

CONFIDENTIAL

Prime Minister ① PA Mus 8/7

MR. SCHOLAR

Police Pay

Do you wish me to write
cc Mr. Mount

on these lines (toned down),

Police Pay

in reply to the Home Secretary's
office's letter

The arguments in the letter of 5 July from the Home Secretary's Private Secretary are not entirely unexpected. (attached)? But they do provide us with a possible way forward.

If the Prime Minister agrees, I think you should reply to say that she is very concerned indeed at the prospect of a 10% settlement being announced for a large public service group at the beginning of the next pay round, Ministers having already agreed in E on 1 July on the need for a major pay restraint effort; and that she could only contemplate agreeing to it provided that its impact were softened by both of these two conditions: first, there would have to be a substantial offset through the increased pension contributions being sought by the Home Secretary; and second, there would have to be a simultaneous announcement that, in the light of the way in which the Edmund Davies formula was operating, the Government had decided that there would in future be a revised system for settling police pay, in a way which would of course recognise that public employees who risk their lives in our service ought to have different working conditions and pay arrangements from the others. You could go on to make the point that it is always better, before announcing the end of one arrangement, to have something concrete in mind for the new one; and that the group of officials referred to by the Home Secretary should therefore endeavour to come up with recommendations before the announcement of this year's award.

MCS 5/7
No - word
have
word
with
w.w.

I think this
is a bit
abrupt.
MCS
Yes to
do it.

5 July 1982

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BF 1/9

cf 3v

Caroline



Prime Minister

(2)

In line with your conversation with

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

Lord Plowden, who

9 July 1982

said he would like to come and talk about

Michael Scholar, Esq.,
10, Downing Street

police pay.

ms

Please answer me.

MCS 12/7

Dear Michael,
POLICE PAY

The Chancellor has seen your letter of 29 June to John Halliday, and his reply of 5 July.

The Chancellor feels that the most important objective in this year's policy pay settlement should be to ensure that the figure produced by the Edmund-Davies up-dating formula is offset by a substantial increase in the pension contributions, as the Home Secretary proposes. Whether it would be right also to announce at the same time a decision to modify the existing arrangements, (perhaps by inclusion of the police within the remit of the Armed Forces Pay Review Body), as the Prime Minister has suggested, is a difficult matter of judgement. On the one hand, the sooner that move can be announced and achieved the better. On the other, there is the risk of jeopardising the whole settlement - certainly it would make it more difficult to achieve. Moreover, the Chancellor accepts the Home Secretary's argument that it is important to get the long-term arrangements for police pay right. This is more important than achieving a quick announcement.

If, on balance, it is decided not to make an announcement of the impending change this year, the Chancellor hopes that the move to a new system for the following year would be pursued very hard despite the difficulties mentioned in John Halliday's letter. There is general agreement that continued indexation of police pay would be extremely damaging both in terms of the Government's general stance on pay, and of the repercussive effects on other public service negotiations. Indexation has in practice meant very high settlements for the police right at the start of both this pay round and the previous one, and an increase in the region of 10 per cent in September this year - even though offset by the increase in the pension contribution - will be very awkward. It is worth

/noting

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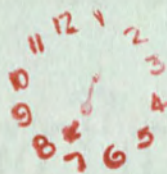
noting that the police have in fact done very much better than other groups in the local government sector since 1979. Although the cumulative increase in police earnings in the last three pay rounds - around 50 per cent - is not greatly different, the police had their big catching-up award of 40 per cent through Edmund-Davies rather than Clegg - as soon as the Government came to office, and before the 1979-80 pay round started. This means their real increase has been around 90 per cent.

I am copying this letter to John Halliday (Home Office), Nick Evans (Ministry of Defence), Barnaby Shaw (Department of Employment), and David Wright (Cabinet Office).

*Yours ever,
Peter*

P.S. JENKINS

12 JUL 1982



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✓ JV

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HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

5 July 1982

Dear Michael,

POLICE PAY

In your letter of 29 June you said that the Prime Minister had asked whether the announcement about this year's police pay settlement might be coupled with an announcement that the existing arrangements for updating police pay were to be modified - perhaps by including the police within the remit of the Armed Forces Pay Review Body (AFRB).

