

PREM 19/186

PART 2 begins:-

Chof Ex to Pm 21.9.79

PART 1 ends:-

S of S Ind to Ch of Ex 19.9.79

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

1. Cmnd. 7640: Standing Committee on Pay Comparability,
Report No. 2: University technicians
2. Cmnd. 7641: Standing Committee on Pay Comparability,
Report No. 1: Local authority and university manual workers;
NHS ancillary staffs; and ambulancemen

Both published by HMSO, August 1979

Signed Wayland Date 9 March 2010

PREM Records Team

Groups for whom comparability study has been agreed - not yet referred

	Number involved	Annual settlement date	Comment
L A Craftsmen E & W	100,000	4 Nov	Electricians and Building Trade Operatives only have settled. Position on Engineers outstanding. £1 on account Staging Nov 1979 Apr 1980
(Scottish Craftsmen	18,900	Various dates	
British Waterways Board Non-manuals	794	8 Sept	Staging 1 Sept 1979 8 Sept 1980 None on account
School-teachers E & W	500,000	1 Apr	Report expected by June 1980. £6 per month on account staging 1 Jan 1980 1 Sept 1980
FE Teachers E & W	78,000	1 Apr	Linked with school-teachers E & W
Scottish School & FE Teachers	61,000	1 Apr	



Secretary of State for Industry

CONFIDENTIAL

E Low for
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
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19 September 1979

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall
London SW1

14/2/79
John Goffey

STANDING COMMITTEE ON PAY COMPARABILITY

We agreed in E Committee on 11 September to send you comments on the draft evidence to the Clegg Commission which was annexed to the paper by officials (E(79)58).

I agree with the general approach in the evidence and that we must phrase what we say carefully in view of the likelihood that the evidence will become public. But I think para 6 of the evidence ought to take a stronger line in stressing the importance of comparisons being made between public sector pay and pay rates which are determined by market forces. The Commission might be warned specifically to avoid making comparisons with pay rates in monopoly nationalised industries.

Paragraph 8 of the evidence ought to stress the desirability of the Commission doing more to compare relative levels of efficiency. The Commission has shown itself willing (in paragraph 60) to attempt to make progress in this area and we ought to encourage it to go further. I think we might insist that the principle of comparability must mean that those whose pay is determined by fair comparisons must, as the quid pro quo, be prepared to abandon all restrictive labour practices which come to light either during their comparability study or in subsequent negotiations.

I agree with the approach in paragraph 9 that the Commission ought to take account of all non-pay benefits but I wonder if we would be wise to appear to endorse quite so categorically the existing methodology used by the Civil Service. We are, for example, looking closely at the question of index-linked pensions and Clegg's criticisms of the existing arrangements for offsetting their value may prove to be useful. He may well be able to offer helpful criticisms of other aspects of the Civil Service arrangements.

/I realise.....



2.

I realise the difficulties about taking account of supply and demand for labour under a system of fair comparisons. I think Clegg might, however, be invited to consider whether he can take account of regional differences in the supply and demand for labour when making his recommendations so that local authorities etc who have no difficulty recruiting certain types of labour are not obliged to pay the same wages as authorities which have recruitment difficulties.

I am copying this letter to our colleagues on E Committee and to Sir John Hunt.

Evan,

Kerr.

19 SEP 1979





10 DOWNING STREET

From the Private Secretary

18 September 1979

The Pay Research Unit and the Clegg
Commission

I am writing to give you the Prime Minister's formal authority for the Civil Service Pay Research Unit to carry out the work which it has been requested to do by the Standing Commission on Pay Comparability.

You will no doubt continue to keep the Civil Service Department informed of the Clegg Commission's requests.

I am sending a copy of this letter to Lord Shepherd.

T. P. LANKESTER

V.T. Morgan, Esq.

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Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

R 17/9

14 September 1979

Dear Geoff,

STANDING COMMISSION ON PAY COMPARABILITY: GOVERNMENT EVIDENCE

At E Committee on Tuesday colleagues were asked to let you have any suggested amendments to the draft Government evidence to the Clegg Commission annexed to your paper. Christopher Soames has asked me to write to you since there are two parts of the existing draft which worry us.

- i. The most urgent point is that contained in paragraph 2. May I suggest that the last five lines which give some encouragement to historic comparisons be deleted? Comparability must surely be based on current not historic comparisons. If the existing wording remained it would allow the unions to argue that any previous pay review accepted by Government was correct. This is precisely the point that the IPCS are arguing at arbitration about the P&T Grades. It would be very damaging indeed - and probably very expensive - if this point was conceded. There are other examples familiar to us all, eg Houghton and teachers.
- ii. Paragraph 11. The E Committee minutes record the danger that we could encourage potentially expensive pressures for additional pay for staff where there is a general supply shortage. This is why union arguments in the Civil Service for extra payments beyond the median rates thrown up by pay research for areas of recruitment difficulties, have always been resisted. If the outside field of comparison is sufficiently large and correctly drawn the median rate should result in a fair share (neither more nor less) of the available talent. If we accept the CBI view, then this could also lead to the rejection of outside comparators where

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recruitment is poor (very possibly low-payers). This could force up the resultant median pay level. Would it not be as well to ask the Official Group to look again at the wording of this paragraph to make sure that we are not offering too many hostages to fortune?

I am copying this to the Prime Minister and the members of E Committee.

Y,

PAUL CHANNON

Paul

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19 SEP 1979

19 SEP 1979

For Clegg file

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PRIME MINISTER

Standing Commission on Pay Comparability
(E(79) 38)

BACKGROUND

1. The first reports of the Clegg Commission (dealing with local authority and university manuals, NHS ancillaries, ambulancemen and university technicians) were published at the beginning of August. You asked officials to carry out an appraisal of the reports. The present paper is the result. Annex 1 assesses the work which the Commission has done on the basis of its first two reports: Annex 2 provides a new draft of Government evidence to Clegg taking account of his first reports; and the main paper pulls the threads together. A summary of the main findings and recommendations of officials is set out in paragraph 25 of the report.

2. In operational terms there are really six questions for Ministers to decide:-

- (a) Do they accept that Clegg should be allowed to continue work on his present references and, if necessary, to accept a few additional references where these do not prejudice decisions about the long-term future of the Commission?
- (b) Is the Government prepared to see major new references made to the Commission where these would have the effect of giving it a noticeably longer lease of life?
- (c) If so, do they agree that the Commission should normally function on the basis of providing data on which others can negotiate, rather than acting as an arbitration body?
- (d) Do they also agree that the Commission should be asked to undertake work leading to a factual, or judgemental, view on the vexed questions of relative efficiency, job security and the influence of supply and demand which have so far defied systematic analysis?

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- (e) What, if anything, do they wish to say publicly about their attitude to the Commission?
- (f) Do they agree that the Government should provide the Commission with general evidence on the lines set out in Annex 2 of the Report by officials?

HANDLING

3. You will want to ask the Chancellor of the Exchequer to introduce the paper and to call for contributions particularly from the Lord President of the Council and the Secretary of State for Employment. You may then find it convenient to structure the discussion around the questions set out above.

CONCLUSIONS

- 4. Subject to the discussion the conclusions of the meeting might be:
 - (i) That the Commission should be allowed to complete its present references and that there is no objection to its being asked to undertake new references where these carry no implications for its long-term future.
 - (ii) That the Government should stand ready to allow the Commission to be used in future major public service pay negotiations where the Government sees advantage in allowing this to happen in the circumstances of the particular case. In this event there would be advantage in asking Ministers who may wish to make use of Clegg in negotiations within their sphere of responsibility to make proposals to their colleagues in good time. Similarly officials should be asked to report further on the issues outlined in paragraph 21 of their Report.
 - (iii) That the Commission should normally function on the basis of providing data on which others can negotiate rather than be asked to recommend appropriate rates of pay - bearing in mind that 'disciplined' comparability requires the negotiating parties to agree on how outside evidence is to be handled.

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- (iv) That the Commission should be invited to attempt work, if necessary of a judgemental nature, on the so far unquantifiable items of relative efficiency and job security and that further thought should be given, both in Government and by the Commission, to the most appropriate way of taking account of labour supply and demand in future work.
- (v) To invite the Chancellor of the Exchequer, in the light of the Committee's discussion, to prepare a draft Government statement on Clegg for use as circumstances require.
- (vi) To invite the Chancellor to clear, in correspondence and in the light of discussion, the draft Government evidence to Clegg and to submit it when ready.


(John Hunt)

10th September 1979



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Ref. A0198

PRIME MINISTER

Financing the Cost in 1979-80 of the First Clegg Reports

(E(79) 33)

BACKGROUND

The Committee is considering separately its response to the first group of Clegg Reports, and its attitude to the future of the Clegg Commission. Ministers have already agreed that the pay increases recommended by Clegg should be implemented. (There are one or two minor adjustments still to be agreed: these do not seriously affect the overall cost.) Ministers agreed in correspondence at the end of July (your Private Secretary's letters of 23rd and 30th July) a carefully-worded statement which protected the Government's position on costs for a few weeks. Now the Committee must decide what part of the extra cost, if any, the Government should pay.

2. Two of the Ministers concerned have set out their own initial positions:

Baroness Young's letter of 5th September, and the Secretary of State for Social Services' letter of 5th September; the Secretary of State for the Environment has not yet written but officials' views (and those of the Scottish Office) are set out in paragraph 18.

3. The Chancellor of the Exchequer has now made his own offer: an extra £1.8 million for universities; £18 million for the Health Services; and £23 million for local authorities. This looks (and will probably be seen in public) like "splitting the difference", since these amounts are roughly half the extra costs not covered by present cash limits. But, internally at least, the rationale is different. The Budget arithmetic deliberately allowed for a little more than the cash limit provision. I doubt if the Ministers concerned realised this at the time. The Chancellor did not say so in public (hence his reference in paragraph 2 to the "implicit" Budget arithmetic). He may not even want to use the argument very clearly now. But he is really asking his colleagues to absorb the whole cost not allowed for at Budget time, thus protecting the PSBR for the rest of the year; he deliberately does not seek offsetting savings in other services.

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The Chancellor justifies this approach, in paragraphs 4 and 5, by the need to "get the message across" and to encourage the search for economies in the services concerned. This relates very closely to his separate papers on "Public Attitudes" and the "Forum". If the Government takes a firm line on absorbing part of the Clegg costs, it will reinforce the general message with some practical examples. But it will cause a lot of trouble, especially in the NHS; and arguably it is inconsistent with the line taken over the Pay Research settlement for non-industrials earlier in the year. (Decisions on the pay of the industrial Civil Service have yet to be taken: negotiations are continuing.)

4. You might stress that this discussion is only about the remainder of this financial year. Decisions on next year's cash limits, for these and other services, follow at the end of October. Before then, the Committee has to endorse the general policy on "pay and cash" limits (postponed from this week to the meeting on 20th September).

HANDLING

5. You might ask the Chancellor to introduce his paper. You could then call for any general comments on the approach, notably from the Secretary of State for Employment and the Secretary of State for Industry. It is unlikely that anyone will seriously dissent from the need to pass on part of the "extra" cost.

6. You can then turn to the three individual services:

(a) Universities: This should be easy. There is an existing commitment to find £1.8 million for the manuals' settlement, but the bulk of the extra costs will fall on the universities, and Mr. Carlisle is not likely seriously to dispute this. Nor is he likely to press the extra £0.2 million "consequential" for the Research Councils.

(b) NHS ancillaries and ambulancemen: There will be a fight here.

Mr. Jenkin says, in effect, "I can fight one Lambeth/Lewisham case but not 20". Much will turn on his assessment:

- (i) Of the real chance of getting further savings this year from improvements in working practices.
- (ii) Of the risk of further resignations or confrontations.

- (iii) Of other Ministers' support for the idea that the Government should take a firm stand. Here it seems important that the line on local authorities should be at least as tough as that on the NHS. Local authorities have reserves to draw down, and the theoretical option of a supplementary rate. NHS has only the option of economies. On balance I expect the Committee will back the Chancellor, though Mr. Jenkin is likely to fight hard.
- (c) Local authority manuals: Mr. Heseltine has not yet shown his own hand; you may want to make him say clearly at the start whether he accepts the Chancellor's proposals. You then need confirmation from Scotland and Wales. Education and Social Services both have a legitimate interest here too, because some of the manuals work in the parts of local authority service which they sponsor; and offsetting economies may offset these parts disproportionately. However, for the reasons given in (b)(iii) above, it should be easier to take a tough line with local authorities than with NHS. Note that in this case the mechanism is to increase the reduction already agreed in the RSG.

CONCLUSIONS

7. Subject to the discussion, you should be able to guide the Committee to conclude that:
- (i) The 1979-80 costs of the first "Clegg" reports not already covered by existing cash limits or allowed for in the Budget should in general be absorbed within the relevant programmes.
 - (ii) That the cash limits for universities should be increased by £1.8 million.
 - (iii) That the cash limits for the NHS as a whole (including Scotland) should be increased by £18 million.
 - (iv) That the across-the-board reduction in the Rate Support Grant should be increased from £335 million to £358 million (United Kingdom).


JOHN HUNT

10th September, 1979

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Codi wrth Ysgrifenydd Gwladol Cymru



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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

10 September 1979

Dear Chancellor,

I have seen the paper E(79)33 which is to be considered by E Committee tomorrow. I have also received a copy of Patrick Jenkin's letter of 5 September to John Biffen about the Clegg Commission awards to NHS ancillary staff and ambulancemen.

I am sure we all recognise the importance of the point you make in your paper that the costs of these awards must be borne where they fall. However, it seems to me that, even with the most skilful management, the timescale of this type of negotiations would be such that it would be unrealistic to maintain that the NHS could succeed in recovering very much of the additional costs this year. This means that patient services will have to be reduced and this in itself would further complicate what will be very difficult negotiations.

I think there is therefore a particularly strong case for NHS cash limits to be extended to cover the costs of the awards this year - or at the very least a more generous proportion of them than you have proposed - on the understanding that next year's cash limits will have to take account of the savings management will be expected to achieve.

Similar considerations will of course apply in relation to the local authority field. My own view is that we would have to look to a much longer timescale than you propose to have a realistic chance of achieving your solution.

I am copying this letter to members of E Committee, the Secretaries of State for Scotland, Health and Social Security, Education, Environment and Sir John Hunt.

Yours sincerely
 Geoffrey Howe
 Private Secretary

Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 HM Treasury
 Great George Street
 LONDON

(Approved by the Secretary of State
 and signed in his absence)



11 SEP 1953



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Rt Hon John Biffen MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON SW1P

10 September 1979

CLEGG COMMISSION REPORT AND LOCAL AUTHORITY MANUAL WORKERS

I understand that, in advance of E Committee on 11 September, you wish to have a preliminary indication of my views concerning further abatement of the cash limit on rate support grant in 1979-80, in the light of the Clegg award to local authority manual workers.

I believe that it would be a mistake to increase the abatement of £35m already announced. That original abatement was well-justified by the plans for increased volume of expenditure indicated by local authority budgets and by the high wage awards earlier in the year. But we need to strike a balance between a suitably stringent policy towards the financing of local authority expenditure and imposing unreasonable measures upon them. Bearing in mind the encouraging response I have had so far to my proposals for a reduction in the volume of expenditure coupled with the severe effects of the £35m abatement I consider that further abatement would enable authorities to claim that the balance was unreasonable. I should prefer us to take the overall effect of Clegg into account in determining the 1980-81 grant settlement. On that basis authorities would have reasonable notice of any measures proposed.

I am copying this letter to the members of E Committee and to Sir John Hunt.

