

CONFIDENTIAL

Prime Minister

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MR SCHOLAR

Content for me to write as

at X? **Yes**

cc Mr. Hoskyns

The Pay Review Bodies

Agree that the review bodies should be allowed to report in the usual way?

Yes

You asked for my comments on the Chancellor's minute of 30 October, which was seen by the Prime Minister over the weekend.

Agree to meeting the review bodies Chairman, with the Chancellor, as proposed at Y in para 4 of

I think this minute requires a reply. The pay review bodies report to the Prime Minister, and in a sense she is directly responsible for them; the Chancellor is reporting to her, as he is required to do, the conclusions of the Ministerial sub-committee on public service pay, and the Prime Minister now needs to indicate:-

- a) Whether she agrees that all three review bodies should be allowed to report in the usual way; and
- b) Whether there should be a review by officials on the scope for modifying the Government's commitment to comparability between Service and civilian pay.

May I speak to the Chancellor, MS 6/11
The Chancellor's minute?
about this. We cannot do it-

As the Prime Minister knows, I have long argued that the review bodies are a hangover from the era of comparability, and that their continued operation threatens our market based approach to public service pay. But the Ministerial sub-committee was presented with cogent evidence of the difficulty of replacing them, and if the Chancellor himself is not prepared to recommend their suspension or abolition, then I think we must accept that they will be allowed to report in the usual way this year. The Prime Minister at an earlier stage commented that she hoped their terms of reference could be amended to ensure that they took more account of, for instance, market forces and the national interest; officials examined this carefully, but concluded that - apart from submitting evidence to them in the usual way, and from talking privately to the review bodies chairmen, - there was no means of

It seems to me more a matter of...
Yes
Yes
What for?
Just
not

/influencing

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influencing their recommendations in this way. So I think that it would be right for the Prime Minister to agree that they should report this year, but that she should make it absolutely clear that this is without prejudice to whatever decisions Ministers might take on the implementation of the reports.

The proposal that officials should look at the scope for modifying the commitment on armed forces pay is unlikely to lead to more than a report recommending no change unless there is a clear indication from Ministers that they are prepared to look at this afresh. I hope to participate in the official group; it would greatly increase the likelihood of that work being useful if you were able to say, in your Private Secretary letter responding to this minute, that the Prime Minister agrees that the time has now come to look again at the way in which the Government's commitment to armed forces pay might cover recruitment and retention factors.

3 November 1981

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