The Home Secretary and the Chancellor of the Exchequer discussed this possibility earlier in the month and concluded that the present system of settling police pay should be retained for this year's settlement, although there should be increased pension contributions and, subsequently, changes in the system for calculating rent allowances, to reduce the overall cost of the settlement. It now looks as though the Edmund-Davies updating formula will produce a settlement in the region of 10%, but the Home Secretary will be looking for a substantial increase in pension contributions to offset this. He has in mind that the Armed Forces' pension contributions are assessed at 11%, whereas the police contributions are currently 7%.

The Home Secretary has agreed to the Chancellor's suggestion that he should examine the possibility of moving towards some form of pay review in future. The Home Secretary does not believe that it would be practicable to make such a move in this year's pay negotiations. The Official Side of the Police Negotiating Board (ie principally the local authority associations) have just completed a review of the way in which the existing arrangements have operated during the past three years and decided not to put forward proposals for changing them. The police representatives on the Staff Side are likely to oppose strongly the proposed increases in pension contributions but the Home Secretary is determined that significant savings should be secured, and believes it is right to concentrate on this in this year's settlement.

One of the factors which the Home Secretary has had in mind is the need for any revised system for settling police pay to take account of the views and interests of the police authorities who are responsible for providing and maintaining police forces. All the existing review bodies, including the AFRB, deal with groups whose pay is decided by central Government, and they report to the Prime Minister. The local associations believe,

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rightly, that they have an important part to play in negotiating police pay and conditions of service and they would strongly oppose any suggestion that the functions of the Police Negotiating Board should be handed over to some outside body. Also, change of this kind would of course require legislation, repealing the Police Negotiating Board Act 1980.

The Home Secretary does not believe that it will be easy to find a suitable alternative to the existing arrangements for settling police pay. The possibilities will need careful consideration, and to that end he has asked officials to explore them with the other Departments concerned, including the Ministry of Defence. He will be discussing the outcome with the Chancellor of the Exchequer in due course.

I am sending a copy of this letter to Peter Jenkins (Treasury), Nick Evans (MOD), Barnaby Shaw (DE) and David Wright (Cabinet Office).

Yours ever,

John Halliday

J F HALLIDAY

76 JUL 1982



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Police



R J Vander

10 DOWNING STREET

From the Private Secretary

29 June 1982

Police Pay

The Prime Minister has been enquiring about police pay. She has asked whether, on the assumption that the application of the Edmund Davies formula this year will lead to a relatively high increase in the autumn, it may be possible to couple with that announcement the announcement of a decision to modify the existing arrangements - perhaps by inclusion of the police within the remit of the Armed Forces Pay Review Body. The Prime Minister would be grateful for her colleagues' reaction to a change on these lines.

I am sending a copy of this letter to Peter Jenkins (HM Treasury), Nick Evans (Ministry of Defence), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office).

M. C. SCHOLAR

J.F. Halliday, Esq.,
Home Office.

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MR. MOUNT

Police
c. Mr. Walters
Mr. Scholan ✓
(Personal)

POLICE AND FIRE SERVICE INDEXATION

In the course of this afternoon's meeting of the Civil Contingency Unit (CCU), the Home Secretary - perhaps unwittingly - revealed that he had heard that the local authority employers had decided to end the fire service pay indexation arrangements. That arrangement is comparable to the police, but worse, because it links the firemen to the upper quartile of average earnings in the previous year. The employers may have had to move in this direction because of their financial constraints.

I discussed this briefly with the Home Secretary after the meeting. He said that he was convinced that this development would lead to a strike of firemen in the autumn, and that he was very concerned about the development because it was not at all clear what new arrangement for determining fire service pay might be put in its place.

I took the opportunity of some mild lobbying against the indexation of the uniformed services, stressing the damaging nature of having public service groups linked to the previous year's index and announcing their settlements at the beginning of the pay round, and mentioned the possibility of using a review body instead. The Home Secretary reacted vigorously to the mention of the police, indicating that he did not intend to try and go further than to achieve an increase in police pension contributions, and a reduction in the rent allowance (these would indeed be significant steps).

J.M.M. VEREKER

26 May 1982

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