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HOUSE OF COMMONS  
LONDON SW1A 0AA

9th March, 1977

THE RT. HON. MARGARET THATCHER

As you know, Kenneth Baker is helping us by maintaining a continuing interest in the work of the CSD and has recently reported to me on certain issues which arise from a conversation which he recently had with Charles Morris at the latter's specific invitation:

1. Dispersal - Hardman

Carol Mather, in his capacity as South Eastern Whip, recently suggested to me the desirability of debating this issue in order to reflect the growing hostility in this region to the compulsory dispersal of many Civil Service jobs. The scene has changed a lot since Hardman reported in 1973. The costs of transfer have risen substantially (I am pressing the CSD for details of these) and the office job loss in London is nine times the national average.

Morris told Kenneth, on the other hand, that the Government will stick by their proposal to disperse 31,000 Civil Servants because of pressure from Labour Party regional groups. He will, however, shortly be making a statement about the slowing down of the programme because of public expenditure.

I suspect that Teddy Taylor, Nicholas Edwards and other regional spokesmen will incline to take the government view.

2. Inflation-Proofed Pensions

Morris clearly feels the need to do something about this, probably on the lines of imposing a maximum percentage increase (the best solution). He does not expect any action in the Budget nor even probably in Phase 3. They did not do anything before Christmas because of the lack of a majority from the PLP and he still fancies that action can only be taken with our support or non-opposition. Probably we should continue to maintain a low profile on this.

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2 cont.

The Government Actuary recently told the Expenditure Committee that the notional contribution made by Civil Servants for inflation-proofing should be increased from 1.75 per cent to 3.25 per cent. This seems a very small increase, presumably based on optimistic assumptions about future inflation levels. I am asking Nicholas Ridley to see that all this is followed up.

3. A More Independent Pay Research Unit

As you know, we believe that pension calculations and the process of pay comparison should be carried out more openly and by a body of greater independence than the PRU. Morris obviously takes the same view and Kenneth suspects the Government will act in this direction when pay research is re-established. We ought to pre-empt this particular proposal.

You may think that it would be worthwhile considering the possibility of a debate on the dispersal programme, if only to probe the Government's intentions.

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copy to The Rt.Hon. Humphrey Atkins MP