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Secretary of State for Industry

23 December 1980

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1

*Dear Geoffrey..*

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3/12*

1 When we discussed TSRB issues at E last week I undertook to put to you my argument that our evidence should rebut any assumption that those concerned should be entitled in due course to "catch up" whatever a Review Body had recommended which was not in the event paid.

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2 There are two arguments to support this rebuttal: (a) setting pay by comparisons with analogues involves a lot of subjective judgement and is dubious in principle. For example analogues will usually have much less job security; (b) public servants are always at liberty to move into the private sector if they prefer the pay and conditions there. Indeed the Government is seeking to encourage the country's best talent to enter productive employment; this will inevitably mean reducing the relative attractiveness of employment in the public services.

3 These arguments do not apply to nationalised industry Chairmen and Board Members who will in future not be subject to the TSRB regime. The considerations which apply to them must of course be those of the market place and the ability to recruit and retain people of the right calibre.

4 I am copying this letter to the members of E Committee and to Sir Robert Armstrong.

*Eun.*

*Kari*