



CIVIL SERVICE PAY RESEARCH UNIT BOARD

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CHAIRMAN

The Rt Hon Lord Shepherd P.C.

22 May 1980

The Rt Hon Margaret Thatcher MP  
Prime Minister and  
Minister for the Civil Service  
No. 10 Downing Street  
London SW1

*Margaret Thatcher*

At the end of our meeting on Wednesday last you asked me to put to you suggestions for new terms of reference for the Civil Service Pay Research Unit Board. These are enclosed. The Board's existence and role stem from the terms of the National Pay Agreement for the non-industrial Civil Service. The amendments I have suggested to the terms of reference recognise this fact. They are not extensive in wording but are sufficient to give the Board oversight of all the work of the Unit, however arising, and the right to comment on the principles underlying the use made of the data produced by the Unit.

In the first place, I should make it clear that I believe fair comparison, as proposed by Priestley and accepted by successive governments since 1956, to be the right principle on which to settle Civil Service pay. I have no doubts about that. In arriving at appropriate comparable pay levels account clearly needs to be taken of the total remuneration package outside, which includes pay bonuses and all other benefits and conditions of service.

I should also like to place firmly on record that the Board is satisfied that the pay research system rests on a sound base. At the meeting some doubts were expressed about the selection of outside organisations and analogues. May I clarify the position further. Responsibility for the selection of the outside organisations rests fairly and squarely on the Pay Research Unit. They consult the negotiating parties in the preliminary stages but this in no way detracts from their ultimate responsibility. They are guided by the recommendations of the Priestley Report and seek to establish fields which are properly representative of the different types of industrial and commercial activity throughout the country. Although the Board has no formal responsibility for the choice of external organisations its role in overseeing the work of the Unit extends to guidance on these matters and its influence is real. The Board has in fact spent a good deal of time reviewing the number and type of organisations chosen for the outside surveys and has commented on aspects of this in its reports. The number



of organisations from which analogues are chosen has been increased since the Board was established; and its review of the comprehensiveness of the Unit's surveys is continuing.

Another point raised at our meeting related to the range of information on which data was collected. This is clearly the responsibility of the Steering Committee of the National Whitley Council, but you will see in paragraph 22 of our current report that we have looked at this and cannot think of any relevant matter omitted from the Unit's reports. They present a very full picture of the pay and other conditions of service of the analogue jobs.

The Board, within its present terms of reference, has in my view made a good start. As I have indicated above, and as is set out in our report, we have satisfied ourselves that the Pay Research Unit carries out its tasks with integrity and to high professional standards. But I should like us to be able to build on this initial achievement. I would see considerable advantages in some oversight by the Board of the principles underlying the comparison of pay and conditions of employment. The extension of the Board's role into this area would be a natural development.

As I explained at the meeting the way the information collected by the Unit is processed is a matter for the negotiators and is generally governed by the provisions of the Pay Agreement. There must be a presumption that the Service uses the data properly and that the principles governing the adjustments are sound. I have no reason to doubt that this is the case, but scrutiny and confirmation by an independent body would surely be of value in strengthening the public credibility of the system. If the Board found cause to make some critical comment on any of the principles applied within the pay research system, an informed debate resulting in the practices being defended and maintained or, where appropriate, modified, could only again strengthen confidence in the system.

I am certainly not suggesting that the Board should seek to become involved in the details of the negotiations - that would be neither possible nor appropriate in my view. But it would, I think, be useful if the Board were able, from time to time, to examine the principles governing the way in which data on pay and conditions of employment are taken into account by the negotiators. For example, I would like to have seen the questions of inflation-proofed pensions and job security referred to the Board as was originally envisaged, though I appreciate the considerations which led to the decision to set up a wider-ranging enquiry into the implications for the whole of the public sector. There may nevertheless still be a role for the Board to play when that enquiry has reported and the particular implications for the Civil Service fall to be considered. We may well want to say something in due course about the study on merit pay which the Unit is currently undertaking.

I fully recognise that the proposals I am making will raise considerable difficulties in obtaining the agreement of the Civil Service unions, who would see this development as a restriction on



their negotiating role. I think it is worth trying to achieve them in the public interest, but general acceptance of any pay system for the Civil Service by both management and unions is itself of considerable importance.

*Yours sincerely,*

*H. D. Shepherd*

SHEPHERD



PROPOSED TERMS OF REFERENCE FOR THE  
CIVIL SERVICE PAY RESEARCH UNIT BOARD

The amendments are shown underlined.

The Board shall:

- a. safeguard the independence and impartiality of the Unit in all its work, including any undertaken outside the provisions of the National Pay Agreement;
  - b. comment on any matters referred to it, or which it thinks appropriate, relating to the principles underlying the use of the data collected by the Unit for the negotiating parties;
  - c. receive an Annual Report from the Director about the work of the Unit and the discharge of the responsibilities laid upon the Unit and satisfy themselves that the Unit has exercised its responsibilities properly and efficiently;
  - d. discuss with the Director from time to time as they judge necessary points arising on the work of the Unit;
  - e. submit an Annual Report to the Prime Minister which would be published; and give guidance to the Director on the release of such information about the Unit's work and findings as is compatible with the effective operation of the system. In both contexts, the Board shall have a duty to take account of the need for confidentiality specified by co-operating organisations and the views of the National Whitley Council on the effect of disclosure on the subsequent confidential negotiations by the Official and Staff Sides on material provided by the Unit.
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