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Civil Service
CAW



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cc:- C.Exch
LP
Emp

bc: Mr Hoskyns
Mr Vereker

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Civil Service Pay: Independent Inquiry

The Prime Minister has now been able to consider your minute A04957 of 20 May 1981 about the terms of reference for the independent inquiry on Civil Service pay, together with the comments of those to whom you sent copies of your minute.

The Prime Minister has two points of substance on the draft terms of reference attached to your minute:-

a. She thinks that the phrase "the management of the economy" in the preamble should be deleted. Both she and the Chancellor of the Exchequer have been at pains to make clear in their public utterances that the Government is not and cannot be responsible for the entirety of the economy. Rather, the Government is responsible for only certain areas of the economy such as public finance and the control of the money supply. She is concerned that this phrase might give the opposite impression.

b. She agrees that the terms of reference must make it clear that the inquiry is primarily about pay and is not meant to be another Fulton and she is accordingly content with the use of the term "pay-related". But she thinks the phrase "structure and grading" is rather too narrow and she would prefer "management structure and practice". She believes that this would take more account of the factors which the Priestley Commission referred to when they complained about the narrowness of their terms of reference.

The Prime Minister has also made a small change to the opening words of the terms of reference proper in order to simplify them slightly.

The terms of reference as amended by the Prime Minister are now as follows:-

"Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public

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expenditure and its responsibilities as an employer; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service should be determined, and on pay-related questions of management structure and practice".

The Prime Minister hopes that we can now settle on the terms of reference in their form above. But if you or any of the other recipients of this minute have any further comment of substance, she would of course be ready to consider it.

I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment.

C. A. WHITMORE

22 May 1981

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