(Approved by the Secretary
of State and signed in his
absence)

10 SEP 1979





T/L. 1/6
MAD 6/14

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

6 September 1979

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

Don't write

This is a formality. Are you content that I write as per the attached draft? Yes, of course. TL 12/9

Dear Tim,

THE PAY RESEARCH UNIT AND THE CLEGG COMMISSION

Although Ministers have yet to take decisions on the future of the Standing Commission on Pay Comparability it has still to deal with references on a number of groups of workers. The Commission has asked the Civil Service Pay Research Unit to carry out fact-finding work in respect of some of these references and this will make significant demands on the Unit's resources. The Chairman of the Pay Research Unit Board and the Director of the Unit have pointed out that the latter's terms of reference do not extend beyond Civil Service Pay Research and that it would be desirable for him to be given formal authority to carry out this work for the Clegg Commission. Understandably they consider that the ad hoc arrangements made in great haste when the first references were put to Clegg will no longer suffice.

As a mark of his independence, the Director of the Pay Research Unit is appointed by the Prime Minister, rather than by CSD Ministers. To avoid confusion in the mind of the National Staff Side over the role of CSD officials (who comprise the Official Side of the joint Steering Committee responsible for commissioning Civil Service pay research work from the Unit) it would be desirable for the required authority to carry out work for Clegg to issue from the Prime Minister. I therefore enclose a draft letter to the Director of the PRU; a copy should go for information to Lord Shepherd, Chairman of the Pay Research Unit Board.

It is important not to concede to the joint Steering Committee a locus in this matter. The draft therefore requests the Director to keep CSD informed of the work the PRU does for Clegg. We shall pass this information on informally to the Secretary General of the National Staff Side.

I am copying this letter to the Private Secretaries to the Chancellor and to the Secretary of State for Employment.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY
Private Secretary

Enc

DRAFT Letter from Mr T P Lankester

to: V T Morgan Esq
Director
Pay Research Unit
Queen Anne's Chambers
Tothill Street
London SW1

SR - pls
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THE PAY RESEARCH UNIT AND THE CLEGG COMMISSION

I am writing to give you the Prime Minister's formal authority for the Civil Service Pay Research Unit to carry out the work which it has been requested to do by the Standing Commission on Pay Comparability.

You will no doubt continue to keep the Civil Service Department informed of the Clegg Commission's requests.

I am sending a copy of this letter to Lord Shepherd.

6 SEP 1979

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BF 10.9.79/T/L o/R.



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON, SE1 7PH

TELEPHONE 01-928 9222

FROM THE MINISTER OF STATE

R

679

The Rt Hon John Biffen MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

5 September 1979

Dear John,

CLEGG REPORTS : CASH LIMITS

I am writing, in Mark Carlisle's continued unavoidable absence abroad, to propose an adjustment of the cash limits on grants to the universities, direct grant institutions of higher and further education and the Research Councils in respect of the Clegg awards.

We have already agreed to honour the commitment to the universities on pay entered upon by our predecessors. On comparability payments the commitment is that the cash limit on the universities' recurrent grant will be adjusted in full to cover the cost of the Clegg award for university manual staff while no adjustment will be made in the current financial year for the technicians' award. Thus the universities will have to absorb the cost of the technicians' award in the current financial year as well as the 2% penalty imposed on the initial pay settlements for the university manuals and administrators. They are already under severe pressure as a result of the impact of VAT and higher price increases as well as the Budget cut. It would not be feasible, as indeed your officials have accepted, to seek any further offsetting deduction. Accordingly we propose that the cash limit on the recurrent grant to the universities and other direct grant institutions of higher education (Cranfield Institute of Technology, Royal College of Art and Open University) should be adjusted in full for the cost of the Clegg award to the university manuals in the current financial year. The sum involved, which has already been notified to your officials, is £1.6m. The cost of the technicians' award, of which details have also been provided, would need to be taken into account along with that of the manuals' award in setting the cash limit for 1980-81.

The recommendations of the Clegg Report on local authority manual works will have implications for the voluntary colleges, direct grant colleges of further education and adult education residential colleges which are funded direct by my Department. These colleges have already had to reduce the volume of their expenditure as a result of the specific cut in the Budget, the imposition of a 3% penalty on pay settlements and the effect of higher price increases. They have few resources of their own on which to draw and would have great difficulty in making any further volume reduction. We propose therefore that the full cost of the Clegg award (£0.2m) for these institutions should be taken into account in adjusting cash limits for 1979-80.

The Clegg awards for university technicians and manuals as well as NHS ancillaries will also have implications for the Research Councils. We are proposing here an adjustment of £0.2m which is slightly less than the gross cost. We recognise that the figure is relatively small but, in view of the squeeze on the science budget as a result of the specific cuts and higher price increases, there is little scope for further reductions.

I am copying this letter to members of E Committee.

Yours ever

Baroness

BARONESS YOUNG

- 6 SEP 1979





Handwritten: *Harper E Committee papers*

2

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Treasury Chambers
Great George Street
London SW1

Handwritten: *Principals -
To stand.
(For E Committee
next Tuesday)*

5 September 1979

Handwritten: *R
7/9*

Dear Chief Secretary,

I am writing to you in preparation for the Meeting of E Committee on 11 September about the cost of the Clegg Commission awards to ancillaries and ambulancemen, and with my proposal for adjustment of health authorities' cash limits in 1979-80.

It is estimated that for the NHS in England the net additional cost of the awards above this year's cash limit are respectively £22.3 million and £5.6 million a total of £27.9 million. The details are set out in the Annex to this letter.

The question for decision is whether these increases are to be funded in full or whether there is to be an offset this year in respect of improvements in efficiency as yet to be negotiated. The Clegg Commission made recommendations that implementation of the recommended rates should be accompanied by action to eradicate unnecessary overtime and work patterns, defective incentive schemes and other practices which have developed to varying degrees to compensate for inadequacies in the basic rate. I fully endorse these recommendations which will strengthen the hands of Management Sides. Indeed, their evidence to the Commission was designed to steer the report towards these particular recommendations.

Both Management Sides are already pressing ahead with action intended to stimulate locally negotiated improvements. But in their exchanges with the Unions there was no readiness whatever on the Unions' part even to express goodwill towards implementation. The Unions' line is that these Management problems are not for the Staff Side to overcome. Clearly NHS Management faces an uphill struggle.

Most Health Authorities have already made savings in their manpower costs as part of the general squeeze, and my Department is seeking details both of what has been achieved and what is still to come. Replies received so far have however emphasised that it would be unrealistic to look for significant further results in the current financial year.

There are several factors involved:-

1. We are not yet implementing the whole of the Clegg award and it is unrealistic to expect Staff Sides to negotiate changes in practice against only half the amount of increase recommended.
2. It would be wrong to underestimate the complexity of the changes needed, especially on the ambulancemen's front, to secure new agreed patterns of working.
3. The amounts of the increases for the lower paid ancillary groups - the bulk of the numbers involved - are very modest; these give little compensation for any concessions in working practices.

I do not, therefore, believe that the cost of these awards to health authorities in 1979-80 can be abated by any action available to management in the course of this year. I would, however, envisage that, with the implementation of the full award next April, the effective management action now under way will reduce the cost in 1980-81 below the growth full year figures quoted in the Annex.

In the light of all this, I cannot accept that the NHS should now be faced with financing part of the awards from existing cash limits. I do not believe that this would be a reasonable or a defensible course of action. It would be seen as reneging on our election commitments, vis a vis the NHS, and would, I believe, be criticised by many of our own back-benchers.

I would ask you to take into account the following considerations:-

1. The NHS has had to absorb £22 million in respect of the excess cost of pay settlements in 1979-80. This figure assumed that manpower economies should be sought particularly in areas not directly related to patient care, ie, precisely the groups to whom this Clegg report refers.
2. Your letter of 12 June to me suggested that the £22 million might need to be reconsidered if "excessive" supplements were reached. The two Clegg awards are not excessive; indeed, that for ancillaries is low.

The decision to honour previous Government's commitments to the health authorities and universities was of course taken in Cabinet prior to the 22 May speech; any decision to impose an arbitrary deduction or a general offset will overturn Cabinet's decision. The Chancellor's speeches of 22 May and 12 June are, and will be seen as, committing the Government to fund pay increases, including Clegg, over and above the agreed £22 million. The Chancellor's undertakings have necessarily been repeated by me and my colleagues on many occasions.

There has been great pressure on me to relax the existing squeeze which already amounts to £100 million for the combined effects of pay, prices and VAT. This sum - two per cent of revenue - is at the limits of what can be tolerated, and already provides a stiff incentive to cut staff numbers and economise on ancillary and ambulance costs. I would remind you that VAT has not hit local authorities (or the Armed Services) in the same way as it has hit the health authorities. At present, with the exception of Lambeth, Southwark and Lewisham AHA(T), health authorities have accepted that their duty is to keep expenditure within cash limits, even at the cost of cutting back in services. If they are

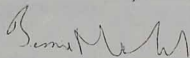
E. P.

now asked to make further cuts, their co-operation - and I emphasise that we do rely on their willingness to keep within their cash limit - may be lost with the real risk of weakening financial control on a wide front. If a further burden were added I would not rule out some of the hardest hit London AHAs throwing in the towel. I really cannot face putting more and more authorities under commissioners.

In short an arbitrary deduction this year would lead, not to the changes Clegg recommends but to yet further cuts in services to patients.

I am sending copies of this letter to the Secretaries of State for Scotland, Wales, Education and Environment, all colleagues on E Committee and Sir John Hunt.

Yours sincerely,



PATRICK JENKIN
(Approved by the
Secretary of State
and signed in his absence)

ANNEX

It is estimated that for the NHS in London the gross cost of the awards in a full year would be £75.3 million for ancillaries and £18.2 million for ambulancemen. Following discussions at FY Committee on 30 August on the previous amounts to be paid in the first stage on 1 August, the costs of the awards in the remainder of the current financial year are estimated respectively at £30 million and £6.5 million. After allowing for provision of £7.7 million and £0.9 million which have already been included in the revised cash limits for the full year cost of £1.00 a week payments on account, the net additional costs above this year's cash limit are respectively £22.3 million and £5.6 million, a total of £27.9 million. It is understood that the Secretaries of State for Scotland and Wales will be notifying their figures calculated on the same basis. The Management Sides have expressed willingness to adopt Clegg's recommendations of a £2.00 minimum payment, provided that this is funded by Government but this suggestion is not supported partly because it would increase costs and partly because it would prejudice the position of the local government employers who have rejected it. The above figures accordingly contain no provision for this item.



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Mr Hunter

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON, SE1 7PH

TELEPHONE 01-928 9222

FROM THE MINISTER OF STATE

Mr J. K. Beville
Mr. Le Cleve
Mr. Mansfield
Mr. Miles

The Rt Hon John Biffen MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

CABINET OFFICE
A 4282
10 SEP 1979
FILING INSTRUCTIONS
FILE No. _____

5 September 1979

Dear Peter,

CLEGG REPORTS : CASH LIMITS

I am writing, in Mark Carlisle's continued unavoidable absence abroad, to propose an adjustment of the cash limits on grants to the universities, direct grant institutions of higher and further education and the Research Councils in respect of the Clegg awards.

We have already agreed to honour the commitment to the universities on pay entered upon by our predecessors. On comparability payments the commitment is that the cash limit on the universities' recurrent grant will be adjusted in full to cover the cost of the Clegg award for university manual staff while no adjustment will be made in the current financial year for the technicians' award. Thus the universities will have to absorb the cost of the technicians' award in the current financial year as well as the 2% penalty imposed on the initial pay settlements for the university manuals and administrators. They are already under severe pressure as a result of the impact of VAT and higher price increases as well as the Budget cut. It would not be feasible, as indeed your officials have accepted, to seek any further offsetting deduction. Accordingly we propose that the cash limit on the recurrent grant to the universities and other direct grant institutions of higher education (Cranfield Institute of Technology, Royal College of Art and Open University) should be adjusted in full for the cost of the Clegg award to the university manuals in the current financial year. The sum involved, which has already been notified to your officials, is £1.6m. The cost of the technicians' award, of which details have also been provided, would need to be taken into account along with that of the manuals' award in setting the cash limit for 1980-81.

The recommendations of the Clegg Report on local authority manual works will have implications for the voluntary colleges, direct grant colleges of further education and adult education residential colleges which are funded direct by my Department. These colleges have already had to reduce the volume of their expenditure as a result of the specific cut in the Budget, the imposition of a 3% penalty on pay settlements and the effect of higher price increases. They have few resources of their own on which to draw and would have great difficulty in making any further volume reduction. We propose therefore that the full cost of the Clegg award (£0.2m) for these institutions should be taken into account in adjusting cash limits for 1979-80.

The Clegg awards for university technicians and manuals as well as NHS ancillaries will also have implications for the Research Councils. We are proposing here an adjustment of £0.2m which is slightly less than the gross cost. We recognise that the figure is relatively small but, in view of the squeeze on the science budget as a result of the specific cuts and higher price increases, there is little scope for further reductions.

I am copying this letter to members of E Committee.

Baroness Young

Baroness Young

BARONESS YOUNG



File
Ech. A. 200

10 DOWNING STREET

From the Private Secretary

14 August 1979

ff 17/8.79

RELATIVE JOB SECURITY IN THE PUBLIC AND PRIVATE SECTORS

As I said on the telephone this afternoon, I have been asked to seek from your Department any figures which are readily available on relative job security in private and public sectors. This follows up paragraph 58 of the Clegg Report, and in particular the suggestion in that paragraph that no method of quantification is readily available on this subject. If the figures exist, could we please know what the total employment in the private and public sectors is and what the total number of redundancies per year in each sector has been over the past few years? I suspect that you may want to add some background notes on the subject, and we should be glad to have them.

I hope that it may be possible for you to let us have something by the end of this week.

NJS

Andrew Hardman, Esq.,
Department of Employment.

80.

MIKE

PARA 58. RELATIVE JOB SECURITY.

CANT EMPLOYMENT FIND :-

<u>TOTAL EMPLOYEES</u>	<u>PRIVATE</u>	<u>PUBLIC</u>
<u>TOTAL REDUNDANT</u>	X%	Y%

ANNUALLY?

SW



DS
cc DM
HMT

10 DOWNING STREET

THE PRIME MINISTER

9 August 1979

Dear Professor Clegg,

I am writing to thank you for your letter of 27 July enclosing the Commission's reports, which have now been published, on local authority and university manual workers, NHS ancillary staffs and ambulancemen, and university technicians. I am conscious that the reports have involved a great deal of work carried out on a very tight timetable; and I am grateful to you and to the Commission.

Yours sincerely,

Margaret Thatcher

Professor H.A. Clegg



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

N Sanders Esq
Private Secretary
10 Downing Street
LONDON SW1

6 August 1979

Dear Nick

I attach a draft letter for the Prime Minister to send to Professor Clegg on her return from Lusaka, as you requested in your letter of 30 July. Until Ministers collectively have reviewed the reports we do not think the Prime Minister should comment on their contents.

I am sending a copy of this letter and its ... enclosure to Tony Battishill (Treasury).

Yours sincerely
I A W FAIR

I A W FAIR
Principal Private Secretary

DRAFT

Professor H A Clegg
Chairman
Standing Commission on Pay Comparability
Office of Manpower Economics,
22 Kingsway
LONDON WC2B 6JY

August 1979

STANDING COMMISSION ON PAY COMPARABILITY

I am writing to thank you for your letter of 27 July enclosing the Commission's reports, which have now been published, on local authority and university manual workers, NHS ancillary staffs and ambulancemen, and university technicians. I am conscious that the reports have involved a great deal of work carried out on a very tight timetable; and I am grateful to you and to the Commission.

