



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

THE ARMED FORCES' PAY SYSTEM

You may recall that at its meeting on 27 October 1981 (E(PSP)(81)5th meeting, item 3) the Ministerial Sub-Committee on Public Service Pay (E(PSP)) discussed the handling of the 1982 Review Bodies' reports and concluded inter alia that officials should consider the scope for modifying the Government's commitment to the full comparability for Armed Forces' pay. This commitment was contained in our election manifesto which said:

"[The Government will] bring [Servicemen's] pay up to full comparability with their civilian counterparts immediately and keep it there."

It has been honoured since we took office by implementing in full the various reports of the Armed Forces Pay Review Body (AFPRB).

2. At its meeting last Thursday (E(PSP)(82) 2nd meeting, item 1) the Sub-Committee considered the report which had been prepared by officials on this question. There was general agreement that radical changes would be inappropriate, particularly since they could not now take effect until the next pay round. But the Sub-Committee recognised that continued success in holding down increases in pay, particularly in the public services, could lead to a growing disparity between the generality of public sector pay settlements and



those awarded to the Armed Forces and also to the police. These two settlements might set high targets at which negotiators for other public sector groups would increasingly tend to aim. Although special treatment on pay for the Armed Forces and the police could be justified to some extent because of the special nature of their work and because they were precluded from striking, other groups, such as the nurses, would tend to argue that, if they refrained from striking, their pay should be set in a similar way.

3. The Sub-Committee therefore concluded that the Government should in future submit more evidence on the wider economic factors and on the recruitment and retention position in the Armed Forces, and that the members of the AFPRB should be asked to give greater weight to these considerations. We also concluded that this change of emphasis should be made known publicly, as an elaboration of, rather than a retreat from, the Government's commitment on armed services pay. We agreed that the best approach might be for the Secretary of State for Defence to make a low-key announcement in the form of a written Parliamentary Question at the time (next autumn) when the Government would be submitting general evidence to the AFPRB for its 1983 report.

4. Finally, as you will be aware, a replacement is already being sought for one member of the AFPRB and four others, including the Chairman, are due to retire during the course of this year. The Sub-Committee felt that it would be important in making these appointments to consider candidates who could be expected, in assessing evidence and in reaching judgement on Armed Forces' pay, to give proper weight to the state of the economy and to the recruitment and retention position in the Armed Forces, and that the need to do so should be made explicitly clear to them on appointment. No doubt the Secretary of State for Defence will bear this point in mind in making recommendations to you about these appointments.

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5. I am sending a copy of this minute to the members of E(PSP), to the Home Secretary and the Secretary of State for Defence and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

6 April 1982

CONFIDENTIAL

PRIME MINISTER

*We just can't  
at this time  
not*

Prime Minister

(1)

Do you endorse the conclusions  
of E(PSP) - please see  
c.c. Mr. Hoskyns

The Chancellor's minute  
(attached)?

MCS 8/4

Armed Forces Pay System

In his note of 6 April, the Chancellor reports the conclusions of the Ministerial Committee on Pay on the recommendations of the official group, in which I participated, which looked at the scope for modifying the Government's commitment on Armed Forces pay.

Neither the official group, nor the Ministerial Committee, is suggesting that the Government go back in any way on its commitment to keep servicemen's pay up to full comparability with civilian counter-parts. But in the face of continuing criticism by other groups of workers that the Government's approach to pay, based on market factors and affordability, is not applied equally across the board, the group looked at ways of - as the Chancellor puts it - elaborating, rather than retreating from, the commitment. The recommendation, which the Ministerial Committee has now endorsed, that Government evidence in future concentrate more on affordability and market factors, and that this change of emphasis be made known publicly, offers the best chance of minimising the effect on the pay round as a whole of special treatment for the Armed Forces.

Mr. Nott argued in the Ministerial Committee against making the change of emphasis publicly known, but he has now accepted the view widely held by others that only if the change is publicised will it have the necessary effect; and I understand that he is not disposed to put in a dissenting note to you.

Clearly, this is a most unsuitable moment for any public announcement. But what is proposed would not become known until next autumn anyway, at the beginning of the pay round, and when the Armed Forces Pay Review Body starts its work. Therefore I strongly

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recommend you endorse the conclusions of the Ministerial Committee, both as to the announcement next autumn of the change of emphasis, and as to the need to specify it in the letters of appointment to new members of the AFPRB.

J.

7 April, 1982.

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10 DOWNING STREET

*From the Private Secretary*

13 April 1982

*Dear John*

ARMED FORCES PAY SYSTEM

The Prime Minister has seen the Chancellor's minute of 6 April on the above subject.

She has concluded that this is not an appropriate time for a decision on this topic, given the situation over the Falkland Islands. She will be ready to consider it further as soon as the current situation has calmed down, and she would be grateful if the Chancellor would then resubmit the matter to her.

I am sending copies of this letter to John Halliday (Home Office), David Omand (Ministry of Defence), David Wright (Cabinet Office) and Gerry Spence (CPRS).

*Yours ever*

*Mike Patterson*

John Kerr, Esq.,  
HM Treasury.

*S*