

cc. A. Duguid



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From the Private Secretary

16 May 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
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Dear Tim,

Thank you for your letter of 14 May recording the outcome of the Prime Minister's meeting yesterday with Lord Shepherd and others. The Lord President thought it might be helpful in preparation for the forthcoming Ministerial discussion of public sector pay for me to send you our comments on some of the points which were raised on Wednesday.

The Pay Research Unit Board does have an important role in relation to the choice of analogues. In making clear that the Board itself does not choose each and every analogue Lord Shepherd seems to have understated the very close interest which the Board is fully entitled to take and in fact has taken in the Unit's methods of selection. The Board made extensive comments on these in their 1979 Report and have returned to the subject in their 1980 Report, reviewing the progress made by the Unit in response to the recommendations made last year. In fact the Board spent some considerable time reviewing in detail the way analogues were selected in a number of particular surveys. There is no limit to the Board's ability to interest itself in and influence the whole data collection process.

The Lord President believes, however, that there is further scope for developing the role of the Board and that this could help further to re-inforce the integrity of the system. As the Prime Minister knows, at one stage it was intended to give the Pay Research Unit Board a role in the valuation of pensions and of job security, but in the end the Government decided that a wider enquiry covering the whole public sector would be preferable.

As to the points raised by the Prime Minister, we have been carrying out work touching on all the areas which she mentioned as being possibly ignored by pay research. The scope for merit pay in the Civil Service is being studied and we shall be looking at some of the main possibilities before the recess; we are also working on proposals about performance-related range pay in the

higher Civil Service. Job security already enters into the final stage of pay negotiations, and we shall be looking to the public sector pensions enquiry for advice on any further steps which can be taken to ensure this factor is given its full value. E. Committee considered in February how pay research could be refined so as to relate Civil Service pay more closely to market rates. They commissioned a feasibility study on how to reflect regional pay differences. This has just been completed so we will have something to go on.

The Lord President thought the Prime Minister might find it useful to know how far things had been taken on these various matters.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY