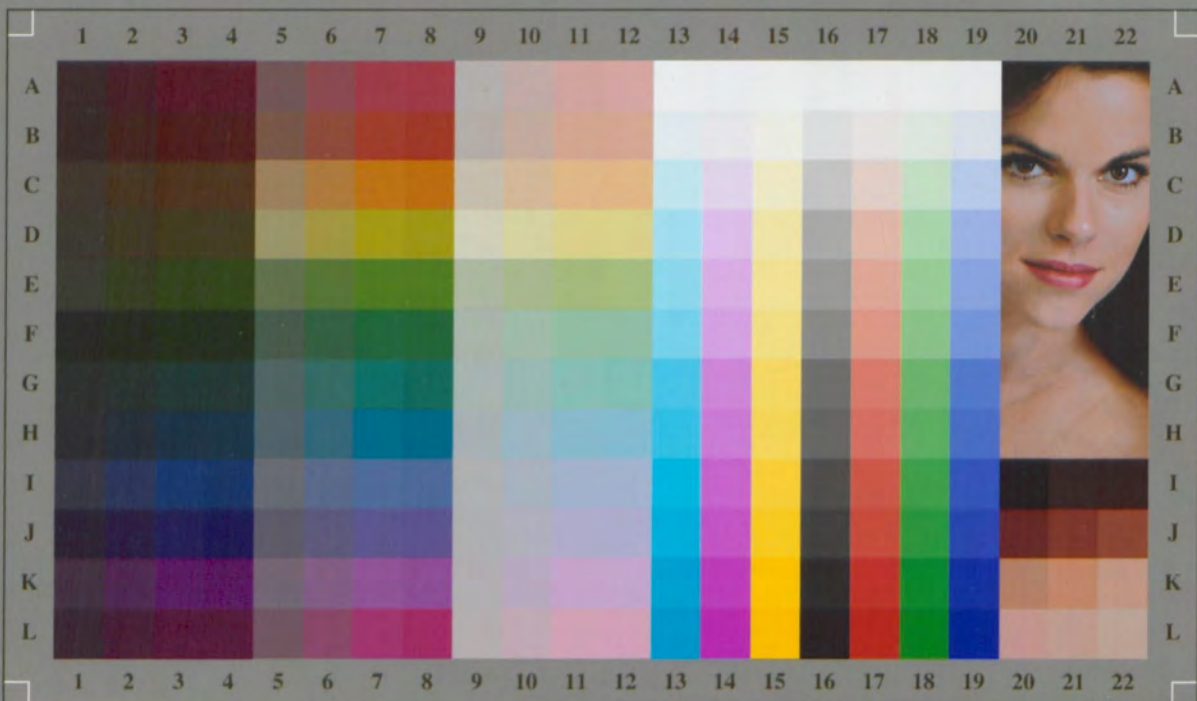
PART 10 ends:-

Priestley to CAW 26.2.82

PART 11 begins:-

CDL to Sir J. Megaw 1.3.82

KODAK Q-60 Color Input Target



IT8.7/2-1993
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](http://FTP.KODAK.COM/GASTDS/Q60DATA)

Q-60R2 Target for
KODAK
Professional Papers

