

Copies to Mr Hoskyns  
Mr Vacker.

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MR. WHITMORE

Civil Service Pay: Independent Inquiry

The Prime Minister's meeting yesterday had before it the draft terms of reference for the independent inquiry which I put forward in the middle of last month. The meeting gave the draft a general blessing; but that related mainly to the second section - the reference - and Mr. Hoskyns has rightly reminded you that the Prime Minister wanted the preamble modified to take account of the points made in Mr. Lankester's letter of 27th April.

2. These points were:-

- (i) She wanted to delete the reference to a "fairly remunerated" Civil Service. I understand her fear that that seems to give too fair a wind to "fair comparisons". But it is possible to have fair remuneration without fair comparisons. It is possible of course to argue that "fair remuneration" is implicit in "efficient" because the Government will not be able to recruit and retain an efficient Civil Service unless it is paying enough to compete on reasonably equal terms with other employers for the sorts of labour it requires, and in that sense "fairly remunerated" is tautologous. But that argument cuts two ways: it can be argued that we don't need the words because the thought is already implicit, but it can also be argued that we lose nothing of substance by adding the words in the context of an efficient Civil Service. Their inclusion would certainly reassure civil servants - including those who have continued to work normally in recent weeks. I have left them out of the revised draft attached, but it is for consideration whether the Lord President should be authorised to bring them back in again, if in his discussions with the unions it seems to him advantageous to do so.

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(ii) The Prime Minister included a reference to "the control of inflation". If we are going to go beyond a reference to the control of public expenditure I think that it should be generalised to something like "the management of the economy": inflation is not the only other element in the picture.

(iii) I can understand that the Prime Minister does not wish to refer to the Government's "obligations" as an employer; but "role" is a very neutral word, and I think that, if we refer to the Government's responsibilities for the control of the economy and public expenditure, we should refer to its "responsibilities" as an employer.

(iv) The Prime Minister proposed the <sup>deletion</sup>insertion of a reference to "the need to maintain good industrial relations and to avoid disruption". I very much agree with the thought, but I wonder if the words go far enough. I think that the maintenance of good industrial relations could be regarded as subsumed in "the Government's responsibilities as an employer" (though I know that it takes two sides to maintain good industrial relations); and that, if we are to include the point about avoiding disruption (with which I agree) we should put it positively: providing the sort of service the Government and the public needs to have.

*Deletion  
I don't want  
that awful  
phrase*

3. At the Prime Minister's meeting yesterday, Ministers decided in favour of terms of reference which covered "structure and organisation ... in respect of pay and grading". It has been suggested to me by the Treasury and the Civil Service Department that this should be covered after rather than before the reference to principles and system of pay determination, so as to emphasise that the inquiry is primarily about pay and is not meant to be "another Fulton".

4. With all these points in mind, I offer the revised draft terms of reference attached.



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5. 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.

RA

Robert Armstrong

20th May 1981