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12 December 1980

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

PAY REVIEW BODIES

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Note by the Chancellor of the Exchequer

I attach a note prepared by Treasury officials in consultation with the other Departments concerned. I agree with their analysis and recommend the following approach to my colleagues:-

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- (i) We should accept the helpful offer in the letter of 21 November from the TSRB to advise on the distribution of a limited amount of money, and ask the TSRB and DDRB to give advice within constraints reflecting our approach to cash limits for 1981-82.
- (ii) We should try to persuade the two Review Bodies to confine themselves to such advice; but we must recognize that this may not prove possible.
- (iii) If they are not willing to confine themselves in this way, we are likely to face embarrassing recommendations in due course; the only way of avoiding that would be through formally amending their terms of reference or suspending their operation. Either of these courses would have disadvantages, as the official report brings out. But they are possibilities we must discuss.

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(iv) The question of the AFPRB requires special consideration because of our public commitments. But my view is that serious damage would be done to our policy for pay in the public services if we implemented recommendations of the AFPRB which meant giving the forces much bigger pay increases than others in the service of the central government. I think we could reasonably argue that, at least in the circumstances of the current pay round, the "civilian counterparts" of the Armed Forces are primarily in the other public services and that broadly the same financial discipline should apply. This would point to handling the AFPRB in the same way as the TSRB and DDRB this year.

*In that case
the review would
show the level
of other services*

(v) Whatever our decision on the AFPRB, our evidence to all these Review Bodies should draw attention to the need to take account of current economic conditions and of the financial constraints that apply to the public services.

G.H.

HM TREASURY
12 December 1980

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PAY REVIEW BODIESNote by Treasury Officials

This note considers possible action in the current pay round towards the three pay Review Bodies. It is not concerned with possible longer-term changes, which are being considered as part of the current study of future arrangements for pay determination in the public services.

2. This note has been prepared after consultation with officials in the Civil Service Department, Ministry of Defence, Department of Employment, DHSS, No 10, CPRS and Cabinet Office; but other departments are not committed to the arguments or the recommendations in it. *Not are committed.*

Background

3. There are three bodies involved: the Armed Forces Pay Review Body (AFPRB), the Top Salaries Review Body (TSRB), and the Doctors and Dentists Review Body (DDRB). Details of each of these bodies are set out in Annex A. All have a purely advisory role. It is for the Government, in the light of their advice, to take decisions on the pay of the groups concerned. However, successive Governments have indicated that they would not reject or modify recommendations from the Review Bodies unless there were obviously compelling reasons for doing so.

4. Ministers last considered their attitude to the Review Bodies in July. The discussion took place in the context of the longer-term future of pay determination, including the future of the Clegg Commission. As a result, it was announced that the Clegg Commission would be wound up, but that the Review Bodies would continue to operate.

5. Ministers have made a number of public statements regarding the operation of the Review Bodies. These are listed in Annex B. In summary, however:

(a) Ministers have undertaken that the AFPRB will continue to operate ✓
on a basis of comparability with civilian counterparts. X

(b) The Prime Minister has stated that all three Review Bodies should continue to make recommendations.