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CABINET

PUBLIC SERVICES PAY

Note by the Secretary of the Cabinet

1. Ministers have to consider what action should be taken in relation to the following awards and recommendations for pay in the public services:
 - i. The Civil Service Arbitration Tribunal (CSAT) award for the non-industrial Civil Service involving an average increase of 5.9 per cent.
 - ii. The Armed Forces Pay Review Body (AFPRB) report recommending an average increase of 6.1 per cent for the Armed Forces up to the rank of Brigadier and equivalent.
 - iii. The Doctors and Dentists Review Body (DDRB) report recommending an average increase of 6 per cent over the rates recommended for 1981, making 9 per cent if the 3 per cent that the Government deducted from the 1981 recommendations is restored as also recommended by the DDRB.
 - iv. The Top Salaries Review Body (TSRB) report recommending average increases of 19.4 per cent for the higher Civil Service (Under Secretary and above) and for senior service officers (Major Generals and equivalents, and above) and 24.3 per cent for the judiciary.

In 1980 the Government abated the TSRB recommendations for these groups by about 12½ per cent, and the resulting salary rates were increased by 7 per cent in 1981.

2. More information about the awards and recommendations and the wider pay context is provided in the Note by the Cabinet Office attached at Appendix A.

3. A group of Ministers met to consider these issues under the Prime Minister's chairmanship on 27 April and reached conclusions on the CSAT award and AFPRB report as follows:

- i. The CSAT award should be accepted; of the 5.9 per cent, no less than 5 per cent should be found within existing departmental cash limits (subject to further discussion of special problems affecting certain Departments such as the Ministry of Defence, and the Home Office in respect of the Prison Service) and the remainder could be considered as a charge on the Contingency Reserve to the extent that this proved necessary.

ii. The AFPRB report should be accepted.

4. In relation to the DDRB recommendations, Ministers were concerned about the impact on the negotiations with other groups in the National Health Service (NHS) where the nurses have been offered 6.4 per cent, ambulancemen and hospital pharmacists 5 per cent, and other groups 4 per cent, and where industrial action is either already being taken or being considered. The options considered in relation to the DDRB report were:

- a. to accept the recommendations, including the 3 per cent deducted last year, making 9 per cent; or
- b. to accept the recommended increase for this year, without restoring the 3 per cent deducted last year, making 6 per cent; or
- c. to accept the full 9 per cent increase but pay it in two stages, with 6 per cent this year, and the recommended rates coming into effect in full automatically next year, and thus becoming the starting point for the 1983 recommendations.

5. In relation to the TSRB recommendations, Ministers were concerned about the inter-action with the DDRB report and the consequential effect on the NHS negotiations, and the possible wider repercussions. It was noted however that the TSRB recommendations could be accepted at very little cost, that these groups alone among public service groups were still significantly below the pay levels recommended as appropriate for 1 April 1980, and that the recommendations were consistent with the Government's policy of relating pay to recruitment and retention considerations. The main options considered in relation to the TSRB report were:

- a. to accept the recommendations;
- b. if the DDRB recommendations were accepted without restoring the 1981 3 per cent deduction, to abate the TSRB recommendations by, say, 5 percentage points (a table illustrating this option is attached at Appendix B);
- c. to accept the recommendations but implement the increases in two stages, with an abatement of, say, 5 per cent this year, and the recommended rates coming into effect in full next year, and thus becoming the starting point for the 1983 recommendations.

6. While recognising the difficulties in relation to the NHS, the balance of view at the meeting of Ministers was that it would be preferable for the Government to accept the DDRB and TSRB recommendations in full in the same package as acceptance of the CSAT award and the AFPRB report, and to implement the recommendations in one stage now rather than in two stages. The difficulties affecting the NHS were to be discussed further by Treasury Ministers and the Secretary of State for Social Services.

SECRET

AND PERSONAL - MANAGEMENT IN CONFIDENCE

TIMING OF ANNOUNCEMENTS

7. Ministers agreed that it was desirable to announce acceptance of the CSAT award and AFPRB report as quickly as possible and that, if decisions on the DDRB and TSRB reports could be taken without delay, it would be advantageous to have a single package of announcements; if not, the timing of the various announcements would need to be considered further.

