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Mr. Chive to see PA.

cc Mr. Vereker

(1)

MR. SCHOLAR

Prime Minister

ARMED SERVICES' PAY

You saw these papers yesterday, but I am not sure whether you wish me to write as

1. I have seen John Vereker's note about the official report and the way John Nott has reacted to it. John Nott seems very wary of making any changes in the present arrangements. He does say, however, that he would "not object to the adoption of a different emphasis of the AFPRB's deliberations". But he would not wish to draw attention to it publicly.
 

*John Vereker suggests. Alan now supports.*
2. For my part I agree with John Vereker that it would be best to proceed on the basis of para 26(ii) - a public announcement of the change of emphasis. This indeed could be construed as an elaboration of the commitment which the Government made on comparability. We should ask the AFPRB, however, to give great weight to the retention and recruitment criteria. This could be represented as similar to those criteria which we accept as relevant in settling Civil Service pay.
 

*Agree (write as at X in JV's note?) MS25/3 No = Mr*
3. I do not see the Secretary of State's objection to a formal statement that these criteria should be the main ones in the AFPRB's deliberations. In particular this would be very important in re-arranging relativities so that on the one hand we can recruit adequately the skills that are needed, and on the other, we do not create the problem of invidious choice among an excess supply of applicants.
4. The Secretary of State seems to fear in para 5 of his memorandum, that such a statement might cause alarm and despondency and risk an "increasingly dangerous manpower situation". But by definition it would not. The criterion of recruitment and retention would be decided in terms of an appropriate manpower situation.

ALAN WALTERS

25 March 1982

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Prime Minister ①

Please see Mr Nott's paper (attached).

in earlier box with you

MR. SCHOLAR

Do you wish me to write as cc Mr. Hoskyns

Armed Service Pay

at x?

MS 24/3

The Prime Minister should see the report by the official group (in which I participated) which looked at the scope for modifying the commitment on comparability for the armed services, together with Mr. Nott's covering note for E(PSP) which will discuss it on 1 April.

The Prime Minister will see that the official group concluded (paragraphs 15+26) that, without in any way breaking the Government's commitment, it should be possible to ensure that the AFPRB gave greater weight to broader considerations than pure comparability; and that this could be given effect either by some form of public announcement - a letter to the Chairman, or a statement in the House - or by formal ~~commitment~~ of the AFPRB's terms of reference.

But Mr. Nott, having consulted the Chiefs of Staff, resists this; and is not even prepared to go as far as a public announcement. I do not find his arguments in paragraph 4 of his note convincing. No system of comparability can be "well constructed": we have made enormous play in other contexts of the inherent weakness of such a system. There is plenty of evidence that the armed services are not only well paid, but much better paid than they need to be. The proportion of our defence budget spent on pay proves nothing, save for the fact that we spend a lot on hardware.

Armed forces pay, like police pay, is at present determined in a way which runs totally counter to the Government's approach to pay elsewhere in the public services, and has adverse repercussive effects. It is important not only to make a greater effort to influence the AFPRB to take account of non-comparability factors, but also to make it clear publicly both to them and to pay bargainers outside the armed services that this is what we expect them to do. If the Prime Minister agrees, therefore, I think you could write to the Chancellor's Private Secretary saying that she is not entirely convinced by Mr. Nott's arguments against the recommendations of

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B. R.

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- 2 -

+ | the official group, and would like to be consulted after E(PSP)  
has discussed the paper.

J.

24 March 1982

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