

SUBJECT

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NOTE OF A MEETING BETWEEN MINISTERS AND THE CHAIRMAN OF THE ARMED FORCES REVIEW BODY AT 10 DOWNING STREET ON WEDNESDAY, 21 JANUARY 1981
1030 HOURS

Present:-

Prime Minister	Sir Harold Atcherley
Chancellor of the Exchequer	(Chairman of the Armed
Secretary of State for Defence	Forces Pay Review Body
Sir Robert Armstrong	(AFPRB))
Mr T P Lankester	

cc AFPRB
file

The Prime Minister said she understood that Lord Plowden had reported to Sir Harold Atcherley on her meeting with him about the Top Salaries Review Body (TSRB). The Government's decision not to implement the TSRB's 1980 recommendations had given an important lead to other settlements, but it had left over some special problems for this year's TSRB review. In so far as the AFPRB's 1980 recommendations had been fully implemented, the same problems did not apply in their case. But the Government still remained concerned that the AFPRB should avoid coming up with recommendations which might cause difficulties for public spending and for settlements elsewhere. She hoped that they would take fully into account the need to contain public spending; and the general situation in the private sector where recent pay settlements had been very much lower and where the bulk of the current redundancies were occurring. The Government fully accepted that armed forces personnel should have pay comparable to their counterparts outside; but she hoped that the AFPRB would not apply comparability too narrowly. Relative job security, the influence of short-time working on earnings and cost-cutting generally in the private sector, the levels at which claims were currently being settled rather than just settlements over the previous year, and the impact of their recommendations on settlements elsewhere, were all factors which she hoped they would consider. She believed that morale in the armed forces was high, and the Government had made it clear that armed forces personnel, along with the police, would be given priority on pay matters. At the same time, it was important to maintain public support for the armed forces: an excessive pay settlement could cause some public resentment in present circumstances, and put that support at risk.

/The Prime Minister

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The Prime Minister went on to say that she had earlier had it in mind to send all three review bodies a letter setting out the Government's views. Neither Lord Plowden nor Sir Robert Clark had been in favour of this, and she now did not believe that it was necessary or desirable in the case of the AFPRB.

Sir Harold Atcherley said that he and his colleagues on the Review Body fully accepted the Prime Minister's general line of argument, and the need to take into account the general economic situation. Although comparability was an important element in their approach, it was not the only factor. They did take account of the more general question - "What level of settlement would make sense for the armed forces and the taxpayer?" They were aware of certain dangers in using comparability - for example the risk of circularity in the surveys which were conducted. He wanted to emphasise that the Review Body did not use comparability in a mechanistic way. They would certainly take into account the job security argument. It was almost impossible to quantify this, but they still had to make a judgement on it. They would also take account of the fact that pay settlements and earnings increases - when account was taken of reduced overtime - were coming down fast. With his own and some of his colleagues' experience of industry, they were very aware of this. Their own surveys produced information only up to 1 January, but they would also be able to take account of settlements expected after 1 January while they were conducting their review.

Sir Harold went on to say that it was clear from the visits to different units which the Review Body members had already made that senior officers only wanted to be sure that their personnel were dealt with fairly in relation to the outside world having regard to all the relevant circumstances. They certainly did not expect - in the light of current economic circumstances - an exaggerated settlement. Morale and recruitment in the armed forces were now excellent. The only general problem concerned retention. Training costs were being inflated by a continuing high level of turnover in certain areas. There were also some specific shortages of personnel in the more technically based, skilled jobs: these reflected national shortages, and would need to be taken into account by the Review Body. But their aim was to keep the pay structure as simple as possible.

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/The Chancellor

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The Chancellor of the Exchequer and the Secretary of State for Defence associated themselves with what the Prime Minister had said. The Defence Secretary said that he had not been long enough in office to form a comprehensive view of what the services themselves would feel, but he believed that Sir Harold Atcherley's judgement on that was well-founded.

Finally, the Prime Minister asked when the review would be completed. Sir Harold replied that it was their aim to complete it by 1 April. In recent years this had rarely been achieved - partly because of delay in obtaining the necessary submissions from MOD. It would be much better for service morale if this year's report could be completed on time.

TL

22 January, 1981

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FILE

28 January 1981

I understand that you wanted to have a copy of the record of your meeting with the Prime Minister last week. I am sorry not to have got back to you earlier on this.

The Prime Minister has now given her approval to your having a copy (see enclosure); but I must emphasise that this is on an entirely personal and confidential basis.

T P LANKESTER

Sir Harold Atcherley

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