Signed ROBERT ARMSTRONG

Cabinet Office

27 April 1982

SECRET

AND PERSONAL - MANAGEMENT IN CONFIDENCE

PAY: THE ISSUES FOR CONSIDERATION

Note by the Cabinet Office

INTRODUCTION

The main issues for consideration by Ministers are:

- i. in relation to the award of the Civil Service Arbitration Tribunal (CSAT) for the non-industrial civil service:

whether to accept the award or to seek the approval of the House of Commons to a resolution "setting aside the award on grounds of overriding national policy".

and, if the latter, what pay increase should be recommended to the House of Commons in place of the CSAT award;

- ii. in relation to each of the reports of the three Review Bodies, the Top Salaries Review Body (TSRB), the Armed Forces Pay Review Body (AFPRB), and the Doctors and Dentists Review Body (DDRB):

whether to accept the recommendations, or to reject them wholly or in part;

and, where recommendations are rejected, what pay increases should be approved in their place.

2. In reaching decisions on these matters, Ministers will wish to look at the proposed pay increases for the groups concerned on their individual merits but also taking account of the interaction between them and in addition the wider economic context, including pay movements generally and the settlements which are still outstanding for other public service groups in the current pay round.

THE CSAT AWARD AND REVIEW BODY RECOMMENDATIONS

CSAT award

3. The CSAT award on pay gives increases for individuals ranging from 4.75 per cent at the bottom of scales to 6.25 per cent at the top. The average increase is 5.9 per cent. In addition the Tribunal has awarded increases in leave entitlement mainly for junior staff. In accordance with usual practice, the CSAT gave no reasons for its award. The award resembles the Government's offer in giving the highest increases at the top of the scales and the lowest at the bottom although the overall spread is much narrower. Unlike the union claim the award contains no cash underpinning for the lower paid, and it bears no relation to RPI movements.

4. The cost of implementing the pay award is £237m. The cost of the leave award would in theory be up to £20m but in practice would probably be much less. The award does not cover skill and responsibility allowances. Those which the Government offered in negotiation would cost about £8m. The award also does not cover London Weighting which is not due for settlement until the summer. The cash limit pay factor of 4 per cent already provides about £165m for increases in non-industrial civil service pay. Treasury Ministers are urgently considering the cash limit implications of the award.

TSRB

5. The report covers three groups of staff, namely the higher Civil Service (ie Under Secretary and above), senior officers of the Armed Forces (ie Major General and equivalents, and above) and the judiciary. The TSRB recommends on average a 21.9 per cent increase over current levels - 19.4 per cent for senior civil servants and Service officers, 24.3 per cent for the judiciary. More detailed information is provided at Annex A. The annual cost for civil servants and Service officers would be respectively £3 million and £1 million, very small figures in relation to the relevant cash limits; that for the judiciary would be £6 million on the Consolidated Fund, mostly not cash-limited.

6. In their report No 14 the TSRB recommended pay increases for April 1980 which were not implemented in full by the Government; instead increases of about half

the recommended level were awarded. For 1981 the TSRB made no new recommendations but instead urged the Government to implement their 1980 recommendations, which would have involved increases of about 12 per cent. Instead the Government increased the pay of these groups by 7 per cent, in line with the then pay offer to the non-industrial Civil Service.

7. For all three groups the TSRB say that they have based their recommendations on considerations of recruitment and retention as well as on the salaries paid outside the public services to those in similar occupations and other, less easily-quantifiable considerations such as the differences in the nature of employment (eg job security) as between the public and private sectors and in the non-pay benefits enjoyed by each group. The Review Body also takes account of the need for a coherent salary structure for the three groups within its terms of reference.

8. Certain particular links with the CSAT award and with the AFPRB's recommendations should be borne in mind. The CSAT award if implemented would result in a salary maximum for Assistant Secretaries of £22,200 ; the AFPRB report recommends £22,750 for Brigadiers, Under Secretaries and Major Generals now get £21,955 and the TSRB has recommended £26,000.

AFPRB

9. The report's recommendations involve increases of

for officers 4.5 - 8.9%

for warrant officers
and senior NCOs 5.6 - 7.0%

for other ranks 4.0 - 5.8%

Overall, the AFPRB estimate that their recommendations would add 6.1 per cent to the estimated 1982-83 pay bill.

10. The AFPRB report also includes recommendations on a wide range of additional pay and allowances and on charges for eg accommodation. These will require separate, more detailed consideration by the Treasury and the Ministry of Defence.

11. The AFPRB recommendations are based primarily on detailed information on earnings levels in a wide range of comparable civilian occupations, adjusted for differences in pension and fringe benefits and for the advantages and disadvantages inherent in Service life. The AFPRB also considers the need for a coherent pay structure and, in particular, for pay levels to provide adequate incentives to retention. The report says that the general economic situation and the recruitment position were taken into account.