17 AUG 1953

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STANDING COMMISSION ON PAY
COMPARABILITY
OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01 405 5944 Ext. 323

N Sanders Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

1. Express Office
2. PA
MS

3 August 1979

Dear Sir,

STANDARD COMMISSION ON PAY COMPARABILITY : REPORT NO 1

I explained to you on the telephone this afternoon that - unfortunately - there is a statistical error in the Commission report on local authority and university manual workers, NHS ancillary staffs and ambulancemen. This letter confirms what I told you during our conversation.

The error comes in the estimate of the gross earnings cost of the Commission's recommendations for NHS ancillaries set out in table 7 on page 39 of the report. The figures net of the £1 per week on account should be amended as follows: 8.9% should be 10.6%; and £63.7m should be £76.1m. There are corresponding amendments to be made to the figures which include the £1 per week on account: 10.0% should be 11.7%; and £70.8m should be £83.2m. We shall be arranging for HMSO to issue a correction slip with future copies of the report.

I should emphasise what I told you on the telephone, namely that these amendments make no difference to the basic rate cost of the Commission's recommendations for NHS ancillaries i.e. the figures set out on the left-hand side of table 7 under the heading "basic rate cost". The figures we have amended are those which estimate what the gross cost of the Commission's recommendations would be assuming that the incidence of all supplementary payments (incentive bonuses, overtime, shift work, rest day working and so on) remains at the level found by recent earnings inquiries. Paragraph 113 of the report states the Commission's belief that the full cost will be substantially below the gross earnings figures if managers in the local authorities and the NHS take the opportunity, as the Commission has suggested they should, to tackle inefficient practices intended to boost earnings which can no longer have any justification once the Commission's recommendations are in force.

I am sending a copy of this letter to Martin Raff in DE.

Yours sincerely,

David Brown

DAVID BROWN

~~6 AUG 1979~~
5 AUG 1979





8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

N Saunders Esq
Private Secretary
10 Downing Street
LONDON SW1

3 August 1979

Dear Nick MS PA

STANDING COMMISSION ON PAY COMPARABILITY - FIRST REPORT

... Ian Fair wrote to Tony Battishill on 30 July enclosing advance copies of the Commission's reports. I now enclose an advance copy of the statistical appendix to Report Number 1, which will be published by the end of this month.

I am sending copies of this letter and its enclosure to Private Secretaries to other Members of E Committee, the Secretaries of State for Scotland, Wales, Social Services, Education and Science, the Paymaster General and Sir John Hunt.

Yours sincerely

John Anderson

JOHN ANDERSON
Private Secretary

- 3 AUG 1979



Evan Pd.



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

N Sanders Esq
Private Secretary
10 Downing Street
LONDON SW1

31 July 1979

Dear Nick

CLEGG COMMISSION REPORTS

As promised, I attach the final version of the Government Press statement and background notes for use tomorrow.

We have incorporated the PM's amendment to the statement, and a Treasury amendment, on the PM's suggestion, to the Government Press Officers' brief, and amended the second sentence of the second paragraph on page 2 of the Press Officers' brief, at the Paymaster General's request, to make it clearer.

I am copying this letter and its enclosures to the recipients of my letter of 27 July.

Yours sincerely
Iain Fair

I A W FAIR
Principal Private
Secretary

PRESS NOTICE

PAY COMPARABILITY COMMISSION REPORTS

The Government today published the first reports of the Standing Commission on Pay Comparability, chaired by Professor Hugh Clegg. The reports cover the results of the Commission's pay comparability studies on local authority and university manual workers, National Health Service ancillary staffs, ambulancemen and university technicians. These cases, ^{were} referred to the Commission by the last Government, which undertook, with the parties to the references, to accept the recommendations for rates of pay which the Commission was asked to make for these groups.

The Government has undertaken to honour this commitment and the rates of pay recommended will be implemented on the agreed dates. The Government has, however, made it clear that it will be necessary to consider reductions in public expenditure to off-set the cost of implementing these awards.

NOTES FOR EDITORS

1. The Standing Commission on Pay Comparability was set up in March 1979 to examine the terms and conditions of employment of groups of workers referred to it by the Government, and to report in each case on the possibility of establishing acceptable bases of comparison. In the cases on which the Commission has now reported, it was asked to make recommendations on how the pay of the groups concerned should reflect the results of the comparisons.
2. The Government has already agreed that the Commission should complete its work on other cases referred to it. These include nurses, teachers, local authority craftsmen and other smaller groups.
3. Questions about the content of the reports should be addressed to Mr D Roberts, Office of Manpower Economics, (tel: 405 5944 ext 346).

STANDING COMMISSION ON PAY COMPARABILITY

BRIEF FOR GOVERNMENT PRESS OFFICERS

Functions of the Commission

1. The Commission was set up in March 1979. Its present function is to examine the terms and conditions of employment of particular groups of workers in the non-trading public sector referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison. In the cases of the groups on which it reports on 1 August, the Commission was asked to make recommendations as to actual rates of pay based on the comparisons.

Government Commitments on pay increases

2. The last Government, in referring the first cases to the Commission undertook certain commitments for the future. The terms of reference of the first groups of workers on which the Commission reports (at Annex A and B), say that the Government has undertaken to accept the recommendations of the Commission, and "in the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendations". That was the commitment of the previous Government, made before the May Election. The present Government has undertaken to honour the recommendations of the Commission [Prime Minister on 24 May, Hansard Col 1221]. As to financing any increases recommended by the Commission, the Government has reserved its position. In the Budget Speech [12 June, Hansard Col 246], the Chancellor said :

"On pay in the public services, while we honour the commitments to the universities and the health authorities entered upon by our predecessors, in general we will limit the adjustment of cash limits so that substantial off-setting economies will have to be found. The need for substantial economies applies equally to local authority expenditure we shall take account of pay settlements in calculating the increase orders for the rate support grant, but we shall make a significant across-the-board reduction from the increase so calculated".

The previous Chancellor^{also} made it clear that if pay settlements in the public sector reached unacceptable levels, (he mentioned 15%), there would need to be reductions in the volume of public expenditure which would have severe implications for manpower. [Hansard 25 Jan 1979 Col 756]

Last settlements for the groups covered by the reports

All the groups covered by the reports received settlements equating to 9% on the wage bill from their last annual settlement dates as follows: -

Local Authority manual workers	from	4 November 1978
University manual workers	"	4 November 1978
NHS ancillary staffs	"	13 December 1978
Ambulancemen	"	1 January 1979
University technicians	"	1 October 1978

In all cases it was agreed that any increases resulting from the Commission's recommendations should be paid in two stages, the first half from 1 August 1979 and the remainder from 1 April 1980. A payment of £1 a week on account was made to full-time workers in all these groups, except the university technicians; it was paid from the week including 22 February 1979. The new money due from the recommendations will of course have to be reduced to take account of the cost of the £1 payments on account made up to August 1.

Future of the Commission

The Government intends that the Commission should complete its work on the cases for which a reference to the Commission has been agreed by the Government. It will be reviewing the future of the Commission in the light of its reports. The Government has accepted the agreed arrangements for the staging of the implementation of any resulting pay increases.

The cases for which a reference to the Commission has been agreed are: -

Nurses and Midwives.	Any increases to be staged from	1 Aug 1979 and 1 April 1980
Professions Supplementary to Medicine.	" " " "	1 Aug 1979 1 April 1980
Primary and Secondary School Teachers and Further Education Teachers.	" " " "	1 Jan 1980 1 Sept 1980
Ambulancemen Officers	" " " "	1 Aug 1979 1 April 1980
Municipal Airport manual workers	" " " "	1 Aug 1979 1 April 1980
British Waterways Non-manual Staff	" " " "	1 Sept 1979 8 Sept 1980
Local Authority Craftsmen (except Engineers)	Various staging arrangements.	

Other questions

Questions about the content of the Commission's reports or its method of operating should be addressed to Mr D Roberts, Office of Manpower Economics, 22 Kingsway (405 5944 ext. 346).

31 JUL 1979

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FILE
ms

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

31 July 1979

A W Battishill Esq
Private Secretary to the Chancellor
Treasury Chambers
Great George Street
LONDON
SW1

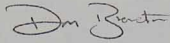
Dear Tony,

CLEGG

My Secretary of State has noted the terms of the statement which the Prime Minister has agreed should be made on publication of the first reports of the Standing Commission on Pay Comparability. He has also noted the Prime Minister's view on the need for some redrafting of paragraph 2 of the brief for Government press officers, and would like himself to suggest an addition to this paragraph to bring out more clearly the nature of the commitment to health authorities mentioned in the quotation from the Chancellor's Budget speech. Mr Jenkin would like the following passage inserted in paragraph 2 immediately following that quotation:-

"The commitment of the previous Administration referred to by the Chancellor was that health authorities in England should plan to make economies in 1979-80 totalling £21 million (at Survey 1979 prices) to set against the increases in their cash limits needed to cover approved pay settlements".

I am copying this letter to the Private Secretaries of the other members of E and to the other recipients of Nick Sanders letter of 30 July.

Yours sincerely

 (D. BREETON)

FILE

31 JUL 1979
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Rejected by
E(EA)

✓
MS

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

31st July, 1979

Dear Barbara,

CLEGG REPORTS: GOVERNMENT REACTION

Although it would be premature at the time of the publication of the Clegg reports tomorrow to offer any attempt at a definitive Government reaction, the Chancellor considers that it would be desirable for Ministers and Press Offices concerned to give some consistent flavour of first reactions, which should convey some questions and criticisms. A particular point to watch is the probability that there will be hostile union reactions to many features of the reports, if not to the reports as a whole. It will be important to balance this and avoid any impression that the Government must a fortiori be pleased with the result.

.....
Accordingly, I attach a draft of guidance to be drawn upon in answering Press and other enquiries or by Ministers in making any comments.

I am sending copies of this letter to the Private Secretaries to the Secretaries of State for Employment, Industry, the Environment, Health and Social Security, Education and Science, and to Nick Sanders (No.10) and Martin Vile (Cabinet Office).

Yours ever,
Janet Battishill
(A.M.W. BATTISHILL)

R.E.S. Prescott, Esq.,
Private Secretary,
Paymaster General's Office

DRAFT

BRIEF ON GOVERNMENT REACTIONS TO CLEGG REPORTS

The reports have only just been received by Government, which has published them immediately. They will need careful study, and at this stage only first reactions can be given. There are undoubtedly some disappointing features of the reports, which may partly be attributable to the speed with which they have had to be completed. The cost implications are certainly troublesome.

2. The following are particular points which could be made in answer to questions or volunteered.

Cost

3. The Commission has itself made estimates of the cost of its recommendations. Their calculations point to an increase in the wage-bill on the full recommendations of approaching £300 million. (The departments and employers responsible for the various groups will need to carry out their own costings and work out the effects of a number of unresolved questions and suggestions made in the reports). According to the agreed staging arrangements, the costs of the full recommendations will not arise until the financial year 1980-81 and it will be for consideration how far they can be accommodated, or what offsetting savings will be required, in relation to financial resources available for that year. The smaller additions to cost during the current financial year will similarly have to be examined and arrangements made where necessary to contain the total cost. It will be particularly important that all managements concerned - in the words of the first report - "take the opportunity to tackle inefficient practices intended to boost earnings which can no longer have any justification once our recommendations are in force",

Some Disappointing Features

4. The Commission has been unable to examine or reach conclusions on certain important matters such as relative efficiency, relative job security and supply and demand for labour. This is partly the result of the very short time available to the Commission for its work on these first references. Quantifiable data on these issues may not always be easily available, but in the Government's view these are important matters which need to be taken into account, and the fact that account has not been taken of them in these reports is disappointing.

Future of Clegg Commission

5. Too early to make any judgment. The Commission has clearly done a reasonably workman-like job, subject to time-constraints and other limitations. There may be scope for improvement of methods as indicated at certain points in the reports. But important questions remain, whether an approach of this kind can result in a satisfactory reflection of market conditions or the limitation of cash resources.





STANDING COMMISSION ON PAY
COMPARABILITY
OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944 Ext. 323

N Sanders Esq
Prime Minister's Office
10 Downing Street
LONDON SW1

BA

30 July 1979

Dear Sir,

STANDING COMMISSION REPORT NO 1

When we spoke on Friday I explained that the Statistical Appendix to Report No 1, which is to be published separately and later, could not be sent to you until Monday morning. You were content that in those circumstances we should send you the main report, which was then ready.

I now enclose two copies of the Statistical Appendix. Copies are going simultaneously to Martin Raff at DE.

*one copy
attached to file*

Yours sincerely,

David Brown

DAVID BROWN

30 JUN 1979

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✓
M/S

8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 6000

A Battishill Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1P 3AG

30 July 1979

Dear Tony

STANDING COMMISSION ON PAY COMPARABILITY - FIRST REPORTS

... I enclose advance copies of the Commission's reports to the Prime Minister on its first five references. The reports will be published at 2.00 pm on August 1.

I have already circulated the draft of a short Press Statement, on the lines the Prime Minister has already agreed, which, subject to the Prime Minister's comments, No 10 will issue at the time of publication.

I am sending copies of this letter and its enclosures to the Private Secretaries to the other Members of E Committee, the Secretaries of State for Scotland, Wales, Social Services, Education and Science, the Paymaster-General and Sir John Hunt, and without enclosures to Nick Sanders (No 10).

Yours sincerely
Ian Fair

I A W FAIR
Private Secretary

31 JUL 1979





File Top

10 DOWNING STREET

From the Private Secretary

30 July 1979

MF 8.8.79

I attach a copy of Professor Clegg's letter to the Prime Minister covering the first two reports of the Standing Commission. I have sent Professor Clegg an interim acknowledgement but the Prime Minister wishes to reply to him herself immediately she returns from Lusaka. I should be grateful if you would let me have a suitable draft, to reach us here by close of play on Wednesday, 8 August.

N. J. SANDERS

sl

I.A.W. Fair, Esq.,
Department of Employment.



10 DOWNING STREET

From the Private Secretary

30 July 1979

STANDING COMMISSION ON PAY COMPARABILITY

I am writing on behalf of the Prime Minister to thank you for your letter of 27 July. The Prime Minister was able to see and study the first two reports of the Standing Commission before her departure for Lusaka, and she will, I am sure, want to write to you herself immediately she returns from the Commonwealth Heads of Government meeting.

N. J. SANDERS

Professor Hugh Clegg

CONFIDENTIAL



cc HMT } Egon Pol
DM } special
memo

cc. CO FCO
CS, HMT HO
DOT BES
MAFF DHSS
DW SO
LPO PGO
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10 DOWNING STREET

From the Private Secretary

30 July 1979

BF 31/7/79

Dear Ian

CLEGG

The Prime Minister has seen your letter to Tim Lankester of 27 July. She has also seen the two reports of the Standing Commission which were submitted to her on the evening of 27 July.

She is content that publication should go ahead on Wednesday, 1 August. She has amended the second paragraph of the draft Press Notice, so that the first sentence reads:

"The Government has undertaken to honour this commitment and the rates of pay recommended will be implemented on the agreed dates. The Government has, however, made it clear"

The Prime Minister would also like the second paragraph of the brief for Government press officers to be redrafted. In her view it is not complete, because it does not include any reference to Mr. Healey's statements in the House that there might be a need in certain circumstances to seek off-setting savings. I should be grateful if the Treasury could urgently prepare a revised version of that paragraph to meet the Prime Minister's point.

Finally, the Prime Minister has asked whether it might not be appropriate to include a Treasury point of contact in the Press Notice. I should be grateful to have advice from the Treasury, in consultation with the Department of Employment, on this point.

