



CP. to note

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Civil Service
CSD.*

10 DOWNING STREET

THE PRIME MINISTER

12 August 1980

Since I wrote to you on 27 May we have been giving a great deal of thought to possible improvements to the Civil Service pay research system.

The Lord President has now put a number of proposals to the Council of Civil Service Unions and as you will see from the attached summary these include some of the suggestions you yourself put to me earlier designed to strengthen the independence of the Board, and the Unit. Officials will now be undertaking detailed discussions with the unions about all this and the Lord President will keep you informed of progress.

(SGD) MARGARET THATCHER

The Rt. Hon. The Lord Shepherd

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IMPROVEMENTS TO THE PAY RESEARCH SYSTEM

a. Independence of the Pay Research Unit

We wish to appoint an outsider as the next Director when Mr. Vernon Morgan retires next year. We would also like to see an increase in the proportion of outside survey officers.

b. Pay Research Unit Board

We wish to appoint a strong successor to Sir Derek Rayner who has resigned.

c. Choice of Analogues

We wish to encourage the Pay Research Unit Board to pursue its examination of the outside analogues used in pay research to ensure that they are fully representative of the range of outside employers.

d. Role of Board

We wish to reinforce the role of the Board as guarantor of the independence and integrity of the pay research system and propose that its functions should be extended to enable it to examine and report on the principles underlying the use of the pay research data. In particular it might be asked to examine the quantification of fringe benefits; the uprating procedure; the value of pensions and job security in the light of the Scott enquiry. There is no intention that the Board would be involved in the annual pay negotiations.

e. Relating Pay and Performance

We wish to seek improvements in the arrangements for encouraging and rewarding merit in the light of outside practice.

f. Regional Pay

We would like to see greater flexibility in the system to match the outside market more closely. There is evidence that the Civil Service pays more than outside employers in some areas and less in others. One way of restoring the balance might be to introduce some regional variation in the national rates produced by pay research.