

CONFIDENTIAL

22 September, 1981
Policy Unit

PRIME MINISTER

c.c. Mr. Hoskyns

Review Bodies

The future of the Review Bodies was not discussed at your meeting on the CPRS pay report yesterday; but I think it is important to give some thought to it before it is too late to affect the way they report this year.

The CPRS were particularly concerned about the continuation of comparability for the Armed Forces. Certainly to again provide for an extension of the MOD's cash limit in order to finance an Armed Forces pay rise out of line with the 4% planning factor would make settlements elsewhere in the public services much harder. Problems will arise with the other Review Bodies too. Before the reshuffle, Mr. Jenkin told the Chief Secretary that it might be necessary to give the DDRB a constrained remit for this year, so that they simply recommended on the distribution of a total fixed amount. Faced with such a request, the DDRB might of course resign. And the future role of the TSRB is already within the terms of reference of the Megaw Inquiry: the handling of the TSRB recommendations this year will undoubtedly raise difficulties because they have already threatened a full and public report.

We think that Review Bodies are a hangover from the days of comparability: they don't easily co-exist with cash limits; and it is hard to see them co-exist with any new pay determination systems based on market forces. We ought therefore to be thinking about:-

- (a) either abolishing them altogether before they get down to reporting this year, or at the very least putting them into cold storage; and

/ (b)

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- (b) what would be needed to replace them, given that in each case they undertake important and difficult tasks other than the determination of overall levels of pay.

Officials are already looking at the general problems posed by Review Bodies in this pay round, with a view to a discussion in EPSP early in October. If you agree, I think it would be helpful for Tim to write to the Chancellor's Office saying that you are concerned that the continuing existence of the Review Bodies may threaten our public service pay objectives this year, that work should be put in hand on what would be needed if they were either abolished or suspended, and that you would like to discuss the issue with the Chancellor before EPSP takes any decisions.

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The possibility of a look
could work - great hostility - ought
we not ... to look at them
basis of reference to some extent
to remain in not one of
pure expediency?
not

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