I am copying this letter to the Private Secretaries to the Members of E, Philip Hunter (Department of Education and Science), Don Brereton (Department of Health and Social Security), Kenneth MacKenzie (Scottish Office), Richard Prescott (Paymaster General's Office) and Martin Vile (Cabinet Office).

Yours ever
Nick Sanders

I.A.W. Fair, Esq.,
Department of Employment.

CONFIDENTIAL

The draft statement (Flag C) is very flat. I am concerned - and so are the Treasury - about the words I have underlined, since they could be taken as ruling out the possibility of manpower reductions to off-set the increased costs. I suggest that instead of those words, the sentence should read:

agreed
not

"The Government has undertaken to honour this commitment and the rates of pay recommended will be implemented on the agreed dates. The Government has, however, made it clear"

The Paymaster General reported to you this morning that he was well advanced in coordinating arrangements for the follow-up to the statement.

Yes please
not

We will acknowledge Professor Clegg's letter on your behalf. You can write him a considered letter of thanks when you return from Lusaka.

Are you content that the reports should be published on Wednesday 1 August and that the draft statement, with the amendment suggested above, should be issued on the same day?

Yes
not

MJS

27 July 1979



OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1A 2AL

27 July 1979

Dear Mrs Thatcher,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the references on which we had undertaken to report by 1 August 1979. I have pleasure therefore in submitting the two attached reports, the first covering local authority and university manual workers, NHS ancillary staffs and ambulancemen; and the second dealing with university technicians. Also attached is a copy of a Statistical Appendix which is mentioned in the first report but which will be published later.

Yours sincerely

H. A. Clegg

H A CLEGG, CHAIRMAN
STANDING COMMISSION ON PAY COMPARABILITY

attached to file



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

27 July 1979

Dear Tim

As you know the Prime Minister has agreed that when the Government publishes the reports by the Standing Commission on its first five references, No 10 should issue a short Government statement. Enclosed is a draft of such a statement for the Prime Minister's approval.

I am copying this letter and the enclosure to the Private Secretaries of Members of E Committee, and the Secretaries of State for Education and Science, Social Services and Scotland, the Paymaster General and Sir John Hunt.

Yours sincerely
I A W FAIR

Private Secretary

DRAFT PRESS NOTICE

PAY COMPARABILITY COMMISSION REPORTS

The Government today published the first reports of the Standing Commission on Pay Comparability, chaired by Professor Hugh Clegg. The reports cover the results of the Commission's pay comparability studies on local authority and university manual workers, National Health Service ancillary staffs, ambulancemen and university technicians. These cases were referred to the Commission by the last Government which undertook, with the parties to the references, to accept the recommendations for rates of pay which the Commission was asked to make for these groups.

The Government has undertaken to honour this commitment and to provide financial resources to enable the recommendations for pay increases to be implemented at the already agreed dates. But the Government has also made it clear that it will be necessary to consider reductions in public expenditure to off-set the cost of implementing these awards.

NOTES FOR EDITORS

1. The Standing Commission on Pay Comparability was set up in March 1979 to examine the terms and conditions of employment of groups of workers referred to it by the Government, and to report in each case on the possibility of establishing acceptable bases of comparison. In the cases on which the Commission has now reported, it was asked to make recommendations on how the pay of the groups concerned should reflect the results of the comparisons.
2. The Government has already agreed that the Commission should complete its work on other cases referred to it. These include nurses, teachers, local authority craftsmen and other smaller groups.
3. Questions about the content of the reports should be addressed to Mr D Roberts, Office of Manpower Economics, (tel: 405 5944 ext. 346).

STANDING COMMISSION ON PAY COMPARABILITY

BRIEF FOR GOVERNMENT PRESS OFFICERS

Functions of the Commission

1. The Commission was set up in March 1979. Its present function is to examine the terms and conditions of employment of particular groups of workers in the non-trading public sector referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison. In the cases of the groups on which it reports on 1 August, the Commission was asked to make recommendations as to actual rates of pay based on the comparisons.

Government Commitments on pay increases

2. The last Government, in referring the first cases to the Commission undertook certain commitments for the future. The terms of reference of the first groups of workers on which the Commission reports (at Annex A and B), say that the Government has undertaken to accept the recommendations of the Commission, and "in the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendations". That was the commitment of the previous Government, made before the May Election. The present Government has undertaken to honour the recommendations of the Commission [Prime Minister on 24 May, Hansard Col 1221]. As to financing any increases recommended by the Commission, the Government has reserved its position. In the Budget Speech [12 June, Hansard Col 246], the Chancellor said:

"On pay in the public services, while we will honour the commitments to the universities and the health authorities entered upon by our predecessors, in general we will limit the adjustment of cash limits so that substantial off-setting economies will have to be found. The need for substantial economies applies equally to local authority expenditure ...we shall take account of pay settlements in calculating the increase orders for the rate support grant, but we shall make a significant across-the-board reduction from the increase so calculated".

Last settlements for the groups covered by the reports

All the groups covered by the reports received settlements equating to 9% on the wage bill from their last annual settlement dates, as follows:

This is not complete. The Commission will know of the details in the House of Commons. It is the duty of the Government to honour its commitments. DWS

Local Authority manual workers	from	4 November 1978
University manual workers	"	4 November 1978
NHS ancillary staffs	"	13 December 1978
Ambulancemen	"	1 January 1979
University technicians	"	1 October 1978

In all cases it was agreed that any increases resulting from the Commission's recommendations should be paid in two stages, the first half from 1 August 1979 and the remainder from 1 April 1980. A payment of £1 a week on account was made to full-time workers in all these groups, except the university technicians; it was paid from the week including 22 February 1979. [The cost of this payment on account will be recovered from the first stage of any increase resulting from the Commission's recommendations.]

The new money due from the recommendations will of course have to be reduced to take care of the cost of the £1 payment on account made up to 1 August.

Future of the Commission

The Government intends that the Commission should complete its work on the cases for which a reference to the Commission has been agreed by the Government.

It will be reviewing the future of the Commission in the light of its reports. The Government has accepted the agreed arrangements for the staging of the implementation of any resulting pay increases.

The cases for which a reference to the Commission has been agreed are : -

Nurses and Midwives.	Any increases to be staged from	1 Aug 1979	and	1 April 1980
Professions Supplementary to Medicine	" " " " "	1 Aug 1979		1 April 1980
Primary and Secondary School Teachers	" " " " "	1 Jan 1980		1 Sept 1980
Ambulance Officers	" " " " "	1 Aug 1979		1 April 1980
Municipal Airport manual workers	" " " " "	1 Aug 1979		1 April 1980
British Waterways Non-manual Staff	" " " " "	1 Sept 1979		8 Sept 1980
Local Authority Craftsmen	Various staging arrangements.			

Other questions

Questions about the content of the Commission's reports or its method of operating should be addressed to Mr D Roberts, Office of Manpower Economics, 22 Kingsway (405 5944 ext. 346).

at the Times



Prime Minister

PA

To note

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8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

R

26/7

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

25 July 1979

Dear Tim

STANDING COMMISSION ON PAY COMPARABILITY

My Secretary of State's minute of 19 July to the Prime Minister, about arrangements for dealing with the Commission's reports on its first five references, proposed publication on 1 August. The Prime Minister in her reply of 23 July agreed.

As my Secretary of State explained the timetable would be tight and depended on sending the texts to the printers on 27 July. It now appears that the Commission may not after all be able to have the reports ready in time to deliver them to the Prime Minister on 27 July. The position will not be clear until the outcome of the Commission's meeting tomorrow (Thursday) is known. However, if the timetable slips and the Commission do not deliver the report until early in the following week we should be able to publish by August 3. Professor Clegg, as I understand, determined that in any event the reports will be with the Prime Minister no later than 1 August - the date promised at the time the reports were commissioned.

I am copying this to the Private Secretaries of members of E Committee, the Secretaries of State for Education and Science, Social Services and Scotland, the Paymaster General and Sir John Hunt.

[Handwritten flourish]

Yours sincerely
Ian Fair

I A W FAIR
Principal Private Secretary

26 JUL 1979



CONFIDENTIAL

Econ. Policy



cp ENV

10 DOWNING STREET

From the Private Secretary

23 July, 1979.

Dear Sir,

The Standing Commission on Pay Comparability

The Prime Minister has now considered your Secretary of State's minute of 19 July on the above subject; she has also read the Secretary of State for Trade's minute of 20 July.

The Prime Minister is willing to agree Mr. Prior's proposals - in particular:-

to be
Employment
low this
should be
1 August

- (i) She agrees that the Commission's first reports should be published as Command Papers on 31 August;
- (ii) She agrees that there should be a short Government statement, which would acknowledge our commitment to honour the undertakings of the previous Administration; but this statement should also warn of the offsetting public expenditure cuts that may be necessary on the lines suggested by Mr. Nott;
- (iii) She agrees that once the reports are available, officials should review the way in which the Commission has undertaken its work, and that the finalisation of the Government's evidence to the Commission should take into account this review;
- (iv) She agrees that officials should consider the Commission's longer-term role with a view to reporting back to Ministers in due course; this work should be coordinated by the Treasury, though your Department and other Departments will also need to be brought in.

R.
Ring round
complete

I am sending copies of this letter to the Private Secretaries to Members of E. Committee, the Secretaries of State for Social Services, Education and Science, Scotland, and Wales, and to Martin Vile (Cabinet Office).

Tom

Tim Laker

I.A.W. Fair, Esq.,
Department of Employment.

CONFIDENTIAL

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C

PRIME MINISTER

STANDING COMMISSION ON PAY COMPARABILITY

x |

I have seen the Secretary of State for Employment's minute to you of 19 July about the first reports of the Clegg Commission. I suggest that the publication of these reports will provide an important opportunity enabling us to link these pay awards to the need to finance them through a reduction in other forms of public expenditure. I hope that the Government statement suggested by Jim Prior will make a major point of this factor.

SW

Department of Trade
1 Victoria Street
SW1

J.N.

20 July 1979

x i.e. a further justification for
the need for volume cuts.

12.

20 JUL 1979

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CONFIDENTIAL*Leon Policy**MSM**12 177*

PRIME MINISTER

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

Now that it has been decided that the draft evidence should not be shown to Professor Clegg informally, I agree with the Lord President of the Council that the drafting will need further consideration before the document is formally submitted.

I made some drafting points in my letter of 4 July to the Chancellor of the Exchequer, but going beyond this I agree with the Secretary of State for Scotland's comments about paragraphs 10-15. These paragraphs are relevant to cases in which the Commission will make binding recommendations and they therefore emphasise the factors other than comparability to be taken into account. But both teachers and local authorities have agreed that they do not want binding recommendations (which are in any case incompatible with the Remuneration of Teachers Act, 1965) and the Commission will be providing factual information. In these circumstances, it would be highly undesirable to suggest that we are inviting the Commission to slant its findings.

I am sending copies of this minute to the members of E Committee and to the Secretaries of State for Defence, Social Services and Scotland and the Minister of Transport and to Sir John Hunt.

M.C.

MARK CARLISLE
20 July 1979

CONFIDENTIAL

① Agree publication as proposed

Prime Minister

② Agree committee to be set up together with Mr James ^{is working on} Mr Wilton ^{about other work in J. N. 11 note}

Agree Mr Pridel's proposals?

PRIME MINISTER

③ Agree that further considerations be given to joint evidence on other issues

(Mr Nott's suggestion on handling - see Flag C - seems ^{13.02.79} sensible).

STANDING COMMISSION ON PAY COMPARABILITY

④ Would Treasury consider working letter more out.

I understand that the Commission aims to submit to you on Friday 27 July its first reports covering its first five references, ie local authority manuals, NHS ancillaries, ambulancemen, and university manuals and technicians. When the references were made, the parties to them were promised the reports by 1 August and they should, I think, be published as Command papers as are the reports of the Review Bodies. I therefore propose that the reports should be published on 1 August with embargoed copies going to the parties and to the Press somewhat earlier that same day. The timetable would be tight and it would mean that the texts would need to go to the printers on 27 July. Handling on publication would, of course, be for your office.

I think it will be helpful to issue a short Government statement at the time of publication. We must acknowledge our commitment to honour the undertakings of the previous Administration to implement the Commission's recommendations for pay increases from 1 August and 1 April 1980, to which unions and employers are also bound by the same agreement. As for any other matters in the reports, whether recommendations or merely comments, we need say no more than the Government will be considering them. I think we should also - while being careful not to put in doubt our intention to see the recommended pay increases implemented - make it clear that the Government, and employers, will have to consider the cost implications for the services concerned. We may well be asked for more general comment on the judgment the Government makes of the substance of the reports and the implications for the long-term future of the Commission, but I am sure that we should refuse to be drawn on these matters at this stage.

No doubt colleagues with responsibilities for the services which are the subject of these reports will be making the necessary assessments as suggested by Keith Joseph in his minute to you of 11 July, and the cost problems can then be considered when adequate assessments are available.

see Flag A
see also original form of report (Flag B)

Once the Commission's reports are available, I suggest we ask officials to review for us the way in which the Commission has undertaken its work on these first references and this might lead to suggestions for the framing of the formal evidence from the Government we have agreed to put to the Commission after the holidays for its remaining current references.

At the same time, I suggest we ask officials to report to us on any recommendations the Commission might make on its role for the longer term to help us take decisions on whether and how we would wish to see the work of the Commission develop for these and possibly other services. It would of course be essential that the employers and unions concerned were ready to participate in any long term arrangements we might be prepared to accept and I do not believe that we could in some way seek to impose comparability arrangements on them without their co-operation. This means that the parties' reactions to the first reports and to any recommendations the Commission makes for future arrangements will be crucial to the analysis. At least initially and until our own approach is clearer, I am sure it would be very much a mistake for Ministers to take the initiative in inviting the views of the employers and unions concerned in any formal way and this means that we will need to look to the sponsor Departments concerned to discover and assess the reactions which emerge in each negotiating forum.

I am sending copies of this minute to the other members of E Committee, Patrick Jenkin, Mark Carlisle, George Younger, Nicholas Edwards and Sir John Hunt.



JP
19 July 1979

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19 JUL 1979

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PRESENT GOVERNMENT'S COMMITMENTS ON CLEGG REPORTS

PM Oral questions 24 May 1979

"As the hon. Gentleman knows, a large number of claims have been referred to the Comparability Commission. We agreed to honour the recommendations of the Commission on those cases referred by the previous Government".

James Prior Oral questions 19 June 1979

(Harry Ewing: What is the attitude of the Secretary of State to the present work of the Comparability Commission? Will he say, for instance, whether the Government will honour what the comparability commission says about the pay of nurses, Health Service ancillary workers and Local authority manual workers)

Jim Prior : Yes. We have already given that undertaking.

Geoffrey Howe : Budget Statement 12 June 1979

"On pay in the public services, while we honour the commitments to the universities and the health authorities entered upon by our predecessors, in general we will limit the adjustment of the cash limits so that substantial offsetting economies will have to be found".

The terms of reference for the first 4 groups - including NHS Ancillary Staff - say that the Commission's investigation established by the Government should, following the studies, "make recommendations which the Government and the trade unions have undertaken to accept. In the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendations".

The Government wishes to encourage negotiators to consider comparability exercises in the public services and the Government will be initiating further talks to this end. The Government will now establish an independent investigation, a Standing Commission, to examine the terms and conditions of workers in the public services and to report on the possibility of establishing acceptable bases of comparison, including comparison with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. The first groups to be investigated will be local authority manual workers, NHS ancillaries, ambulancemen and university manual workers.

