

PERSONAL



10 DOWNING STREET

*From the Principal Private Secretary*

28 January, 1984.

Many thanks for your letter of 25 January. I had not meant to put you to the trouble of writing to me about the press reports, but it is interesting to know the background, and I enjoyed reading your account of your appearance before the TSRB. It does not sound all that different from appearances before the Treasury Select Committee!

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PERSONAL

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25 January 1984

TSRB

You mentioned to me this morning the Press reports about the claim for "£6,000 rise" for senior Civil Servants - I imagine you had in mind the attached piece from yesterday's Daily Mail.

We had made some enquiries informally. What seems to have happened is that the reporter got hold of a copy of the evidence which the CCSU had put to the TSRB in connection with their current review, and, very likely with the help of somebody from the CCSU or the FDA, tried to put some numbers on some of the CCSU arguments. The CCSU paper itself does not, as the report says, mention any specific figures. But it talks about a "shortfall" in the TSRB recommended increase for last year (which amounted to 6.9 per cent, against a CCSU claim that salary movements in the private sector over the relevant period were about 11 per cent) and it could be that the Daily Mail took this 4 per cent "shortfall", added to it say 6 per cent for private sector movements between April 1983 and April 1984, and came to about 10 per cent - though even here one has to round pretty generously to arrive at a "£6,000 rise"; 10 per cent on even the highest TSRB pay rates is only £4,800. The further reference to £20,000, of course, results from making play with salaries of special appointments such as Monty Alfred and the Head of the new Audit Commission (and possibly Press reports about the possible pay of the new Griffiths post in the NHS) which with some generous rounding upwards could just lead the author to a figure of £20,000.

As I told you, faced with the flat question I had to say that by our criteria there was not a great case for any increase at all. You may like to glance at the attached internal record I prepared after the hearing.

E P KEMP

PERSONAL

Daily Mail, Tuesday, January 24, 1984

## Men of Whitehall 'need £6,000 rise to end braindrain<sub>2</sub>

By Industrial Editor

**MASSIVE** pay rises are needed to stop the brain drain of top Whitehall mandarins to private industry boardrooms, say the Civil Service unions.

In a report to the Top Salaries Review Body they set no figures.

But increases up to £6,000 a year would be needed to meet their claim for an award that matches the private sector and recovers the shortfall in last year's pay round.

In some cases, it would take rises of £20,000 a year to match the salaries of outsiders recruited to top posts previously held by Civil Servants.

Increases of this sort would soar far beyond Mrs. Thatcher's 3 per cent. public sector limit and trigger a major political row.

But the Council of Civil Service Unions argue that poor pay compared with the private sector is causing growing problems of recruiting and keeping high-calibre Civil Servants.

This year, only 47 administration trainees were accepted to fill 60 vacancies. And in 1982, 173 principal, senior principal and assistant secretaries quit voluntarily.

The inadequacy of top salaries has meant diminished career prospects for the high-flyers.

This has been reflected in the Government's attempts to recruit outsiders to top Whitehall jobs.

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FROM: E P KEMP  
19 January 1984

MINISTER OF STATE

cc PS/Chancellor  
Sir Peter Middleton  
Mr Bailey  
Mr Anson  
Mr Pearce  
Mr F K Jones  
Mr K T King  
Mr St Clair  
Miss Sinclair  
Mr Carter  
Mr Ridley  
  
Mr Le Cheminant - MPO

TSRB

Mr Carter and I duly appeared before the TSRB this morning. The proceedings were by no means dull. I will not try to recapitulate everything that was raised, but you may be interested in the following main points :-

- a. Some shift in stance in the Government's evidence was detected by some members of the TSRB towards more emphasis on recruitment, retention etc than previously. I said that the Government did take the view that recruitment, retention etc were extremely important factors, and that while "comparability" and what was happening elsewhere had a part to play it should be a less important part than it sometimes played previously. I made the point that, as a newcomer to this scene, I thought that the TSRB had perhaps paid too much attention to movements elsewhere in the past.
- b. There were some rather confused questioning which did not appear to us to distinguish very clearly between "fairness" and other pay factors. We replied that in the long-run no doubt "fairness" was a material factor, if only because pay movements which were perceived over too long a period as "unfair" would have their effects on recruitment and retention and motivation. But this was not necessarily the case in the short-run.

