

PRIME MINISTER

Following Cabinet discussion about the 1980/81 Civil Service manpower squeeze, a number of Ministers have pressed for greater flexibility on voluntary redundancy. Mr. Channon is now inviting colleagues to agree a scheme for voluntary early retirement, allowing staff over 55 to draw full pension entitlement and associated benefits if they retire by 30 September 1980. The scheme would be introduced within particular grades or specialisations in surplus in a Department at a particular location, and would only be introduced when it was clear that other measures would not generate the necessary savings.

Mr. Channon also reports that some formal redundancy still seems inevitable to meet the 1980/81 savings, and that the proposed scheme will not completely avoid this. But, by adding this scheme to the existing arrangements, Mr. Channon hopes to limit compulsory redundancy to one or two small pockets of surplus in geographical and specialist areas.

Subject to colleagues' views, content that Mr. Channon should proceed on this basis?

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Yes PJT.
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Minister of State

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15 April 1980

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
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Dear Keith,

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

At C(80)9th Meeting, Cabinet agreed that only as a last resort should compulsory redundancies be adopted as a means of achieving manpower cuts and they invited me to consider, in consultation with other Ministers, the possibility of improved terms for premature retirement from the Civil Service. I have taken this to mean that Cabinet was seeking ways of speeding the procedures rather than increasing the financial benefits.

The present premature retirement arrangements in the Civil Service include a category for redundancy and the Model Redundancy Agreement (MRA) provides for voluntary redundancy (VPR) as one of the measures to be taken to deal with a surplus of staff before compulsory redundancy. Both categories of redundancy carry full entitlement to compensation on terms which are certainly not ungenerous. If, however, the requirement is for large numbers of staff very rapidly to leave the payroll, the main option for consideration seems to be to introduce a special scheme of Voluntary Early Retirement (VER) before the scale of redundancy is established.

... I attach a draft of such a scheme. If adopted, this could produce results quite quickly and it would certainly be cheaper than the existing redundancy arrangements. This is because there would be no compensation element (other than that involved in the immediate payment of the earned pension) as the staff would in effect be choosing to retire early before a formal redundancy was declared. But in order to justify this to the public, eg against the charge that we were extending the duration of inflation-proofed pensions, I am sure that we must be quite strict in applying the scheme to ensure that it is operated only where there is an immediate staff surplus and that it results in genuine staff reductions. We could not allow promotions or recruitment to fill gaps caused by those who leave on early retirement terms. To avoid the risk of incurring potentially heavy costs of transferring staff between locations, offers of VER should be confined to staff in the geographical location of the surplus.

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We may run into difficulties with the National Staff Side, who have warned us several times that they are not in the business of agreeing to VER, which they see as defrauding their members of the greater benefits of full VPR. I think we should press ahead with the scheme, even at the risk of some temporary worsening of relations with the Staff Side. (Indeed, if they find their members welcome it their own attitude may well change.) It will of course be very important in promulgating the scheme to make it absolutely clear to staff that if they choose to apply they will be forfeiting the chance - but not the certainty, so that is the judgment they have to make for themselves - of being able to get full VPR terms later. Departments must not be open to any charges of having misled staff about the options before them.

There is a further point to which I should draw colleagues' attention. It may be necessary to offer VER not only to the more senior grades but also to some recruitment grades. This is because there are some grades which are both recruitment and retirement grades and some of them deal with a disparate range of work. It is possible, therefore, for example in the P and TO II grade, that there will be a need to dispense with some of the surplus elderly staff by means of early retirement and at the same time to be recruiting younger people (quite possibly in smaller numbers) to the same grade and in the same department. In most cases these will be for entirely different work for which those who are being retired would not be suitable. I believe this is entirely defensible and I draw it specifically to your attention only because of the risk of public criticism.

I should be glad to know whether colleagues would be content for me to proceed with the introduction of a VER scheme along the lines I have described. If it is to be introduced and be effective in contributing to the savings needed for 1980/81, we shall need to move very quickly and I should be grateful for comments by 30 April. I should perhaps add that some preliminary discussions between my officials and departmental Establishment Officers have indicated that some formal redundancy seems inevitable and that it is unlikely to be completely avoided by a VER scheme. On present evidence, however, it seems likely that the bulk of the remaining redundancy will be able to be dealt with on the basis of volunteers taking their full VPR terms. I hope that, with the possible exception of small pockets of surplus in geographical and specialist areas, we shall not have to have recourse to compulsory redundancy.

I am copying this letter to Cabinet colleagues and Ministers in charge of Departments.

PAUL CHANNON

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DRAFT SCHEME

VOLUNTARY EARLY RETIREMENT

This scheme is designed to assist in reducing departmental staff surpluses arising in 1980-81. Subject to the conditions set out below, departments may declare a programme of Voluntary Early Retirement in the Public Interest (VER) under which eligible staff may then apply to be considered for retirement before the retiring age with immediate payment of accrued pension and associated lump sums benefits. Such retirements must be effective by 30 September 1980.

2. The provisions of this scheme are designed to assist departments to keep within their Pay and Manpower cash limits for the financial year 1980-81. Any proposal to apply the scheme for other or later surplus situations or to extend the concept for other reasons will be considered ab initio in the broad context of retirement/superannuation policy.

PRELIMINARY MEASURES

3. Before proposing a scheme of VER, a department will be expected in discussion with its Departmental Staff Side to have reviewed a number of preliminary steps, including for example curtailment of recruitment and local transfers within a department and between departments. If such measures appear to be insufficient to achieve the necessary saving, proposals for a VER programme may be put to the Civil Service Department.

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POLICY

4. Having regard to the provisions of paragraph 3 above, departments may apply to the Civil Service Department for authorisation to declare a programme of VER. Authorisation may be given in the following circumstances:

a. when a department envisages difficulty in keeping within its Pay and Manpower cash limits for 1980-81 and retaining an efficient staff structure, even after taking the preliminary measures prescribed above;

or

b. in exceptional cases a department may cooperate with other departments in a given location in an extended VER scheme under which posts in one department can be made available to absorb surplus staff from another.

5. A VER programme will normally apply to a defined grade or specialisation in surplus in the department in a particular location (subject to paragraph 4 b. above).

ELIGIBILITY OF STAFF

6. Once a department declares a programme of VER, it will invite applications to retire early from staff in the defined grades and locations who are covered by the PCSPS and who are aged 55 or over, or who will reach age 55 by 30 September 1980.

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7. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest. Applications from eligible staff must be processed in time for the retirement to take effect by 30 September 1980.

TERMS

8. An officer retired under a VER programme will receive a pension and lump sum benefit, calculated as provided in rule 3.1 of the Principal Civil Service Pension Scheme on his pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payments but, notwithstanding rule 3.11 of the Scheme both benefits will be paid immediately.

9. Officers whose application for VER is approved will be required formally to give their employing department one month's notice of their retirement if monthly paid (one week if weekly paid), but an earlier or later release date may be decided by mutual agreement confirmed in writing. Departments should bear in mind, however, that pension awarding departments normally need to receive an application for an award of pension one month before the date of retirement (vide Code paragraph 9391) and officers should be warned that their superannuation benefits may not be immediately available on the day after retirement if the agreed release date allows insufficient time for the

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award to be made. No interest will be paid on pensions and lump sums that are delayed for these reasons. Departments should, if asked in relation to entitlement to unemployment benefit, explain that the officer concerned retired under the VER scheme, and should make it clear that he or she did not voluntarily resign.

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