In particular the investigation should:

- (i) assess the appropriate form of comparisons with terms and conditions in other sections of the economy, and identify relevant comparators.
- (ii) make suggestions on how such comparisons should be carried out and on the resources required for carrying them out.
- (iii) make suggestions as to how the comparisons should be made available to the relevant negotiators within the local authorities/NHS/universities.
- (iv) consult the parties to the agreement on how the results of the comparisons of terms and conditions can be embodied in the relevant collective agreements.
- (v) following (i) to (iv) make recommendations which the Government and the trade unions have undertaken to accept. In the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendations.

Edon PDL



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

*MBM
12 17/7*

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

I have seen a copy of the minute of 10 July to you from the Chancellor in which he suggests that the Government evidence to the Standing Commission on Comparability be shown privately to Professor Clegg. I have also seen a copy of the subsequent minutes from Keith Joseph and Jim Prior. Like Jim Prior I am opposed to the suggestion that Professor Clegg should be shown our evidence privately.

In the first place there can be no certainty about Clegg's reaction to the evidence. He may well accept paragraphs 1-9 as a reasonable statement derived from the Government's accumulated experience of the operation of the Pay Research Unit, but the points made in paragraphs 10-15 might well be resented as an attempt to get the Commission to doctor their conclusions. And showing the evidence to him in private at once raises the question why it should not be submitted to the Commission openly.

If nonetheless the final view is to show the evidence to Professor Clegg might it not be best to do this on the basis that the Government is consulting him (privately) before finally submitting evidence (openly) to the Commission?

I am copying this minute to the members of E Committee and to Francis Pym, Patrick Jenkin, Mark Carlisle, Norman Fowler and Sir John Hunt

G.Y.

17 July 1979



17 JUL 1978

SECRET

c.c. Mr. Whitmore
Mr. Wolfson
Miss Porter

NOTE FOR THE RECORD

Mr. Prior called on the Prime Minister at 1630 hours this afternoon, and made the following points:-

- (i) Reappointment of Mr. Jim Mortimer as Chairman of ACAS.
Mr. Prior said that he had been unable to secure from Mr. Mortimer the letter on the future terms of reference for ACAS which he and the Prime Minister had hoped for; nonetheless, he still thought that Mr. Mortimer should be reappointed. The important point was that Mr. Mortimer accepted that ACAS should lose its "statutory recognition" function; and this was set out in a letter which Mr. Mortimer had sent him. The Prime Minister said she would like to see this letter before agreeing to the reappointment.
- (ii) Clegg. Mr. Prior reported that he had seen the Clegg Commission's recommendations on the first 5 references. These showed increases of less than 2% for the lowest grades, which was very encouraging; the overall increase (over and above the 9%) came to 12% because very large increases were recommended for higher grades. The Commission had not been able to make recommendations on over-manning - which the Prime Minister said was unfortunate. (Mr. Prior said that these figures were extremely sensitive, and should not be used.)

(iii) Public sector industrial relations and management.

Mr. Prior said that he was becoming increasingly worried about the weakness of management in the public services, particularly in the Civil Service. Senior managers had not been supported by Ministers over the past 5 years, and there was considerable evidence of "infiltration". If the Prime Minister agreed, he would like to discuss the matter with Lord Soames. The Prime Minister assented.

- (iv) Public expenditure. Mr. Prior said that he was very worried that the Treasury were aiming for excessive public expenditure cuts. In his view, the Treasury forecasts for the PSBR were too pessimistic. Other leading forecasters - particularly Mr. Bryan Reading's group - were forecasting a lower PSBR figure for 1980/81. It would be disastrous for industry if public expenditure was cut too much. The Prime Minister pointed out that the forecasters could be wrong in a downward direction as easily as in an upward direction, and she was sure that outside forecasts had been fully taken into account by the Chancellor. In any case, she did not accept the premise that public expenditure cuts would damage industry: industry would only recover if resources were freed from the public sector to the private sector.

12.

16 July, 1979.

Leon B7



PRIME MINISTER

*MSOM
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12/7*

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

I share Jim Prior's doubts on the prudence of giving Professor Clegg the text of the evidence drafted for formal submission on the Commission as Geoffrey Howe has suggested. To put forward informally such important and far reaching statements of the Government's position could be embarrassing to Professor Clegg and might not achieve Geoffrey Howe's objective.

In any case, as Jim Prior points out, we are not yet fully agreed on the content of the draft. There are a number of points which my department will be putting forward, and other colleagues also have reservations.

I am copying this minute to the other members of E Committee and to Francis Pym, George Younger, Patrick Jenkin, Mark Carlisle, Norman Fowler and Sir John Hunt.

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12 July 1979

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12 JUL 1979

CONFIDENTIAL

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DSG



10 DOWNING STREET

From the Private Secretary

12 July 1979

Dear Tony,

The Prime Minister has read the Chancellor's minute of 10 July about Government evidence to the Clegg Commission. She has also read Sir Keith Joseph's minute of the same date and Mr. Prior's minute of 11 July.

The Prime Minister agrees with Mr. Prior that it would be a mistake to show Professor Clegg the text of the evidence on a private basis now, and that the evidence should be submitted to the Commission formally in time for the next batch of references.

I am sending copies of this letter to the Private Secretaries to the members of E Committee and to Roger Facer (Ministry of Defence), Kenneth MacKenzie (Scottish Office), Don Brereton (Department of Health and Social Security), Philip Hunter (Department of Education and Science), Genie Flanagan (Department of Transport) and to Martin Vile (Cabinet Office).

Yours etc,

Tim Laker.

A. M. W. Battishill, Esq.,
H.M. Treasury.

CONFIDENTIAL

PRIME MINISTER

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

I very much doubt whether it would be prudent, or is indeed necessary, for me to give Professor Clegg the text of the evidence drafted for formal submission to the Commission, as the Chancellor of the Exchequer suggested in his minute to you of 10 July.

It is possible that Professor Clegg would be found reluctant to take delivery of a document which has so uncertain a status and, at the least, it would place him in an uncertain position with the other members of the Commission. I know that Professor Clegg has thought it right to report to the Commission as a whole the substance of the conversations which he had with you on 31 May and subsequently with me. If I now invited him to accept the draft, he might well feel that he must show it to the Commission and that would lead to the immediate suggestion that the parties to the reference should be invited to comment on it. If that were the case, we would face just those difficulties which persuaded us in E Committee yesterday not to submit evidence formally now.

We would in any case first need to agree the content of the draft on which I and other colleagues have a number of reservations.

I am in no doubt that Professor Clegg is well aware of our concern that the concept of comparability should be as surely based as possible and that all relevant factors need ideally to be taken into account. I believe that it is his intention to draw attention to such factors in his first reports when this has not been possible and I have already encouraged him to do so. The final text of the reports will need, of

course, to be agreed by the Commission as a whole and he will not alone be able to determine what might be finally said.

For these reasons I would very much prefer not to put the draft to him.

I am copying this minute to the other members of E Committee and to Francis Pym, George Younger, Patrick Jenkin, Mark Carlisle, Norman Fowler and Sir John Hunt.



J P

11 July 1979



RECEIVED



There can be no such thing as a private submission. That would be the work of the Treasury Chambers, Parliament Street, SW1P 3AG. I would not suggest ministers for long.

PRIME MINISTER

Pamela Christie
 Sir K Joseph supports the Chancellor (Flag A), but Mr Prior (Flag B) is opposed to showing the Government evidence to Professor Clegg on a private basis. I suggest we stick to the E Committee decision - i.e. submit evidence ^{in time} for the next batch of reforms. Agree? ^{Yes} _{no}

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

When we discussed this in E Committee this afternoon I acquiesced in the general view that it was now too late formally to submit the Government's general evidence to the Clegg Commission before it completes work on its first references. On reflection, however, it seems to me that there could be advantage in letting Clegg see a copy of the evidence privately.

2. The tone and content of the evidence has been carefully chosen to indicate to Professor Clegg the kind of framework within which the Commission must operate if its work is to be acceptable. He will be seeking to steer close enough to Ministers' wishes to give the Commission a good chance of survival. For that reason alone I would expect him to be responsive to our evidence if shown it privately, even if he were to be somewhat dismayed by it. So long as he saw the evidence quickly, he might be moved to add one or two important qualifications to his first reports, recognising shortcomings and leaving the door open for more thorough investigations in the future when the Commission is less constrained by shortage of time. Unless he sees our evidence, there must be a risk that such qualifications - as to the need for proper comparisons of productivity and manning - will be missing.

3. If you and other colleagues share this view, I suggest that we ask Jim Prior to acquaint Professor Clegg with the evidence on a personal basis.

CONFIDENTIAL



4. I am copying this minute to the other members of E Committee and to Francis Pym, George Younger, Patrick Jenkin, Mark Carlisle, Norman Fowler and Sir John Hunt.

G.H.

(G.H.)

10 July 1979

110 JUL 1979





PRIME MINISTER

GOVERNMENT EVIDENCE TO THE CLEGG COMMISSION

I agree with the Chancellor's minute to you about a private showing of our evidence to Professor Clegg. The only reason against this would be if Jim Prior - who has told us that he thinks that the reports may not be bad - has reason to judge that such action might produce a perverse result.

I am copying this minute to the other members of E Committee and to Francis Pym, George Younger, Patrick Jenkin, Mark Carlisle, Norman Fowler and Sir John Hunt.

PJS

K J

(approved by the Secretary of State
and signed in his absence)

10 July 1979

Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1



LOS ANGELES
CALIF.

10 JUL 1879

A09926

PRIME MINISTERE: Government's General Evidence to the Clegg Commission

BACKGROUND

1. The Chancellor has circulated in his letter of 26 June a draft text of the Government evidence for the Clegg Commission. He sought clearance of the text from colleagues in accordance with the Cabinet decision on 17 May, when it was also agreed that the evidence would be published. You indicated your general approval of the draft, subject to minor amendments; and Sir Keith Joseph has also proposed some further detailed amendments.

2. The Secretary of State for Employment has since raised, however, some more substantial objections in his letter of 2 July. His two main points are -

a. It would be wrong to submit the evidence now. This would be too late to influence the first reports on the public service manual groups, which are due in about 3 weeks. If these reports appeared to ignore any of the proposals in the Government evidence it could look like a slap in the face for the Government. Submission of the evidence now would also antagonise the unions, since they would not have time to comment on the evidence before the Commission's reports were complete.

b. The second part of the draft evidence (para 10 onwards), dealing with the "wider context", while suitable for general presentation is not suitable as Government evidence, since it does not give the Commission a clear lead on how they are to conduct their inquiries.

HANDLING

3. You may wish to ask for introductory comments from the Chancellor of the Exchequer and the Secretary of State for Employment. You might say you do not wish the Committee to discuss detailed amendments, but only timing and presentation. In particular, now that we are so close to the completion of the reports, is there a case for delaying submitting the evidence until the Government has had time to consider the reports, as Mr Prior suggests? For example, if the evidence were submitted before the reports, then if the

Commission published reports not entirely compatible with the proposals in the evidence, would the Government be forced to reject the reports even if for other reasons it did not wish to do so? On the other hand might not the publication of evidence shortly after the completion of the reports cause similar problems? There is a difficult dilemma here, which partly arises because of the time lag between the Cabinet's discussion on 17 May and the circulation of the Chancellor's draft text.

4. Whatever view is taken on publication, you will want to seek a view from the Committee on whether in principle it is right to retain the final section of the draft evidence (on "the wider context"). If Mr Prior remains strongly against this, then a compromise might be for the thoughts in this section to be used as material for Ministers' speeches, inspired press articles, etc but not including in the evidence as such. Otherwise Mr Prior could be asked to submit any detailed drafting changes as quickly as possible.

CONCLUSIONS

5. The main choice is between -
- a. Early submission of the evidence - in which case the Chancellor could be asked to circulate as soon as possible a revised version of the text, taking into account detailed drafting amendments from colleagues.
 - b. Deferment of a decision on submission of the evidence until the Government has been able to consider the Standing Commission's first reports at the end of July.
6. In any event you will want a decision on the treatment to be given to the section on "the wider context".

RAH
JOHN HUNT

6 July 1979

Civil Service Department,
Whitehall,
London, SW1A 2AZ

*With the Compliments
of the
Lord President of the Council*

CONFIDENTIAL

Evan PR



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

6 July 1979

The Rt Hon Sir Geoffrey Howe OC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

*R
9/7*

Dear Geoff,

GOVERNMENT'S GENERAL EVIDENCE TO THE CLEGG COMMISSION

Thank you for sending me a copy of the draft Government evidence to the Clegg Commission enclosed with your letter of 29 June to Jim Prior. I have also seen a copy of his reply.

I agree with Jim Prior that the major questions of timing and form merit discussion in E Committee. It could be very difficult for the Commission to receive this evidence at an advanced stage of their work on the first five references. Even if they have separately taken account of similar points, it might suit the unions to profess that it was the late Government evidence, to which they had had no time to react, which had swayed the Commission. That could militate against establishing a vigorous system for comparisons. I also believe that Jim Prior is right in questioning whether much that appears under the heading "The Wider Context" is appropriate for the Commission to be invited to take into account under their existing terms of reference.

There are some points of detail which we shall be raising on the draft, and these will be sent separately.

I am copying this letter to the recipients of yours.

Yours ever

Christopher

SOAMES



6108 70F 6 2



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Geoffrey Howe, QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
London SW1

R
117
5 July 1979

Dear Geoffrey,

You wrote to the Secretary of State for Employment on 26 June, enclosing a draft of the Government's general evidence to the Clegg Commission.

I endorse the reservations expressed by colleagues about whether this is the right moment to submit such evidence. The Commission will have nearly finished their consideration of the first references which were made to them, and reports are due by the end of this month. They seem likely to regard the submission of Government evidence at this stage as ill-timed, arguing that if Government wished to submit evidence it should have done so at the right time - ie. some weeks ago. I fear that submission now may be counter-productive, and it occurs to me that we might do well to consider delaying until towards the end of this month, when our general observations could be presented as being aimed at the Commission's longer-term programme of references.

I agree also with other comments suggesting that we need to look again at the drafting of paragraphs 10-16. What this passage says is absolutely correct, but it will be taken - and is probably so intended - as asking the Commission to make recommendations which will take account of factors other than comparability. As matters stand, I do not think that it is their responsibility to do this, and indeed - as they would no doubt be quick to point out - it would be inconsistent with the first part of the draft memorandum to argue that it was, since that part of the draft evidence is concerned rightly to urge on the Commission the importance of applying comparability strictly and comprehensively and of not being influenced - as the staff groups concerned would no doubt like them to be - by wider but irrelevant

E. R.

considerations, such as those referred to in paragraph 9. I suggest that paragraphs 10-16 should be shortened and the material used in order to emphasise the importance of ensuring that the process of drawing comparisons is carried out strictly in order to prevent any increase in pay costs beyond what is genuinely justifiable.

I am copying this letter to the Prime Minister, other members of E Committee and to Sir John Hunt.

Yours ever
Patel

CONFIDENTIAL

vLB

Economic Policy

cc	HO	D/T
	FCO	D/N
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10 DOWNING STREET

From the Private Secretary

3 July 1979

The Government's General Evidence to the Clegg Commission

The Prime Minister has read the draft of the Government's general evidence to the Clegg Commission circulated under cover of the Chancellor's letter of 26 June. On the whole, the Prime Minister thinks that this draft is excellent - though I should add that she has not had an opportunity to consider the points raised by the Secretary of State for Employment in his letter of 2 July. She has one comment on paragraph 2 of the draft: she would prefer to avoid the impression in that paragraph that the Government necessarily approves of the concept of comparability. Accordingly, she has suggested that, after iii, the paragraph should read as follows -

"When an organisation provides goods or services which are not priced or sold in the market, there is no framework in which market wages can be determined. Therefore, there is a clear need to devise procedures which will act as an adequate substitute for it."

