

CE/NO



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister ①

PRIME MINISTER

Yes no

Agree these recommendations including action for you at X? The Chairman of the Nurses Review Body is Sir John Greenborough. Recommendations on other members to come shortly.

AT 28/10

THE PAY REVIEW BODIES

E(PSP) met under my chairmanship on 25 October (E(PSP) (83)5th Meeting, Item 1) to discuss how to ensure that the recommendations of the pay review bodies for 1984 take full account of the Government's policies relating to public service pay. In the light of a report by the Official Committee on Public Sector Pay (PSP(O)) we considered:-

- i. whether further action was needed in respect of any or all of the review bodies to encourage them to give more weight to recruitment, retention, and to affordability and other economic factors;
- ii. if so, whether this action should take the form of:
 - a. altering the terms of reference of the review bodies; or
 - b. exchanges between yourself and Chairmen of the review bodies.

2. We were agreed that the most useful action which could be taken would be to improve the quality of the Government's evidence to all the pay review bodies in 1984 on both managerial and general economic matters. We shall need to take full advantage of the opportunities which the Government's evidence provides to encourage the review bodies to place more

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weight on factors such as recruitment, retention, affordability and other economic considerations and less on comparability.

3. We agreed that the review bodies' terms of reference should not be amended, since to do so might be counter-productive if the review bodies interpreted changes as reflecting on their independence; and would restrict the grounds on which the Government could justify overriding a recommendation of a review body. We considered that it would be natural, and might be helpful, for you to see the Chairman of the new Nurses' Review Body to impress on him the Government's views on the body's work; and the Subcommittee agreed that I should so advise you. We did not consider that meetings between yourself and Chairmen of other review bodies would be helpful at present, though there might be circumstances in the future in which such meetings might be appropriate.

4. I am sending copies of this minute to members of E(PSP), the Lord Chancellor, the Secretary of State for Defence, the Secretary of State for Scotland and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.' with a flourish.

(N.L.)

27 October 1983

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*cc: NHS
NHS > Pay file*

*cc: LPO
DOR
DHSS
Ch. Sec. HMT
CDH
Emp.
LCO
MOD
SO
CO*

LFO



file

10 DOWNING STREET

From the Private Secretary

31 October 1983

Dear John.

PAY REVIEW BODIES

The Prime Minister has seen the Chancellor's minute of 27 October reporting on the outcome of the meeting of E(PSP). She agrees with his recommendations that the most useful action would be to improve the evidence which the Government puts to Pay Review Bodies as a way of putting less weight on comparability; and that the terms of reference of these Bodies should not be altered. She is willing to see the Chairman of the Nurses' Review Body, in the way that she saw the Chairman of the Doctors' and Dentists' Review Body. She has noted the recommendation that meetings with the Chairmen of the other Review Bodies would not be helpful at present.

I am sending copies of this letter to the Private Secretaries to the members of E(PSP), David Staff (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), John Graham (Scottish Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

John Kerr Esq
HM Treasury

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Prime Minister⁽²⁾

Some good points. Agree a wait report from Chancellor, as Chairman of E(PSP) before 18 October 1983 acting on X?

MR TURNBULL

cc Mr Mount

AT 18/10

PAY REVIEW BODIES: PAPER BY OFFICIAL COMMITTEE

The paper which E(PSP) takes on Thursday contains some proposals which would involve the Prime Minister. I am therefore drawing aspects of this subject to your attention now, even though I do not think there is any need for the Prime Minister to intervene with the Chancellor in advance of the E(PSP) meeting.

The paper examines whether the pay increases recommended by review bodies are out of line with pay increases generally, and whether, in reaching their decisions, the Review Bodies pay sufficient attention to Government policy relating to public sector pay.

The paper reaches a surprising conclusion in paragraph 11: that even if the recommendations had all been accepted in full, the groups concerned would not have maintained their positions in the earnings league. For example, the pay recommended (and subsequently paid) to a Corporal is now 92% of average earnings; in 1971-73 it was over 100%. Army Captains now receive 130% of average earnings, compared to around 150% in 1971 and 1972. It could be claimed that these bodies succeed in reconciling the professional groups concerned to a declining position in the earnings league, with the minimum of political fuss. The recommendations become politically embarrassing mainly because there is frequently an element of catching up to be done.

However, the Government's objective in determining public sector pay is not to maintain comparability (there is no principle, for example, which says that a Corporal has a right to average earnings). The question is: at what level of pay can the services concerned be maintained satisfactorily over a long period?

The review bodies have grasped this to varying degrees. The DDRB clearly have (see comment at paragraph 13). The TSRB are less clear: while recognising a "marked difference in accountability and a greater degree of job security in most of the public service"

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the TSRB is nevertheless inclined to grope about for a private sector analogue of a Permanent Secretary. There probably aren't any. The logical solution to this problem is to focus on recruitment. Young people presumably consider the pay structure of the Civil Service as a whole before embarking on a career in the Civil Service. It is the perception of these potential recruits, not the Board members' views on comparability, which matters.

The AFPRB appears to give the least attention to market forces, perhaps not surprisingly, since the 1979 Manifesto itself emphasised "full comparability with civilian counterparts". The AFPRB tends to take account of recruitment only in the negative sense: if recruitment is difficult, it would influence the recommendation. But the converse seems not to be true: the AFPRB do not seem inclined to scale down their recommendation when the recruitment position is good.

The paper considers whether Ministers should tackle this question, either by altering the terms of reference of the Boards, or by an approach by the Prime Minister to the Chairmen. The latter is preferred, and we agree. The Prime Minister's recent correspondence with the DDRB Chairman appeared to have a salutary affect. A case for a confidential discussion with the Chairmen? (X)

NICHOLAS OWEN
60



10 DOWNING STREET

Prime Minister ④

Pay Review Bodies

To note options at this
stage. Chancellor will
minute you after meeting
of E(PSP) on 20 October.

AT

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