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b.c: Mr. Stowe  
Mr. Wolfson  
Mr. Ridley  
Mr. Ryder



Five

10 DOWNING STREET

Original on: Economic  
Policy

Strategy  
May 79

From the Private Secretary

MR. VILE

PAY AND CASH LIMITS

The Prime Minister has now read Sir John Hunt's brief of 4 May on the above subject. She has made the following comments:

- (i) On teachers' pay, she thinks the previous Administration were quite right to oppose the teachers' request that their comparability study should be no more than an up-date of Houghton. She thinks the previous Administration were quite right to insist on "an honest comparability study done with full weight given to the non-pay terms and conditions of teachers service".
- (ii) On PAR, she has commented that the PAR studies were well nigh useless and took up a lot of time.
- (iii) On paragraph 7, the Prime Minister agrees that it would be highly desirable to conduct early reviews of local authority expenditure and NHS expenditure with a view to identifying - and getting rid of - waste. I will be commissioning reports from DOE and DHSS respectively on these; but no doubt Sir Derek Rayner will also have an important role to play here.
- (iv) On comparability, the Prime Minister cannot confirm that comparability is the key to establishing public service pay. (She has of course already commented on this - see my note of 6 May.)

See separate files  
under Local  
Govt & Nat  
Health.

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/The Prime Minister

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The Prime Minister agrees with Sir John Hunt's conclusion - that Ministers or Ministerial Committees will need to be asked at an early stage to produce papers and proposals on the various issues touched on in the brief, but she would first like to have a general discussion in Cabinet, and with this in mind she would be grateful for an annotated agenda which could be circulated to colleagues.

7.

P.S.

As regards the reports from DOE and DHSS ( (iii) above) I would be grateful if you would let me have drafts of the commissioning letters for me to send.

8 May 1979

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