The Prime Minister has also suggested that paragraph 3 should read as follows -

"Comparability must mean "comparable pay for comparable work in comparable conditions". What this might mean in practice is outlined below."

I am sending copies of this letter to Private Secretaries to members of E Committee and to Martin Vile (Cabinet Office).

T. P. LANKESTER

A. M. W. Battishill, Esq.,
H.M. Treasury.

CONFIDENTIAL

M



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-2123301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

3 July 1979

Dear Geoffrey.

R 517

GOVERNMENT'S GENERAL EVIDENCE TO THE CLEGG COMMISSION

I have thirteen detailed comments on the draft evidence, circulated with your letter of 26 June to Jim Prior, as in the attached list.
...

I agree very much with the general line taken in the draft. It seems to me that, unless our evidence can state the facts of life as plainly as this, we should not be prepared to accept the dangerous concept of comparability at all.

I am copying this to the other recipients of your letter.

E. Carr.

Kerr



LIST OF SUGGESTED AMENDMENTS

- Paragraph 2 line 9 delete 'goods or'. It is important to avoid any implication that comparability can be extended to the trading sector.
- Paragraph 4a line 3 after 'group' add 'or groups', since more than one comparator should be used if possible.
- Paragraph 4b at end add 'including comparisons with both "good" and "bad" employers.'
- Paragraph 4d line 3 after 'should' add 'always' and delete the last two lines. An imperative does not allow for any emphasis of exclusion.
- Paragraph 6 line 13 add 'or by comparing the frequency with which people in particular jobs or employments change their jobs.'
- line 16 add 'career expectations'.
- Paragraph 8 line 3 after "enter" insert "or stay in".
- line 4 insert "the existence of unfilled and justified vacancies at the desired quality or on the other hand manpower surplus to need" instead of or in addition to the first eight words of the second sentence.
- Paragraph 11 line 3 insert "direct" before "taxes"
- Paragraph 12 at end add "If more than 5% is sought the burdens imposed on people generally can be assessed from these figures".
- Paragraph 13 line 10 '£400m' appears to be a drafting slip and leads to the paragraph being incomplete. In order fully to reflect paragraph 12 there would need to be a reference to the measures available to central Government within existing expenditure as well as those available to local authorities.



2.

- Paragraph 14 line 4 after "well" insert "cause the ^{numbers}~~workings~~
in or the extent of the service to
be reconsidered and in addition".
- Paragraph 15 line 8 after "numbers" add "and quality".

F-4 JUL 1979

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8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 0000

Prior's minute
I have passed on your comment on the draft. But Mr Prior does have a point on timing. I suggest we wait to see how the Chancellor replies.

Pe
TZ
3/7

Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1P 3AG

over
ms

2 July 1979

Dear Mr Prior

GOVERNMENT'S GENERAL EVIDENCE TO THE CLEGG COMMISSION

Flyg A

You wrote to me on 26 June enclosing a draft of the Government's general evidence to the Clegg Commission.

Although I would have suggestions on the detail of the draft, there are two major questions that I think we need to consider.

The first is timing. I see little or no advantage in submitting evidence at so late a stage in the Commission's consideration of its first five references on which it is to report by 1 August. The necessary comparisons have in fact already been made. The Commission has finished taking evidence from the parties and the first reports are now being drafted. What is more, as the references were agreed by the parties the Commission is bound to ensure that all the parties have the opportunity of commenting on all the evidence. It would now be entirely reasonable for the unions to claim that they had inadequate time to consider and comment on what we might put forward in July, and not perhaps unreasonable for the Commission itself to comment adversely in its reports on the timing of our submission. Indeed, I believe that the unions' reaction could reduce the possibilities for establishing a rigorous and acceptable system of comparability for some of the most difficult of the public services and we have yet to consider whether we would want to seek to do so.

In my conversations with Clegg I have become persuaded that he is most anxious that the Commission should base its findings on rigorous job-for-job comparisons wherever possible and that he has the other considerations about comparability outlined in the draft evidence very much in mind, even though the time allowed for the first references just does not allow the Commission to consider them all and to the degree he would have wished. Where this has not been possible I would expect him to say so.



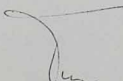
I believe that we should postpone the submission of evidence until we are able to take a considered view of the first reports and the reactions to them and in a position to take decisions about the possible advantages and dangers of comparability for the longer term. I understand that the Commission is unlikely to start taking evidence for the second major references until September.

Secondly, I think that much of what appears under the heading "The Wider Context" in the draft provides important material for general presentation rather than for formal evidence to the Commission. We must, of course, continue to emphasise the public expenditure implications of pay in the public services as widely as we can, but so far as the Commission is concerned the objective should be no more than to strongly underline that job comparability needs to be rigorously applied and tested. The Commission, given the terms of reference which we have endorsed, cannot appear to be invited to take into account, as a wholly separate factor, the cost implications of its findings.

The Commission's first reports will be made to the Prime Minister close to the end of July and, following the precedent of the reports of the Review Bodies, should be published as Command papers. The parties to the references were promised the reports by 1 August and I think we must publish them just as quickly as possible after they are received and at the same time as they are made available to the parties. On publication, we need do no more than repeat our undertaking to honour the commitments of the previous Administration and to implement the recommendations. Thereafter we will need to consider the implications for public expenditure and consider whether we see an acceptable role for the Commission in the longer term. At that same time, we can consider the form and content of the evidence we might want to put to the Commission for its remaining current references.

In the light of these and other comments which might come to you on the draft, you might judge that we should discuss the timing and form of the Government's evidence to the Commission in E Committee.

I am copying this letter to the Prime Minister, other members of E Committee, and Sir John Hunt.

Yours faithfully


2 JUL 1979





Prime Minister

This draft seems excellent. It covers the points - eg. efficiency, supply/demand, PSBR -

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

which you raised with Professor Clegg

26 June 1979 (record at Play A).
Are you content?

TL
27/6

Des Seely of State,

Minist! - has see
first amendment, no

GOVERNMENT'S GENERAL EVIDENCE TO THE CLEGG COMMISSION

At Cabinet on 17th May I undertook to clear with Ministerial colleagues a revised version of our general evidence to the Clegg Commission.

..... I now enclose a draft text. It is clearly highly desirable to pass our evidence formally to the Commission as soon as possible. I should therefore be grateful for any comments you or any other recipients of this letter may have by close of play on Tuesday, 3rd July.

I am copying this letter and its enclosure to the Prime Minister, other members of E Committee, and Sir John Hunt.

Met Hill

(G.H.)

[Approved by the Chancellor and signed in his absence]

The Rt. Hon. James Prior, MP

26 JUN 1979



DRAFT

STANDING COMMISSION ON COMPARABILITYGOVERNMENT GENERAL EVIDENCE

The Government offers this evidence to the Commission to draw attention to general issues raised by the Commission's work and its wider context. Evidence about particular cases may also be submitted from time to time.

Background

2. The Commission has been asked to do three things :
 - i. to see whether proper comparisons can be made;
 - ii. if they can, to collect evidence and make the comparisons; and
 - iii. in certain cases to recommend rates of pay based on its findings.

*Now this
change. The
present draft
is case for
is not included
- (last)
and*

~~A case for using the comparability principle arises where~~
When an organisation provides goods or services which are not
priced or sold in the market, ~~or operates outside the~~

~~accounting rules of profit and loss.~~ In such circumstances there is no framework in which market wages can be determined, ^{then use is} ~~and, hence,~~ a clear need to devise procedures which will act as an adequate substitute for it.

3. ~~If Comparability is to be done it must be done properly, which means~~ ^{be} "comparable pay for comparable work in comparable conditions". What this might mean in practice is outlined below.

Job for Job Comparisons

4. The starting point should be rigorous "job-for-job" comparisons :

- a. As far as possible each group or occupation distinguished by the Commission within the public sector should be homogeneous, as should the group outside with which it is compared.
- b. The widest possible range of comparisons should be sought : in particular, care should be taken to avoid any outside selection which may be inappropriately biased by region, by size of company or other accidental factors, the object being to get the broadest possible view of the outside market.

c. Comparisons of the pay of a group with the general level of national earnings are not relevant. Such a linkage rules out the necessary shifts in relative earnings in response to changes in the pattern of supply and demand on which an efficient labour market depends.

d. Comparisons with outside groups which themselves make direct or indirect comparisons in the opposite direction will be misleading and should be avoided, particularly when the relativities each side seeks to establish are inconsistent.

e. It may not be possible to find a precise match in the private sector for public sector jobs. If this proves to be so the Commission should not feel inhibited from reporting accordingly. In some rare cases the Commission may feel able to suggest comparators on the basis of common factors, but these are not so reliable as proper job-for-job comparisons. They should therefore be regarded as giving no more than general indications, which must be heavily qualified in particular by consideration of labour supply and demand in relation to the job concerned.

The danger of historical comparisons

5. Comparisons should be based on current conditions. Past pay relationships, standards of performance and

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market conditions cannot be taken as a proper guide to what is right in the present or future. Links fixed for extended periods, let alone for perpetuity, cannot reflect and must hinder the changes vital in a growing and evolving economy. Recent experience makes this an issue of particular importance. In the last decade there have been periods such as 1973-75 in which public sector pay as a whole grew more quickly than in the private sector, and periods such as 1976-9 when the trend was probably for the most part the other way. In both cases the desire to "catch up" was an important factor behind the claims advanced and the settlements concluded. But this process yielded no advantage to either side in the longer run, and harmed the economy. Such developments must be avoided in future.

Comparable Work and Conditions

6. In making proper comparisons, pay relationships are only one of many important elements to be examined. The other factors which should be taken into account will, of course, vary from case to case. Amongst the most important, and for the most part susceptible of quantification are: productivity, efficiency and manning levels; holidays, hours of work and leave; benefits in kind, subsidised loans, provision of special housing and pensions (including the way in which they are financed and the extent to which they are, by law or practice, protected against inflation). Others are less easily quantified. A cross-

bearing on job security may be obtained from an analysis of the unemployment statistics on the basis of "last job". Other factors include mobility; liability to accept change; inconvenience; flexibility of working practices; the status and esteem conferred by the job; its congeniality; and unsocial hours and physical conditions.

7. The Commission will wish to reflect carefully on how differences in manning levels and productivity are to be taken into account. They cannot be ignored, and the Commission will wish to spell out in its report the differences it finds. If there are significant differences, then equal rates of pay cannot be justified. To give the opportunity for the negotiation of reduced manning levels and improved productivity, the Commission might find it convenient to suggest a range of rates of pay linked to changes in these areas.

Supply and Demand

8. The considerations outlined above will, in a properly functioning market, be reflected in people's readiness to enter jobs in the public and private sector, and in the desire of employers to recruit them. The balance of supply and demand thus established is the essential background against which the Commission has to carry out its work. When the Commission makes its own recommendations,

or when others are negotiating on the basis of information it has provided, the objective must be to establish pay levels which even out imbalances between public and private sectors in the demand for and supply of recruits of adequate quality. Temporary or strictly localised fluctuations which are likely to work themselves out fairly quickly are obviously to be disregarded. But where the balance remains out of line for any length of time, the presumption must be that pay conditions or some other factor needs to be altered to restore a proper balance. Achieving a similar balance between supply and demand in both private and public service jobs is usually a decisive practical test of whether genuine comparability has been achieved, and particularly of whether proper weight has been given to factors which it may be difficult to quantify.

Further Pitfalls

9. The Government must also draw attention to three issues which often play an important part in pay negotiations, but which should have no place in comparability studies or recommendations based on them :
- a. the past or future rate of inflation;
 - b. views about the "going rate" for pay settlements;
 - c. low pay.

All three are incompatible with the central principle of comparability, which focuses strictly on relative levels of pay and conditions. The particular problem of low pay raises basic questions of productivity, tax and social policy, which are for the most part best dealt with in national policies which affect the whole economy.

The Wider Context

10. The Commission has undertaken to make binding recommendations about pay levels and their implementation in the cases of a number of major groups. In accepting this responsibility, the Commission is, in an important sense, acting as proxy for the negotiating process in Central and Local Government. In discharging that task it is reasonable to expect that it will have some regard to the constraints on employers as well as to the claims of employees, and to the wider impact of their recommendations.

11. As regards constraints, the Commission will already be aware of the Government's commitment to reduce the levels of taxes, public spending and public borrowing. This is essential; both in order to master inflation, and to lighten the burden of financing the public sector which is holding back the performance of the rest of the economy.

12. This commitment becomes of central importance when viewed alongside the scale and costs of the groups of public sector employees whose cases the Commission is investigating. The reference on teachers covers 630,000 employees with a pay bill of £3,700 million a year; that on local authority manual workers about 620,000 and £1,900 million a year; that on nurses 410,000 and £1,500 million a year (all employment figures on a "full time equivalent" basis). These three groups alone constitute over 1½ million people, about a third of central and local Government employees, and their pay constitutes over £7 bn, a fifth of all current expenditure on goods and services. An additional 5 per cent on their pay would cost about £350 million. To finance that increase from taxation one might have to:

add 1p to the basic rate of income tax; increase the standard rate of VAT by 1 per cent; add 4p to the duty on a pint of beer, 9p to a packet of cigarettes or nearly 10p to a gallon of petrol; or increase local rates by nearly 10 per cent - over £12 per year on average for every ratepayer.

13. However, given that the levels of public expenditure originally planned this year were excessive and that stringent economies are being sought, the realistic question is not how such additional pay increases might be financed by extra taxation, but rather how they could be accommodated within an unchanged spending total. As

successive Governments have made clear, additional wage costs above those budgeted for will as far as possible have to be offset by economies elsewhere, or reductions in numbers employed. To offset the £400m mentioned above would involve lowering the standards of service to the public by reducing the rest of current expenditure in Local Authorities by (20%), or cutting back numbers employed by about 100,000, or by a combination of both.

14. The numbers and money amounts involved in important public service settlements are such as to affect the balance of the economy as a whole. The level at which public service groups' pay is set therefore may well cause changes in the very conditions on which the judgment of the appropriate increase was made. For example the Commission's work could have a direct impact on inflationary pressure in the rest of the economy if it recommends large settlements and these in turn influence claims and negotiations elsewhere. Here, too, sheer size is a major consideration, coupled with the very wide distribution of public service employees throughout the country and the inevitable publicity surrounding their pay settlements.

15. To take these considerations into account is not to discriminate against the public services. It is to strike a proper balance between their needs and those of other workers and members of the public. It implies

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rates of pay and conditions of service for public service employees no more attractive than is needed to recruit and retain such employees in adequate numbers, and thus no more attractive than are enjoyed by employees doing comparable work with comparable effort outside the public services.

16. The Government, and where appropriate local authorities, must reserve the general right to decide how any recommendations made by the Commission should be financed and implemented, including whether or not increases should be staged, and what provisions should be made for financing or offsetting any extra costs.

CONFIDENTIAL

bcc Howe
Wolfson
Hoskyns

TW



ce/Master set.

ECOM Pol.

10 DOWNING STREET

From the Private Secretary

1 June 1979

Dear Sir,

The Prime Minister held a meeting with Professor Hugh Clegg together with your Secretary of State at 1900 on Thursday 31 May to discuss the work of the Standing Commission on Pay Comparability.