DDRB

12. The DDRB recommends increases of 6.3-8.2 per cent for junior hospital doctors and 5.3-5.9 per cent for other staff over the rates recommended for 1981; the increases above current rates would in each case be about 3 per cent higher. (For 1981 the DDRB recommended increases of about 9 per cent; this was reduced by the Government to 6 per cent, in line with increases in the rest of the NHS).

13. The DDRB estimate that on the basis of 1981 staffing levels and their 1981 recommendations, their current recommendations would add 6 per cent to the pay bill- presumably about 9 per cent when the 3 per cent deducted from the 1981 recommendations is taken into account.

14. The report also includes recommendations on a wide range of additional payments (eg merit pay) which will require separate consideration.

15. Ministers have already agreed that NHS cash limits should be increased to accommodate pay increases above 4 per cent for certain NHS groups. The Secretary of State for Social Services previously proposed a further increase in the cash limit to accommodate increases of 6.1 per cent for doctors and dentists. This would cost £30.7m. A further 3 per cent would cost an extra £45-50m.

16. The DDRB's recommendations are based on evidence submitted to them by the professions and by the Health Departments and on movements in earnings of groups outside the NHS at levels of income comparable to those of NHS doctors and dentists derived primarily from the New Earnings Survey. The DDRB also says that evidence relating to recruitment and retention and more general economic considerations were taken into account.

THE WIDER CONTEXT

17. Ministers will also wish to consider the implications of their decisions for other pay negotiations, both in the public services and in the rest of the economy.

Pay Movements in the Economy

18. The cumulative weighted level of settlements in the current pay round is as follows:

- Whole economy: just over 7 per cent.
- Private sector manufacturing: just over 6 per cent.
- Private sector non-manufacturing: $7\frac{1}{2}$ per cent.
- Public sector: just over $7\frac{1}{2}$ per cent.

These figures cover about one-third of employees whose settlements are surveyed by the Department of Employment; the proportion is somewhat higher in the private than in the public sector.

Other Public Service Groups

19. i. NHS: The nurses and their close analogues have been offered, but have not accepted, 6.4 per cent; the Royal College of Nursing is to ballot members on this offer. Ambulancemen and hospital pharmacists have been offered the equivalent of 5 per cent.

Other NHS Groups have been offered 4 per cent, and have rejected it. Unions have taken industrial action and are considering more substantial measures.

ii. Teachers: Scottish further education teachers have settled at an average of 5.5 per cent. Scottish primary and secondary teachers are at arbitration, and the award may be made known in a fortnight or so; the official side offer is 4 per cent. A meeting of the Burnham Committee on English further education teachers is due on 26 April; Ministers are in correspondence about the line to be taken. English primary and secondary teachers go to arbitration in May; the official side offer is 3.4 per cent.

iii. NI Boards: NI Board members were taken out of TSRB in 1980. In 1981, with a few exceptions, there was a flat rate increase of 7 per cent. No decisions have been taken for 1982; the Nationalised Industries Chairmen's Group has been invited to produce proposals for relating salary to performance.

iv. MPs: The Chancellor of the Exchequer will shortly be putting to the Cabinet proposals on MPs' pay for 1982, with longer term issues raised by the recent Select Committee report left for later discussion.

v. Police: The next police settlement is not due to come into effect until September. But it is publicly known that the official side has reviewed the working of the current system, which links police pay with the movement of average earnings; and the Home Secretary will be expected to say something about its future at the Police Federation conference on 19 May. Treasury and Home Office officials are in touch on detailed issues with a view to further Ministerial discussion.

OPTIONS

Civil Service Arbitration Award

20. The main options relating to the CSAT award are:

a. To implement the award.

b. To seek Parliamentary override of the award and approval instead of the Government's original offer.

c. To seek Parliamentary override of the award and approval instead of new proposals which follow the structure of the CSAT award but at a reduced cost.

Review Bodies

21. The first option is whether Ministers wish to treat all the Review Bodies' reports in the same way, and, if so, whether they wish to accept them all (subject to any points of detail) or to reject them all.

22. If Ministers wish to deal with each review body report separately the options in relation to each are as follows:

TSRB

- a. Accept the recommendations in full for all three groups (higher Civil Servants, senior officers in the Armed Services and the judiciary) subject to any points of detail.
- b. Modify the recommendations for one or two of the three groups, and accept the remainder in full.
- c. Modify the recommendations for all three groups.

AFPRB

- a. Accept the recommendations in full, subject to any points of detail. (This would be consistent with past practice and the Government's existing commitments.)
- b. Modify the recommendations.