- c. There was questioning about the role of the 3 per cent pay factor. I said that this was not a norm or necessary limit so far as individual settlements go. But it was an important and meaningful indication of what the Government thought could be afforded.
- d. Some play was made with recruitment at the AT level. We explained that if there was a problem here, it was not clear that operating on the pay of TSRB groups was the right answer - a more direct answer would be to operate directly on AT pay. In any case it was not necessarily so that pay was the problem.
- e. On behalf of the lawyers there was reference to the remarks in our evidence about circuit judges and the increased difficulty of getting them; did this mean that we would not object to increased pay for these people? I replied that it of course fitted with our general thesis about recruitment and retention that in these circumstances improved pay might be the answer; but only, of course, if it could be shown that the difficulty of recruitment was due to pay and not to other factors. More generally, throughout the hearing, we sought to emphasise that pay was only one element of the employment situation so far as civil servants (and indeed anyone else) goes, and other factors could be very important.
- f. There was questioning about the reduction in the size of the Civil Service with particular reference to the higher Civil Service, and how this had come about. I explained that following Wardale there was a problem about reducing numbers of individuals in line with the reduction of posts, but that this had been wholly brought about by natural wastage together with the operation of the various early retirement and other schemes. Where people had to be leant on rather harder to go, the financial compensations were pretty generous. In answer to a question I confirmed that it was difficult, in Civil Service terms, to get rid of somebody on grounds of limited efficiency, whether absolute or relative, if he refused to go despite financial blandishment.

- g. There was only incidental questioning about merit pay and the like. I said that these were matters the Government had under review.
- h. There were questions about our position on the date for pension purposes of the 1983-84 pay increases. I said although there were precedents, there never had been any rule that pay should automatically be backdated for pension purposes. For the future it was certain that the Government would want to try to establish the general rule - albeit departed from from time to time - that for pension purposes amounts in payment would count, and there would be no backdating. But I said that it was true that the position so far 1983-84 went was under review, having regard to the claim that there had been a change in policy sprung on people unexpectedly.
- i. There was some rather curious questioning about the status of our evidence; was it merely a view of officials or did it represent Ministers' view? I said that it represented the view of Treasury Ministers. Going on from that there was questioning about whether it represented a view of Treasury Ministers qua those responsible for the macro-economy etc, or whether it was their view qua employer responsible for pay and some other ex-CSD matters. I said that while from time to time we had to recognise there could be a tension between these two roles, in the present case the evidence represented the view of Ministers wearing both hats.
- j. There was some question whether the development of the FMI, coupled with the "cull" of posts in the Open Structure, meant that the job weight of remaining posts in the Open Structure had increased. I replied that job weight in the Open Structure was always fairly heavy. But the particular developments referred to did not necessarily mean it had increased. Part of the "cull" came from the cutting out of work done. Part of the thrust of the FMI was to push decision-making etc down the line. It may be that these factors changed the quality of some of the work in the Open Structure, but we saw no reason to agree that they increased its weight.

k. Finally, we were asked (in fact by Sir Robin Ibbs) whether having regard to the line we had been taking both orally and in writing, we saw any justification for any increase in the pay of TSRB groups in this review. I replied by saying I had no instructions on this matter, and that my view would be a wholly personal one. On that basis, my view had to be that one could not see much case, against the criteria we had advanced, for any increase in the pay of these groups this year. I said that such a move would cause discontent and obviously could not be sustained over any period of time without adverse effects on recruitment, retention, quality and motivation. But in a shrinking Civil Service for instance, where we were already looking for improved measures to encourage less good people to go, the case for any increase (and I meant in money terms, not real terms - a point drawn out in questioning) was not at all strong.

2. I am not at all clear what effect, if any, our evidence will have. My impression, however, is that we may have administered a useful antidote to some of the things the CCSU (who appeared just before us) may have been saying both in some particular and in some general areas; and that my last remark about nil increases, while perhaps it will not be taken too literally by the Body, may have been effective in representing a contrary, even if (to their mind) extreme, view contrasting with the ideas of the CCSU who may well have been bidding for 10 per cent or thereabouts.



E P KEMP