The Prime Minister said that she did not wish to discuss the specific references to the Commission, but only the Commission's general approach. The decision by the previous Government to extend comparability in the public services had, in her view, been an undesirable expedient, and she was very concerned about the way in which the Commission were going to carry out their work. Comparability would have a damaging effect on the public finances and on the economy generally unless it took account of such factors as relative efficiency, supply and demand, regional wage variations in the private sector, index-linked pensions, and the public expenditure implications of the resulting settlements. She feared that these considerations would not receive proper treatment.

This was partly the fault of the terms of reference for the first references, which said nothing explicit about these broader considerations. However, she had noted that the terms of reference provided that the Commission should first assess the feasibility of conducting the comparisons, and she very much hoped that they would be able to build into their work the points which she had mentioned. She was particularly concerned about the problem of over-manning. There was plenty of evidence that some of the public services were grossly over-manned - for example, during the local authority manuals' dispute private contractors had been seen to perform far more efficiently, and likewise volunteers who had substituted for hospital ancillary staff. The objective should be a "highly paid, highly worked" public service; if the Commission failed to look at efficiency, the outcome would be high pay and continued over-manning.

The Prime Minister went on to say that it was crucial that the Commission's first reports should carry conviction. They would be a crucial first test of the appropriateness of the Commission's methodology, and they would set the tone for the subsequent reports.

/In reply,

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In reply, Professor Clegg said that he agreed that the terms of reference had been in some respects inadequate. Aside from the points mentioned by the Prime Minister, he would have preferred not to have had to make binding recommendations. It would have been better if all the references had followed the pattern of the teachers', where the Commission's findings would only be used as a basis for negotiation.

The Commission had seen it as their first task to establish a clear set of principles on which to operate. They had started off hoping that they could rely mainly on "job for job" comparisons; but it was now clear that factorial analysis would have to play an important part, and in the case of the ambulancemen and the nurses this method would have to be applied exclusively because there were no obvious analogues. He agreed that in theory it would be desirable to take into account the factors which the Prime Minister had mentioned. Some of them would be taken into account in the Commission's first reports. They would, for example, be considering the value of index-linked pensions - and their approach might not be the same as that of the Government Actuary, about which doubts had been expressed; they would also look at supply and demand, though this would have to be a check on their findings rather than as a basis for them. But it would be impossible, in the time available, to consider relative efficiency and over-manning. Even though there was certainly casual evidence of over-manning in the public services (as there was also in parts of the private sector), it was extremely difficult to quantify its extent. Detailed and extensive studies would be required to produce hard evidence, and there were also major problems of methodology. It would be counter-productive for the first reports to include specific recommendations to reflect lower efficiency if these could not stand up to close scrutiny. The Commission intended to look at efficiency in their later reports. But the first reports (due by 1 August) would only be able to say that efficiency and over-manning were important considerations, but that quantification had not been possible. This would be in line with the CBI's evidence to the Commission which suggested caution on this point.

The Prime Minister said that she was very disappointed to hear what Professor Clegg had to say about efficiency. This only confirmed her fears that the Commission's first reports would produce inflationary settlements. She asked Professor Clegg to consider the implications for the future reputation of the Commission; and despite the practical difficulties of conducting efficiency studies, at least to make some allowance for the efficiency factor. She wondered whether the Commission was adequately staffed.

Professor Clegg said that the Commission would do its best to produce reports which would meet the Prime Minister's concerns, but he could not promise to include anything specific - at least in the first reports - on efficiency. As regards staffing, the Commission would need an additional staff-member to consider longer term issues; but otherwise, with the assistance of PRU and outside consultants, the current staffing was adequate.

/I am sending

CONFIDENTIAL

- 3 -

I am sending copies of this letter to Tony Battishill
(H.M. Treasury) and Martin Vile (Cabinet Office).

Now over,

Tim Laker

I.A.W. Fair, Esq.,
Department of Employment.

CONFIDENTIAL

BRIEF FOR PRIME MINISTER'S MEETING WITH PROFESSOR CLEGG, CHAIRMAN
OF THE STANDING COMMISSION ON PAY COMPARABILITY: THURSDAY 31 MAY

Objective

1. To impress on Prof. Clegg the Government's view of, and to reach a common understanding on,
 - the limits of the Commission's role
 - wider considerations which the Commission should bear in mind
 - its programme and timetable for reporting
 - its membership, including the question of additional members / and Prof. Clegg's own position.

These points are developed in more detail below.

Background

2. The establishment of a Standing Commission on Pay Comparability was announced by the then Prime Minister on 7 March. The six members (listed in Annex A) were appointed by and report to the Prime Minister. Day to day administration is dealt with by the Secretary of State for Employment. The secretariat is provided by the Office of Manpower Economics, established by the DE in 1971 to service the Review Bodies and other independent inquiries. The cost is borne on the DE vote.

3. The Commission has no general terms of reference but its role was described in Mr Callaghan's statement as

① "to examine the terms and conditions of employment of particular groups of workers referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison, including comparisons with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. Any further role for the Commission in each case will be a matter for agreement between the Government and the parties".

(Hansard, 7 March, Col. 1251ff)

4. Nine groups had been referred to the Commission prior to the Election, viz

- local authority manual workers
- municipal airport manual workers
- NHS ancillary workers
- ambulancemen
- ambulance officers
- university manual workers
- university technicians

- nurses and midwives
- professions supplementary to medicine

In each of these cases the Commission was asked not only to report on feasibility but also to make substantive recommendations. (For terms of reference see Annex B).

5. The present Government has decided that the Commission should complete its work on these cases and three others where a reference to the Commission has already been agreed by the employers and unions concerned, viz local authority craftsmen, British Waterways Board staff and teachers in schools and (subject to final agreement) further education. This decision was announced in general terms by the Secretary of State for Employment in a Written Answer to Mr Geoffrey Rippon on 24 May (Hansard col 252W).
6. The terms of reference for LA craftsmen and BWB staff will be similar to those for the earlier cases. The terms of reference for teachers (see Annex C), though different in form and in particular importing a reference to the Houghton Report, also require the Commission to make substantive recommendations.
7. The timing of reports, and the staging of recommended increases, are not covered in the terms of reference but are in all cases covered elsewhere in the terms of agreement between the employers and unions concerned. The Commission's programme of work on this basis is summarised in Annex D.
8. The only large public service group not covered by the above programme or some other form of comparability study (PRU for the industrial and non-industrial civil service; Review Bodies for the armed forces, doctors and dentists etc; Edmund Davies for police; etc) are the local authority administrative professional, technical and clerical staff who are reported to be claiming a substantial immediate increase plus a reference to the Commission. Their settlement is due by 1 July and negotiations are expected to start shortly. If the proposed reference is agreed by the local authority employers and by the Government the Commission might report by about mid-1980.
9. There are a large number of smaller groups of public service workers who will claim pay increases in line with awards to one or other of the major groups already under investigation unless and until reference to the Commission in their own case shows that continuation of such traditional links is not justified because the work is not comparable.

10. The Government proposes to submit general evidence to the Commission. The draft is currently being revised by the Treasury. The Government also has the opportunity of influencing the evidence submitted by the employers in those cases, eg NHS and teachers but not local authorities, where it is represented on the employers' body.

Points to make

11. The Commission's role: The present Government is not convinced that comparability should be the sole criterion in determining pay in the public services. Nevertheless insofar as it has a role to play it is important that it should be done properly // follow consistent principles and avoid the leap-frogging results of earlier ad hoc bodies.

12. Professor Clegg is likely to go along with this. He has already expressed the view that after the first run of cases the Commission should not be asked to make substantive recommendations, but confine itself to presenting factual analyses // eg of comparable rates for comparable jobs, as a basis for subsequent negotiation in which other factors can be taken into account.

13. Wider considerations to be taken into account: Given that the Commission is charged with making substantive recommendations in the cases now before it, it needs to have regard to wider considerations, such as

- the repercussions of its awards on other groups // which is particularly important in the reports due in August at the beginning of the next round of negotiations
- the cost of awards and effect on public expenditure // given the agreed staging in each case
- the scope for improving efficiency, particularly where analogues are taken from highly efficient firms.

14. Professor Clegg is no doubt well aware of these considerations but may stress that his room for manoeuvre will be limited by the extent of under-payment or over-payment indicated by the surveys of comparators now being carried out, and by the need to carry at least

a convincing majority of his Commissioners with him, and to maintain the acceptability of the Commission to all concerned. The unions will point to statistical evidence that pay in central and local government fell substantially behind that of the private sector under the policies of the previous Administration, but that begs the question whether the relationship was right to start with. It is the Commission's job to determine on the basis of direct job comparisons when possible what is the correct relationship in current circumstances.

15. The Prime Minister might stress the importance of the Commission emphasising in its reports that its awards represent a catching-up exercise and afford no justification for consequential claims in the private sector. Moreover it needs to be emphasised that where there is a wide range of pay for comparable work in the private sector there may be a variety of reasons for this, including the relative profitability of different undertakings.

16. Programme and timetable: The Prime Minister may wish to question Professor Clegg

- will the Commission be able to report on its first batch of references by 1 August as planned? / (The CBI have urged that the Commission should be given an extension of time if necessary, but this could re-open the industrial troubles of last winter).
- When will the report or reports on nurses and midwives, together with professions supplementary to medicine, be ready? ^ (Current target date is end-1979 with back-dating of first stage to 1 August).
- How does the Commission propose to tackle the study for teachers, in the absence of private sector comparators (independent schools fix their salaries by reference to the state system, and not vice versa)? (Professor Clegg recognises that this will be a difficult study, particularly in view of the important differences in other terms and conditions of employment for teachers compared with other jobs. The most promising line of approach might be analysis of the factors, such as skill, responsibility etc. required)

- How would the Commission view a reference of local authority white collar staff? (The Prime Minister will want to make clear that this is a proposal to which the Government are by no means committed)
 - If the Commission remains in being, what of its longer term programme? Should priority be given to up-dating earlier studies for the main groups or examining some of the smaller groups currently linked to them? (The Prime Minister will want to make clear that the Government is reserving its position on the Commission's future at this stage).
17. Membership: The Prime Minister might say that she does not propose to make any changes in membership, or additions, until the Government has reviewed the Commission's future in the light of the results of its immediate programme, including importantly the extent to which other groups are persuaded by the Commission's arguments to accept any increases as a catching-up exercise and no basis for their own claims.
18. As regards Professor Clegg's own position, the Prime Minister might say that she understands that there was some question mark over his availability after the turn of the year but that he has since indicated a willingness to serve beyond that. She might suggest that they discuss this matter again nearer the time when the Government had had an opportunity to review the future of the Commission generally.

Concluding the meeting

19. The Prime Minister might emphasise again the importance that the Government attaches to the work of the Commission generally, and in particular the first batch of reports due by 1 August. The Government will be reviewing the future of the Commission in the light of the reception accorded to these reports, particularly the extent to which they provide a basis for settling pay in the public services in a way which commands acceptance not just in the public services themselves, but also from other groups as not affording a basis for leap-frogging claims, and from the tax payer as justifying the public

expenditure involved. In particular it will be necessary to meet the argument that pay in the public services should not be fixed by reference to the levels set by the most efficient and productive enterprises in the private sector without a comparable level of efficiency in the public services.

Department of Employment

May 1979

STANDING COMMISSION ON COMPARABILITY

Chairman: Professor Hugh A CLEGG MA, Professor of Industrial Relations at Warwick University, since October 1967. Age 58. Former member of the Council of the Advisory, Conciliation and Arbitration Service.

Members:

Sir William RYLAND, CB, formerly Chairman of the Post Office Corporation. Age 65.

Mr Peter D GIBSON, Director of Personnel and Administration at BP Oil Limited until 30 December 1978. Age 58. A former member of the Petroleum Industry Training Board.

Mr C H ('Harry') URWIN, Deputy General Secretary of the TGWU since 1969 and a member of the TUC General Council. Age 64. A member of the Manpower Services Commission; Formerly a member of the Council of the Advisory, Conciliation and Arbitration Service; the Central Arbitration Tribunal and National Enterprise Board.

Sir Leslie WILLIAMS, CBE, Former General Secretary of the Society of Civil and Public Servants. Secretary-General of the Staff Side of the Civil Service Whiteley Council from 1966-1973. Age 65. Member of the Armed Forces Review Body.

Professor Joan E MITCHELL, Professor of Political Economy at the University of Nottingham. Formerly an Economist at the Board of Trade, 1947-1950, and a Research Officer for the Labour Party, 1950-1952. A member of the Committee to Review the Functioning of Financial Institutions (Sir Harold Wilson's Committee) and of the East Midlands Economic Planning Council.

Salaries

Chairman: £18,510 pa pro rata for time worked (currently 3 days a week)

Members: £1,100 pa for up to one day a week

Appointments run until 8 March 1982 but can be terminated subject to 3 months notice on either side.

TERMS OF REFERENCE TO THE STANDING COMMISSION
OF LOCAL AUTHORITY MANUALS

(Those for other groups referred before the Election
were similar)

The Government wishes to encourage negotiators to consider comparability exercises in the public services and the Government will be initiating further talks to this end. The Government will now establish an independent investigation, a Standing Commission, to examine the terms and conditions of workers in the public services and to report on the possibility of establishing acceptable bases of comparison, including comparison with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. The first groups to be investigated will be local authority manual workers, NHS ancillaries, ambulancemen and university manual workers.

In particular the investigation should:

- (i) assess the appropriate form of comparisons with terms and conditions in other sections of the economy, and identify relevant comparators.
- (ii) make suggestions on how such comparisons should be carried out and on the resources required for carrying them out.
- (iii) make suggestions as to how the comparisons should be made available to the relevant negotiators within the local authorities/NHS/ universities.
- (iv) consult the parties to the agreement on how the results of the comparisons of terms and conditions can be embodied in the relevant collective agreements.
- (v) following (i) to (iv) make recommendations which the Government and the trade unions have undertaken to accept. In the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendation.

TERMS OF REFERENCE TO THE STANDING COMMISSION: TEACHERS

The Government, at the request of both sides of the Burnham Primary and Secondary Committee, invite the Standing Commission on Pay Comparability to undertake, in the light of their terms and conditions of employment, a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society including all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

The conclusions of the Standing Commission should be conveyed to the Burnham Primary and Secondary Committee.

COVERING CONFIDENTIAL



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

T Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

R
30 May 1979

Dear Tim

PRIME MINISTER'S MEETING WITH PROFESSOR CLEGG:
31 MAY

I attach a brief for the Prime Minister's meeting tomorrow with Professor Clegg. It has been cleared with the Treasury at official level.

I am sending a copy of this letter and its enclosure to Tony Battishill (Treasury) and Martin Vile (Cabinet Office).

*Yours sincerely
Ian Fair*

I A W FAIR
Private Secretary

0 1 2 3 4 5 6 7 8 9
11 12

30 MAY 1970

BRIEF FOR PRIME MINISTER'S MEETING WITH PROFESSOR CLEGG, CHAIRMAN
OF THE STANDING COMMISSION ON PAY COMPARABILITY: THURSDAY 31 MAY

Objective

1. To impress on Prof. Clegg the Government's view of, and to reach a common understanding on,
 - the limits of the Commission's role
 - wider considerations which the Commission should bear in mind
 - its programme and timetable for reporting
 - its membership, including the question of additional members and Prof. Clegg's own position.

These points are developed in more detail below.

Background

2. The establishment of a Standing Commission on Pay Comparability was announced by the then Prime Minister on 7 March. The six members (listed in Annex A) were appointed by and report to the Prime Minister. Day to day administration is dealt with by the Secretary of State for Employment. The secretariat is provided by the Office of Manpower Economics, established by the DE in 1971 to service the Review Bodies and other independent inquiries. The cost is borne on the DE vote.