DDRB

- a. Accept the recommendations in full, subject to any points of detail. (This would increase the difficulties with the negotiations for other NHS groups; see paragraph 19.)
- b. Implement the recommendations without restoring the 3 per cent deducted by the Government from last year's recommendations.
- c. Modify the recommendations.

Further work

23. If Ministers choose any of the options other than acceptance for certain groups, they will wish to instruct officials to prepare alternative proposals for the pay of the groups affected.
24. Ministers will also need to give guidelines for the drawing up of such alternative proposals: for example, whether they should be confined within a percentage limit, and, if so, what that should be.

ANNOUNCEMENT AND PUBLICATION

25. There will be pressure for a rapid indication of the Government's intentions on the Civil Service arbitration award and a growing risk of industrial action the longer the announcement is delayed.

26. In the case of the review bodies it would be awkward though not impossible to announce decisions for one while delaying an announcement on others. The DDRB and AFPRB reports in particular raise some complex points of detail; any early announcements on them would need to be in broad terms. All three reports are customarily published as Command papers. Printing generally takes some two to three weeks from the go-ahead which is for the Government to determine, although this could, if necessary, be completed within about a week. Decisions have sometimes been announced before printed publication; adequate supplies of duplicated copies of the reports would then need to be made available to Parliament and to the press.

27. There could well be advantages in announcing decisions on the CSAT award and three review body reports simultaneously. On the other hand, depending on Ministerial decisions, further work may be required on the review body reports. Announcement of decisions on the CSAT award should not be delayed on this account.

SUMMARY OF POINTS FOR DECISION

28. Ministers are invited to consider:

- i. which of the courses of action outlined in paragraph 20 above should be adopted in relation to the CSAT award;
- ii. which of the courses of action outlined in paragraphs 21 and 22 above should be adopted in relation to the review body reports;

- iii. when and how any decisions should be announced; and
- iv. whether to authorise now the printing of any or all of the review body reports.

CABINET OFFICE

23 April 1982

SUMMARY OF THE MAIN RECOMMENDATIONS OF THE TSRB(i) the higher Civil Service

	<u>Salary now in in payment</u>	<u>Salary recommended by TSRB as appropriate for</u>	
		<u>1 April 1980</u>	<u>1 April 1982</u>
Secretary of the Cabinet) Permanent Secretary to) the Treasury)	£33,845	£37,000	£45,000
Permanent Secretary	£33,170	£34,000	£40,000
Second Permanent Secretary	£30,495	£31,000	£37,000
Deputy Secretary	£26,215	£27,000	£32,000
Under Secretary	£21,935	£23,500	£26,000

(ii) senior members of the Armed Forces

The TSRB's recommendations are as follows (for simplicity only ranks in the Army are referred to):-

	<u>Salary now in payment</u>	<u>Salary Recommended by TSRB as appropriate for</u>	
		<u>1 April 1980</u>	<u>1 April 1982</u>
Field Marshal	£35,845	£37,000	£45,000
General	£33,170	£34,000	£40,000
Lieutenant General	£26,215	£27,000	£32,000
Major General	£21,935*	£23,500	£26,000

* £23,005 for Medical
Major Generals

(iii) the judiciary

The recommendations for only a sample of the most senior judicial grades are as follows:

	<u>Salary now in payment</u>	<u>Salary recommended as appropriate for</u>	
		<u>1 April 1980</u>	<u>1 April</u>
Lord Chief Justice	£44,500	£43,000	£56,000
Lord of Appeal	£41,000	£40,000	£51,000
High Court Judge	£35,000	£35,000	£45,000

SECRET

AND PERSONAL

APPENDIX B

MANAGEMENT IN CONFIDENCE

	Actual Salary	TSRB 1980 recs	TSRB 1982 recs	TSRB -5%
	£	£	£	£
PERMANENT SECRETARY	33,170	34,000	40,000	38,345
UNDER SECRETARY	21,935	23,500	26,000	24,896
GENERAL etc	33,170	34,000	40,000	38,345
MAJOR GENERAL etc	21,935	23,500	26,000	24,896
HIGH COURT JUDGE	35,000	35,000	45,000	43,260
CIRCUIT JUDGE	23,250	24,000	29,000	27,830

≠ 5 percentage points less than the TSRB 1982 recommendations
(about same percentage shortfall in 1982 as TSRB groups now
are in relation to 1980 recommendations).

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AND PERSONAL

MANAGEMENT IN CONFIDENCE