

Mr Verker



CIVIL SERVICE PAY RESEARCH UNIT BOARD
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CHAIRMAN
The Rt Hon Lord Shepherd P.C.

20 March 1981

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

M. Thatcher

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I have just received a letter from Lord Soames indicating that you wish me to carry on as Chairman of the Civil Service Pay Research Unit Board for the time being, whilst the future procedures for civil service pay are being settled. In all the circumstances of course I am prepared to continue.

You will remember when we met in May last that we discussed some ideas for changes in the present system. I have since given further thought to this and at the request of Lord Soames I earlier this week gave him a note containing my views on a possible new system. I also summarised in a letter to him the main thrust of the proposals and I think it right to set these out for you. They are:

1. The pay results of comparability surveys would not be applied automatically but account taken of other factors including economic and market conditions.
2. There would be specific data including not only absolute pay levels but also trends.
3. This specific data would enable account to be taken of factors such as pensions, job security, fringe benefits, uprating and the like, but the Board, not the negotiating parties, would process the data and indicate how these items had been taken into account. In effect this would entail a review by the Board of all the sensitive items in the pay package and I consider it unlikely that the existing formulae for dealing with them would be retained. The reports issued on this basis would also enable a very quick assessment of the order of magnitude of civil service pay settlements indicated by the data.
4. The Trade Union and Official Sides would not receive unprocessed data. Individual company reports would not be issued to the negotiators who would no longer be responsible for interpreting the detailed data.

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5. The Board would openly publish the pay data and how it had taken into account the various factors affecting pay. This in itself would force a discipline on the negotiators, and departure from the Board's views would need to be justified.

6. The system would stop at Principal level and the interface problem with the higher civil service would be eliminated. This is a more natural break point and would reduce many of the arguments about the validity of job comparisons. Also it is above this level where the incidence of fringe benefits becomes most marked.

7. The pay settlement date would be changed so as to be nearer the end of the 'pay round' and if possible to reduce any adjustment required to relate it to the dates of the data.

8. The Board, not the Director, would have executive responsibility for the basis and conduct of the surveys and the information provided. This, with the extra role given to the Board, would significantly increase the 'independent look' of the system.

I have given a great deal of thought to these matters and I am convinced that the proposals given to the Lord President provide a realistic way forward.

SHEPHERD

Yours very sincerely
T. A. R. Shepherd