

CONFIDENTIAL

MR. WHITMORE *W*  
*19/10*

c.c. Mr. Wolfson  
Mr. Walters  
Mr. Ingham  
Mr. Duguid

Civil Service Pay: Progress of MISC 54

The papers generated by MISC 54 are voluminous, and it may be helpful if I circulate this brief summary of progress so far, since at any moment we may be asked to produce interim conclusions.

The group is working towards a report, to be drafted by the CSD but agreed by the group, and available in mid-April, which will address the following main issues (it will also address large numbers of subsidiary ones, with which I will not trouble you):

Comparability

The group will recommend a wider range of analogues, to include more small firms, and possibly also foreign firms based in the UK; largely for presentational reasons we will say that other public service groups should be excluded, but we will recommend that some public trading sector analogues should be retained. Although we have not got as far as looking at the institutional arrangements, I think it is implicit in the work done so far that the pay research unit will need also be retained.

Market Factors

The group will acknowledge that comparability alone is an inadequate proxy for the market. We will say that recruitment and retention rates need to be brought into account somehow, but that because of the unproven and probably inadequate data base, voluntary quit rates cannot be sufficiently well quantified to be a part of an agreement at this stage. Further work will be done on VQR data, but the likely outcome is that they should be used as information available for management's use in the negotiations. Mr. Walters is going to investigate whether the CPS might do some research on private sector data on VQRs.

CONFIDENTIAL

/ Regional Pay



Regional Pay

This is shaping up to be a significant issue: there is strong CPRS pressure for regionally or locally determined pay levels, and equally strong CSD resistance. The group will take a paper on it next week.

Automaticity

There are several on the group - possibly even a numerical majority - who would prefer a loose system. Under this, the PRU would produce comparability evidence, and both sides would be free to bring into the negotiations a wide range of other factors. The agreement would be a largely procedural one, and negotiations would rapidly degenerate into free collective bargaining. That would put an enormous weight on the arbitration procedure. I have argued that such a procedure would not be "ordered and agreed", and that Ministers would not accept that arbitration should take so much weight - in effect, that the arbitrator should take the public expenditure decisions that are the Government's responsibility. Positions are quite sharply drawn on this point, and at yesterday's meeting the Chairman's conclusions were helpful:

- (i) The agreement should be as quantified as possible, although clearly some other factors would have to be taken into account.
- (ii) There should be no separate provision for wide ranging unquantifiables such as "economic circumstances" to be included in the agreement, and there should instead be provision for a Government override of the whole agreement, including the arbitration provision; and
- (iii) Access to arbitration should be joint rather than unilateral, but the Government should say that it would "not normally be denied". The CSD will be looking further at that formula, which is probably the central difficulty of the new arrangements, since access has been denied in the last 2 years and would almost certainly be denied next year.



No Strike Agreements

There is no enthusiasm at all in the group for mixing up pay determination arrangements with the contractual arrangements, such as no strike agreements. However, following the Prime Minister's remarks in Question Time on Tuesday, I have insisted that the report indicate that no strike agreements have been considered, even though there are clear difficulties, so that Ministers can if they wish take up the point later.

The group is meeting weekly, for sessions which generally last over 3 hours, and a considerable amount of work is going on between meetings. It would be difficult to accelerate the pace significantly. Future work will cover the problem of "peaks and troughs"; regional pay; institutions (PRU etc.), and cash limits - we are waiting to hear the outcome of Robert Armstrong's discussions about machinery on cash limits and manpower.

I am having lunch on Monday with Brian Pearce, the CSD Under-Secretary concerned, for a preliminary discussion of the drafting of the report; any comments on the foregoing before then would be appreciated.

J.V.

19 March, 1981.