

for J. V. ...

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NOTE OF A MEETING HELD IN THE PRIME MINISTER'S ROOM AT THE HOUSE OF COMMONS AT 1800 ON THURSDAY 15 JANUARY 1981

Top copy: Econ. Pol. Part 2
TSRB reports

Present:

Prime Minister

Chancellor of the Exchequer

Lord President

Sir Robert Armstrong

Mr. T. Lankester

Lord Plowden, Chairman of the
Top Salaries Review Body (TSRB)

The Prime Minister said she had invited Lord Plowden to discuss the forthcoming review by the TSRB on senior public servants. In undertaking the review, she hoped that the Review Body would take fully into account the general economic circumstances facing the country. The private sector was suffering considerably more than the public sector: as one example, redundancies in the public sector were running at a far lower rate proportionately than in the private sector. Furthermore, private sector settlements were now taking place at a low level - and, particularly taking into account reduced overtime, in some cases earnings were actually falling. In order to moderate the burden on the private sector, it was crucial that the Government should contain public spending. A crucial element in this was public service pay; and although the pay of the groups coming within the TSRB's remit did not have a big direct impact on expenditure, increases for these groups had an effect on settlements elsewhere in the public sector and therefore they had a major indirect effect on spending.

The Prime Minister noted that the TSRB's terms of reference were very wide. In addition to taking into account the general economic background, she hoped that the review would not rely too much on backward-looking comparability; instead, she hoped that they would take into account the actual level of settlements now taking place. She also hoped that they would take account of job security - redundancy figures for recent years suggested that this was much greater in the public sector than in the private sector - and pay factors for cash limits in the Civil Service which would be announced shortly. Finally, she hoped that it would be possible

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for the review to start from the figures which were implemented in 1980, rather than from the previous year's recommendations.

The Prime Minister went on to refer to the offer in Lord Boyle's letter of 21 November that the Review Body might provide advice on how a limited amount of money might best be distributed. The Government might want to pursue this possibility. There was also the question of whether the salaries of the judiciary might be examined separately. Given the difficulty that the Lord Chancellor was now having in filling some of the more senior judicial posts, there was a case for providing larger increases for some members of this group than for the other groups covered by the TSRB - just as exceptions had to be made for the Armed Forces and the police. A separate examination of the judiciary's salaries might make it easier for the Government to treat them rather differently.

The Prime Minister then handed Lord Plowden a copy of the draft letter which had been circulated under cover of Sir Robert Armstrong's minute of 15 January, reference A03999.

Lord Plowden said that he understood the arguments set out by the Prime Minister and he would like to be as helpful as possible. But there were difficulties. The TSRB was in a different position from the other Review Bodies in that their recommendations for 1980 had been accepted in full whereas the TSRB's had been reduced by about half. Consequently, the TSRB already had recommendations on the table which they thought had been right for 1980. To implement them fully in 1981 would mean an approximate 12% increase without any further up-dating. It would be extremely hard to persuade one or two of his colleagues that this year's review should start from the figures which were implemented the previous year. If the figures as recommended for 1980 were broadly right, then they could hardly recommend lower figures for 1981. The Review Body members were conscious that the TSRB had been set up as an independent body, and to do as the Prime Minister had suggested would be seen as compromising that independence.

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Lord Plowden went on to say that, while Lord Boyle's letter had suggested that the TSRB might advise on how a limited amount might best be distributed, he did not believe they would go along with doing this alone. They would have to make some reference to the appropriateness of the previous year's recommendations. On the other hand, if they were to make new recommendations - starting from last year's recommendations - the magnitude of the increases which they would recommend would be very considerable. In the circumstances, he suggested the following possible approach. The Review would point out that their 1981 recommendations had not been implemented and recommend that they be implemented as soon as possible. It would go on to make suggestions, in so far as the Government felt unable fully to implement the 1980 recommendations, about the relative pay of different grades within the various groups. These suggestions would not be quantified; rather, they would give an indication of general priorities. Finally, the Review would say that, if the Government so wished, they would be prepared to advise on how an overall cash figure might be distributed.

Lord Plowden said that if Ministers found this approach helpful, he would need to consult other members of the Review Body before taking it any further. He would then report back to the Prime Minister. It could then be decided what kind of letter the Prime Minister might send him: clearly, the present draft would not be altogether appropriate. It would also be for discussion whether the letter should be published: his present view was that publication would be helpful.

On the question of the judiciary, Lord Plowden said that the 1980 recommendations for some members of that group had probably not been high enough. If the Government so wished, he was sure that the Review Body would be prepared to undertake a separate examination of their salaries.

The Chancellor said that, in his view, the general approach suggested by Lord Plowden seemed helpful. In particular, if the Government decided that it could not afford to implement in full last year's recommendations, it would be useful to have advice on how a smaller amount might be distributed. In deciding how much

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could be afforded for the TSRB groups, the Government might take into account the fact that they were the only ones whose recommended increases in 1980 had not been fully implemented; consequently, there might be a case for allowing them to have slightly larger increases than the 6-7% that the Government was likely to be aiming for for the Civil Service.

The Prime Minister said that there was likely to be a major problem if the Armed Forces Review Body recommended large increases. Because the Government was committed to implementing their recommendations, this could all too easily lead to a further big squeeze of differentials between senior officers and lower grades. There was not same problem in respect of senior civil servants because PRU had been suspended and the Government would be negotiating directly with the Civil Service Unions within a low cash figure. Lord Plowden replied that there was indeed likely to be a problem if the AFRB were to come ^{up} with very high recommendations. But he believed Sir Harold Atcherley, the Chairman of AFRB, understood this. He would be seeing Sir Harold, along with Sir Robert Clark, the following Monday, and he would indicate to him the Government's general thinking on the TSRB Review.

Summing up, the Prime Minister said that she believed that the approach he had suggested was likely to be the best available. She suggested that Lord Plowden, after consulting the other members of the Review Body, should get in touch in the first instance with Sir Robert Armstrong. The form of the letter which she would send to Lord Plowden, and whether or not it should be published, would be for further consideration.

The meeting ended at 1900 hours.

PL

16 January 1981