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Seen by CAW.

Civil Serv

MR. WHITMORE

Civil Service Pay: Independent Inquiry

The Prime Minister is to discuss the Lord President's minute of 1st May with him, the Chancellor of the Exchequer and the Secretary of State for Employment.

2. The prior question is whether there should be an independent inquiry at all. There are arguments against: notably the risk of unpalatable recommendations. But the Cabinet decided in favour of offering an inquiry; the offer has been made; and, although the unions have not taken it up, there is some reason to believe that it will need to be part of the eventual settlement of the current dispute. In any case we need to be ready with clear ideas about terms of reference and composition, in case the unions take up the Lord President's offer to discuss these matters with them.

Terms of Reference

3. Two points of detail on the preamble:

(a) *Neither* } In lines 5 and 6, is it not enough to say "the need to maintain good industrial relations": is it necessary to add "and to avoid disruption"?

(b) The words "and difficulties" at the end of line 6 seem to be otiose.

4. In the first draft terms of reference which I proposed to the Civil Service Department on 15th April (copy attached), I suggested that the inquiry should be specifically asked to consider and make recommendations on the structure and organisation of the Civil Service in respect of pay and grading, as well as at the principles and system for determining remuneration.

5. The Lord President wants to leave out any reference to structure and organisation because he fears that its inclusion would add unacceptably to the scope and duration of the inquiry. But his argument is a little illogical, because he says that the terms of reference ~~he~~ proposes would allow the inquiry to look at certain structural and organisational issues as part of its examination



CONFIDENTIAL

✓ of a new pay regime. My own belief (which is shared by Mr. Ibbs) is that it ought to do so; indeed, I doubt whether it is possible to deal satisfactorily with pay without dealing with at least some issues of structure and organisation (including grading). I also understand that the Priestley Commission felt ✓ inhibited because they were precluded from doing so. I do not believe that this would mean covering all the ground of the Fulton Committee over again. Nor do I think that it need in practice add very greatly to the length of the inquiry, if we can find a Chairman who can give an appreciable amount of time to the work. On balance I still favour the inclusion of a specific reference to structure and organisation of the Civil Service in respect of pay and grading; but I note that the Secretary of State for Employment joins with the Lord President in opposing it.

6. The arguments in favour of excluding the Top Salaries Review Body (TSRB) grades from this reference are as follows:-

- (a) These grades ought and are bound to be dealt with separately from the rest of the non-industrial Civil Service. They are, essentially, part of the management. Their pay is not now, and has not for many years (if ever) been, determined by any process of negotiation, and we should not do anything that would encourage members of these management grades to identify with the parts of the Civil Service whose pay is the subject of negotiation with the unions.
- (b) We are likely to continue to need a source of independent advice on the pay of these grades.
- (c) Special considerations enter into the determination of remuneration at these levels, which a body like the Top Salaries Review Body is well qualified to take into account (without necessarily specifying them in its reports). The Review Body, both under Lord Boyle and now under Lord Plowden, has shown a great deal of sensitivity to these considerations.

CONFIDENTIAL



CONFIDENTIAL

(d) The Government decided last year to continue the Review Body system, not only for top salaries but also for doctors and dentists and for the armed forces. To include these grades in this inquiry would throw revived doubts on the future of the system, not just for top salaries but for the other groups as well.

(e) At a time when the pay arrangements for the rest of the Civil Service are in flux, there is something to be said for retaining stability in an area where we can do so, unless there is positive need or advantage in doing otherwise.

7. On the other hand radical changes in either the principles or the system of determining pay for the rest of the non-industrial Civil Service could have implications for the TSRB grades; and it would be difficult to exclude them if it was decided specifically to include questions of organisation and structure in the terms of reference.

Composition

8. I think that it is right to look for a Chairman from industry (rather than from the law or from the university world). We shall need a Chairman who can devote a significant amount of time to the inquiry. It would have been nice to have Alan Lord, but:-

- (a) he probably would not have enough time;
- (b) we should presumably not choose someone who has been a career civil servant.

These considerations would also exclude Alex Jarratt.

9. Of the names suggested by the Lord President, Sir Alastair Pilkington and Sir David Steel seem to me to be the front runners. We could hardly have Sir Campbell Fraser if we want Alan Lord to serve as a member.

10. Among the women suggested, Mrs. Brigstocke would no doubt be very good, but she is the widow of a civil servant. Mrs. Moore would also be very good; but you should know that she was in earlier times a career member of the Diplomatic Service.

CONFIDENTIAL



CONFIDENTIAL

11. I hope that we can keep the inquiry small: five people, or seven at most. Nothing will do more to ensure that it does its job quickly.

Form of Inquiry

12. I recommend making the inquiry a Royal Commission: the more status it has, the more likely are both it and its conclusions likely to be accepted.

Robert Armstrong

*(approved by Sir R Armstrong
and signed on his behalf)*

8th May 1981

CONFIDENTIAL

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DRAFT TERMS OF REFERENCE

Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and to the need for the Government to be able to reconcile its obligations as the employer of civil servants with its responsibilities to Parliament for the control and management of public expenditure;

to consider and make recommendations on the structure and organisation of the Civil Service in respect of pay and grading, and on the principles in accordance with which and the system by means of which the remuneration and other conditions of service of the non-industrial Civil Service (excluding those civil servants whose salaries come within the remit of the Top Salaries Review Body) should be determined.

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