

ce: W. Ashby

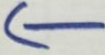
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PRIME MINISTER

Chancellor's Paper on Pay

I attach the draft of the Chancellor's paper on pay which you wanted to see before it is circulated.

On the whole, this paper seems sensible. However, I do not think conclusion v. on the question of comparability is satisfactory. It recommends that "the whole question of comparability for the public services as a permanent feature should be left open pending the outcome of the present round of references to the Clegg Commission." This won't do because the present round of references, culminating in the teachers, will not be completed until early 1980. And yet, there may be suggestions well before then that additional groups should be put to the Commission. In my view, it should be possible to reach at least a provisional decision on the long term future of Clegg when the first five references have been completed (by the early autumn.) A further argument for looking at the long term future of comparability in the autumn is that the Government will have to take a view on the PRU and the review bodies ^{before they} operate in the next pay round. A case can very well be made that PRU, the review bodies and Clegg should - at least at some stage - be brought together, so that the same comparability principles are used throughout the public services. By putting off the review of comparability until next year, any such bringing together is effectively ruled out until then. (Indeed, it is rather odd that there is no mention of PRU and the review bodies in the paper.)



Clegg }
Rev. }
PRU }

Tim: This is a very poor paper and we can only

charitably assume that the Treasury is "otherwise occupied" at the present.

25 May 1979

It must be a holding operation - and we certainly can't wait until Clegg has finished all his work.
It is important that (i) we set up a Council of Economic Advisors in 1980 or so as a result of the P. 100

budget and

(ii) we get CPRS rolled out (my job

(Gen) and an effective economic action

then to consider this whole question - including
monopoly power.

You can witness stand - especially the need
reference to other 'competitibility' bodies, and
therefore the discussion will need to be brief
I suggest that - conclusion (iv) stands (disturbance
or forum) and that -

(v) be amended

that. Further action on the legal commission
be reserved until the first 'five' references
have been completed.

could (vi) that - any new consideration of public bodies
may claim must also include PRU +
other review bodies.

(vii) that 'competitibility' be considered in relation
to its effect on action.

See no need - for (i) (ii) + (iii) in view of
concern on a C.E.P. + C.P.S.

040
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Ed. M. Haskins



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

24 May, 1979

Dear Tim,

PAY : PAPER FOR E COMMITTEE

..... I attach a draft paper on Pay for E Committee, which the Chancellor has approved. I should be grateful if you could let me know whether the Prime Minister is content by mid-day on Tuesday 29th May.

I am copying this letter to Ian Fair and Andrew Duguid. The Chancellor would also be grateful to know if their Secretaries of State are content.

Yours ever,

MA

(M. A. HALL)

Tim Lankester Esq,

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24 MAY 1974

11 23
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cc D/EMP
D/I
CO

Ecan PD

bcc Hoskyn
Wolfson

10 DOWNING STREET

From the Private Secretary

29 May 1979

Pay: Paper for E Committee

The Prime Minister has now considered the draft paper for E Committee which Martin Hall sent under cover of his letter of 24 May.

In the Prime Minister's view, the draft does not provide an adequate basis for Ministers to advance their thinking on pay matters very far. She therefore feels that the E Committee discussion next Friday can only be brief. The Prime Minister has the following specific comments:

(i) She does not think that paragraphs 1-3 contain sufficient "principles" to warrant conclusion i in paragraph 13; she suggests that this conclusion be deleted.

(ii) Likewise, she considers there is insufficient substance in paragraph 5 to warrant conclusion ii in paragraph 13, and she would like this deleted also. Furthermore, she has questioned the statement in paragraph 5 (c) that "the local authorities would themselves be left to negotiate without interference". The Prime Minister's view is that the Government must bring some influence to bear upon local authority negotiators since it is the Government which pays much of the local authority wage bill.

(iii) As regards conclusion iii, the Prime Minister does not doubt that a study of how pay/price questions in the nationalised industries should be handled is needed. However, she would like to consider further the question of who should co-ordinate the preparation of this study; and therefore this should be left open in the paper. She has also commented that before the study gets under way, Ministers will need to have more details of what it is proposed the study should look at.

(iv) As regards conclusion v, the Prime Minister does not think that it is possible to await completion of the current round of references to the Clegg Commission before the whole question of comparability is considered. She understands that the reference on teachers pay will not be completed until early 1980; in her view, it will be necessary to take a view on the future of Clegg well before that. She also thinks that Ministers will need to take a view on the future of PRU and the review bodies

before they start working on next year's pay round; and that this consideration will need to take into account the possibility that - at some stage - PRU, the review bodies and the Clegg Commission should be brought together. The Prime Minister has therefore suggested that conclusion v should be amended to read as follows:-

"To agree that further action on the Clegg Commission be reserved until the first five references have been completed".

She has also suggested that this should be followed by two additional conclusions:-

"That any consideration of public sector pay policy must include consideration of the future of PRU and the review bodies".

"That comparability be considered in relation to its effect on inflation".

The Chancellor will wish to be aware that, to help Ministers in their thinking on pay and other economic issues, the Prime Minister has it in mind to set up a Council of Economic Advisers as soon as possible after the Budget; she will of course wish to discuss this with the Chancellor. The Prime Minister also intends that the CPRS should contribute to the further work which is needed on policy in relation to pay.

I am sending a copy of this letter to Ian Fair (Department of Employment), Andrew Duguid (Department of Industry) and Martin Vile (Cabinet Office).

T. P. LANKESTER

Tony Battishill, Esq.,
H.M. Treasury.