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10 DOWNING STREET

From the Principal Private Secretary

23 April 1980

KW  
24/4

FILE B/A <sup>Beanhall</sup> 8  
cc Mr Wolfson  
cc Mr Hoskyns  
Mr Langford  
= H.O. To see.

1) B/K 13-5-80  
for paper of  
date 1/5/80

See John,

PUBLIC SECTOR PAY POLICY

When the Prime Minister saw the Chancellor of the Exchequer yesterday morning on other matters, they discussed briefly the question of public sector pay policy for the next pay round, and the Chancellor described the work he had already commissioned on this. They agreed that it would be useful if the Treasury could prepare a paper which examined the problem of future pay policy throughout the public sector. This would necessarily be a wide-ranging exercise which, as far as possible, made due allowance for the differing circumstances between the different areas of the public sector: it would, for example, need to distinguish between comparability exercises affecting the public service sector and pay in the nationalised industries. It would also be necessary to take into account as far as possible the involvement of the various pay review bodies.

The Prime Minister would be grateful if the Chancellor of the Exchequer could circulate his paper in time for discussion at a meeting of Ministers to be held in the week beginning 19 May. Because of the sensitive nature of the subject the Prime Minister proposes to confine discussion initially to a group consisting of, in addition to herself and the Chancellor, the Secretary of State for Industry, the Lord President, the Secretaries of State for Employment, the Environment and Social Services and the Chief Secretary, Treasury. The group's conclusions will need to be referred, in due course, to E.

I should be grateful if knowledge of the preparation of the paper and of the Prime Minister's intention to hold a meeting of Ministers could be restricted to the smallest possible circle of people.

I am sending copies of this letter to Ian Ellison (Department of Industry), Jim Buckley (CSD), Richard Dykes (Department of

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Employment), David Edmonds (Department of the Environment), Don Brereton (DHSS), Alastair Pirie (Chief Secretary's Office) and David Wright (Cabinet Office). We will be in touch with you and them to arrange the time of the meeting.

Yours ever,

Alun Williams.

A.J. Wiggins, Esq.,  
HM Treasury.

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