3. The Commission has no general terms of reference but its role was described in Mr Callaghan's statement as

"to examine the terms and conditions of employment of particular groups of workers referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison, including comparisons with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. Any further role for the Commission in each case will be a matter for agreement between the Government and the parties".

(Hansard, 7 March, Col. 1251ff)

4. Nine groups had been referred to the Commission prior to the Election, viz

- local authority manual workers
- municipal airport manual workers
- NHS ancillary workers
- ambulancemen
- ambulance officers
- university manual workers
- university technicians

CONFIDENTIAL

- nurses and midwives
- professions supplementary to medicine

In each of these cases the Commission was asked not only to report on feasibility but also to make substantive recommendations. (For terms of reference see Annex B).

5. The present Government has decided that the Commission should complete its work on these cases and three others where a reference to the Commission has already been agreed by the employers and unions concerned, viz local authority craftsmen, British Waterways Board staff and teachers in schools and (subject to final agreement) further education. This decision was announced in general terms by the Secretary of State for Employment in a Written Answer to Mr Geoffrey Rippon on 24 May (Hansard col 252W).

6. The terms of reference for LA craftsmen and BWB staff will be similar to those for the earlier cases. The terms of reference for teachers (see Annex C), though different in form and in particular importing a reference to the Houghton Report, also require the Commission to make substantive recommendations.

7. The timing of reports, and the staging of recommended increases, are not covered in the terms of reference but are in all cases covered elsewhere in the terms of agreement between the employers and unions concerned. The Commission's programme of work on this basis is summarised in Annex D.

8. The only large public service group not covered by the above programme or some other form of comparability study (PRU for the industrial and non-industrial civil service; Review Bodies for the armed forces, doctors and dentists etc; Edmund Davies for police; etc) are the local authority administrative professional, technical and clerical staff who are reported to be claiming a substantial immediate increase plus a reference to the Commission. Their settlement is due by 1 July and negotiations are expected to start shortly. If the proposed reference is agreed by the local authority employers and by the Government the Commission might report by about mid-1980.

9. There are a large number of smaller groups of public service workers who will claim pay increases in line with awards to one or other of the major groups already under investigation unless and until reference to the Commission in their own case shows that continuation of such traditional links is not justified because the work is not comparable.

10. The Government proposes to submit general evidence to the Commission. The draft is currently being revised by the Treasury. The Government also has the opportunity of influencing the evidence submitted by the employers in those cases, eg NHS and teachers but not local authorities, where it is represented on the employers' body.

Points to make

11. The Commission's role: The present Government is not convinced that comparability should be the sole criterion in determining pay in the public services. Nevertheless insofar as it has a role to play it is important that it should be done properly, follow consistent principles and avoid the leap-frogging results of earlier ad hoc bodies.

12. Professor Clegg is likely to go along with this. He has already expressed the view that after the first run of cases the Commission should not be asked to make substantive recommendations, but confine itself to presenting factual analyses, eg of comparable rates for comparable jobs, as a basis for subsequent negotiation in which other factors can be taken into account.

13. Wider considerations to be taken into account: Given that the Commission is charged with making substantive recommendations in the cases now before it, it needs to have regard to wider considerations, such as

- the repercussions of its awards on other groups; which is particularly important in the reports due in August at the beginning of the next round of negotiations
- the cost of awards and effect on public expenditure, given the agreed staging in each case
- the scope for improving efficiency, particularly where analogues are taken from highly efficient firms.

14. Professor Clegg is no doubt well aware of these considerations but may stress that his room for manoeuvre will be limited by the extent of under-payment or over-payment indicated by the surveys of comparators now being carried out, and by the need to carry at least

a convincing majority of his Commissioners with him, and to maintain the acceptability of the Commission to all concerned. The unions will point to statistical evidence that pay in central and local government fell substantially behind that of the private sector under the policies of the previous Administration, but that begs the question whether the relationship was right to start with. It is the Commission's job to determine on the basis of direct job comparisons when possible what is the correct relationship in current circumstances.

15. The Prime Minister might stress the importance of the Commission emphasising in its reports that its awards represent a catching-up exercise and afford no justification for consequential claims in the private sector. Moreover it needs to be emphasised that where there is a wide range of pay for comparable work in the private sector there may be a variety of reasons for this, including the relative profitability of different undertakings.

16. Programme and timetable: The Prime Minister may wish to question Professor Clegg

- will the Commission be able to report on its first batch of references by 1 August as planned? (The CBI have urged that the Commission should be given an extension of time if necessary, but this could re-open the industrial troubles of last winter).
- When will the report or reports on nurses and midwives, together with professions supplementary to medicine, be ready? (Current target date is end-1979 with back-dating of first stage to 1 August).
- How does the Commission propose to tackle the study for teachers, in the absence of private sector comparators (independent schools fix their salaries by reference to the state system, and not vice versa)? (Professor Clegg recognises that this will be a difficult study, particularly in view of the important differences in other terms and conditions of employment for teachers compared with other jobs. The most promising line of approach might be analysis of the factors, such as skill, responsibility etc. required)

- How would the Commission view a reference of local authority white collar staff? (The Prime Minister will want to make clear that this is a proposal to which the Government are by no means committed)

 - If the Commission remains in being, what of its longer term programme? Should priority be given to up-dating earlier studies for the main groups or examining some of the smaller groups currently linked to them? (The Prime Minister will want to make clear that the Government is reserving its position on the Commission's future at this stage).
17. Membership: The Prime Minister might say that she does not propose to make any changes in membership, or additions, until the Government has reviewed the Commission's future in the light of the results of its immediate programme, including importantly the extent to which other groups are persuaded by the Commission's arguments to accept any increases as a catching-up exercise and no basis for their own claims.
18. As regards Professor Clegg's own position, the Prime Minister might say that she understands that there was some question mark over his availability after the turn of the year but that he has since indicated a willingness to serve beyond that. She might suggest that they discuss this matter again nearer the time when the Government had had an opportunity to review the future of the Commission generally.

Concluding the meeting

19. The Prime Minister might emphasise again the importance that the Government attaches to the work of the Commission generally, and in particular the first batch of reports due by 1 August. The Government will be reviewing the future of the Commission in the light of the reception accorded to these reports, particularly the extent to which they provide a basis for settling pay in the public services in a way which commands acceptance not just in the public services themselves, but also from other groups as not affording a basis for leap-frogging claims, and from the tax payer as justifying the public

expenditure involved. In particular it will be necessary to meet the argument that pay in the public services should not be fixed by reference to the levels set by the most efficient and productive enterprises in the private sector without a comparable level of efficiency in the public services.

Department of Employment

May 1979

STANDING COMMISSION ON COMPARABILITY

Chairman: Professor Hugh A CLEGG MA, Professor of Industrial Relations at Warwick University, since October 1967. Age 58. Former member of the Council of the Advisory, Conciliation and Arbitration Service.

Members:

Sir William RYLAND, CB, formerly Chairman of the Post Office Corporation. Age 65.

Mr Peter D GIBSON, Director of Personnel and Administration at BP Oil Limited until 30 December 1978. Age 58. A former member of the Petroleum Industry Training Board.

Mr C H ('Harry') URWIN, Deputy General Secretary of the TGWU since 1969 and a member of the TUC General Council. Age 64. A member of the Manpower Services Commission. Formerly a member of the Council of the Advisory, Conciliation and Arbitration Service; the Central Arbitration Tribunal and National Enterprise Board.

Sir Leslie WILLIAMS, CBE, Former General Secretary of the Society of Civil and Public Servants. Secretary-General of the Staff Side of the Civil Service Whitley Council from 1966-1973. Age 65. Member of the Armed Forces Review Body.

Professor Joan E MITCHELL, Professor of Political Economy at the University of Nottingham. Formerly an Economist at the Board of Trade, 1947-1950, and a Research Officer for the Labour Party, 1950-1952. A member of the Committee to Review the Functioning of Financial Institutions (Sir Harold Wilson's Committee) and of the East Midlands Economic Planning Council.

Salaries

Chairman: £18,510 pa pro rata for time worked (currently 3 days a week)

Members: £1,100 pa for up to one day a week

Appointments run until 8 March 1982 but can be terminated subject to 3 months notice on either side.

TERMS OF REFERENCE TO THE STANDING COMMISSION
OF LOCAL AUTHORITY MANUALS

(Those for other groups referred before the Election
were similar)

The Government wishes to encourage negotiators to consider comparability exercises in the public services and the Government will be initiating further talks to this end. The Government will now establish an independent investigation, a Standing Commission, to examine the terms and conditions of workers in the public services and to report on the possibility of establishing acceptable bases of comparison, including comparison with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. The first groups to be investigated will be local authority manual workers, NHS ancillaries, ambulancemen and university manual workers.

In particular the investigation should:

- (i) assess the appropriate form of comparisons with terms and conditions in other sections of the economy, and identify relevant comparators.
- (ii) make suggestions on how such comparisons should be carried out and on the resources required for carrying them out.
- (iii) make suggestions as to how the comparisons should be made available to the relevant negotiators within the local authorities/NHS/ universities.
- (iv) consult the parties to the agreement on how the results of the comparisons of terms and conditions can be embodied in the relevant collective agreements.
- (v) following (i) to (iv) make recommendations which the Government and the trade unions have undertaken to accept. In the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendation.

TERMS OF REFERENCE TO THE STANDING COMMISSION: TEACHERS

The Government, at the request of both sides of the Burnham Primary and Secondary Committee, invite the Standing Commission on Pay Comparability to undertake, in the light of their terms and conditions of employment, a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society including all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

The conclusions of the Standing Commission should be conveyed to the Burnham Primary and Secondary Committee.

CURRENT POSITION ON COMPARABILITYGroups already referred to the Standing Commission on Pay Comparability

	Numbers involved	Annual Settlement Date	Comment
Local Authority Manuals	1 million	4 Nov.)
NHS Ancillaries	212,750	13 Dec.)
Ambulancemen	16,600	1 Jan)
University Manuals	11,400	1 Nov)
			Report promised by Aug 1. Have received £1 on account Agreed staging of awards 1st Payment 1 Aug 1979 2nd " 1 Apr 1980
Municipal Airport Manuals	1,500	1 Jan	Linked to LA Manuals £1 on account Staging 1 Aug 1979 1 Apr 1980
Ambulance Officers	3,300	1 Feb	Linked to Ambulancemen £1 on account for lowest grades Staging 1 Aug 1979 1 Apr 1980
University Technicians	15,200	1 Oct	Report promised 1 Aug 1979 Staging 1 Aug 1979 1 Apr 1980
Nurses and Midwives	484,000	1 Apr	Report should be ready around end 1979 £2-£2.50 on account Staging 1 Aug 1979 1 Apr 1980
Professions Supplementary to Medicine	25,200	1 Apr	Linked with nurses £1 on account Staging 1 Aug 1979 1 Apr 1980

Groups for whom comparability study has been agreed - not yet referred

	Number involved	Annual settlement date	Comment
L A Craftsmen E & W	100,000	4 Nov	Electricians and Building Trade Operatives only have settled. Position on Engineers outstanding. £1 on account Staging Nov 1979 Apr 1980
(Scottish Craftsmen	18,900	Various dates	
)	
)	
)	
)	
British Waterways Board Non-manuals	794	8 Sept	Staging 1 Sept 1979 8 Sept 1980 None on account
School-teachers E & W	500,000	1 Apr	Report expected by June 1980. £6 per month on account staging 1 Jan 1980 1 Sept 1980
FE Teachers E & W	78,000	1 Apr	Linked with school-teachers E & W
Scottish School & FE Teachers	61,000	1 Apr	

DSG



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POT

10 DOWNING STREET

From the Private Secretary

24 May 1979

STANDING COMMISSION ON PAY COMPARABILITY

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 23 May.

She would like to decide on Professor Clegg's length of tenure as Chairman of the Standing Commission in the light of her meeting with him which, as you already know, has been arranged for next Thursday.

I am sending a copy of this letter to Tony Battishill (HM Treasury), Jim Buckley (Lord President's Office) and Martin Vile (Cabinet Office).

T. P. LANKESTER

Ian Fair, Esq.,
Department of Employment.

KRB



cc HMT
CO

26

10 DOWNING STREET

From the Private Secretary

b/f 30-5-79

23 May 1979

As I forewarned you, the Prime Minister has asked me to arrange a meeting between her and Professor Clegg. This has been fixed up for 1900 hours, 31 May, and the Prime Minister would be grateful if your Secretary of State would attend.

Your Secretary of State minuted the Prime Minister earlier today and informed her that he himself intended to see Professor Clegg shortly. The Prime Minister has asked that Mr. Prior should regard next Thursday's meeting for this purpose.

I have not yet shown the Prime Minister Mr. Prior's minute; but I hope to be in a position to give you the Prime Minister's view on the length of term of Professor Clegg's appointment in good time before the meeting.

I should be grateful if you would provide briefing for the meeting which will need to be prepared in consultation with the Treasury.

I am sending a copy of this letter to Tony Battishill (H.M. Treasury) and Martin Vile (Cabinet Office).

J. P. LANKESTER

I.A.W. Fair, Esq.,
Department of Employment.

1. Mr. [unclear] [unclear]
2. Pami [unclear]

We have fixed your meeting with Clegg for next Thursday; this will replace Mr. Prial's proposed meeting. [see below]

PRIME MINISTER

STANDING COMMISSION ON PAY COMPARABILITY

I propose to see Professor Clegg shortly to follow up our decision to let the Comparability Commission complete work on the current references - plus local authority craftsmen, BWB staff and now of course teachers - and then to review its future. He may raise the question of his own position.

I understand that on appointment he made clear privately that in view of other commitments he might wish to resign at the end of this year. More recently, however, he has indicated that he would be prepared to continue into the early part of next year.

X | I have consulted the Chancellor of the Exchequer and the Lord President about this and if you agree we propose that I should tell Professor Clegg that we should like him to deal with the initial group of references - which seems the only consistent course - but that I should discourage any idea of his continuing very long beyond that. This would point to his going early next year. We need not agree anything precise at present but can review the matter nearer the time.

I am copying this minute to the Chancellor of the Exchequer and the Lord President.

Paula,

If you agree X, you could tell Clegg at your meeting; alternatively, you could decide in the light of the meeting

JP

J P
23 May 1979

Amend out

PL



23 MAY 1979

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8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 6000

1. MR LANKESTER
to see
2. PRIME MINISTER
Contact with X
overleaf?

MS

23/5

T Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

27 May 1979

Reaction

STANDING COMMISSION ON PAY COMPARABILITY

As I told you, we have a priority written question about the future of the Commission down for answer tomorrow (from Mr Geoffrey Rippon), and another, (from Mr John Grant, a former DE Minister), which will have to be answered before the recess.

... As we agreed, I attach the answer my Secretary of State would propose to give. The line taken has been agreed with Treasury officials.

We should be glad to know if the Prime Minister is content.

I am sending a copy of this letter and its attachment to Martin Hall (Chancellor of the Exchequer's Office) and Jim Buckley (Lord President's Office).

*Deliver 'No'. The
rest will reply
shortly - it is
and*

Yours sincerely
Ian Fair
I A W FAIR
Private Secretary

*TBM Ian Fair
22 24/5*

PQ 0034/1979-80

Party: CONSERVATIVE
Constituency: HEXHAM

FOR PRIORITY WRITTEN ANSWER ON THURSDAY 24 MAY 1979

QUESTION:

Mr Geoffrey Rippon (Hexham): To ask the Secretary of State for Employment, whether he intends to abolish the Standing Commission on Pay Comparability or whether he will make immediate changes in its composition.

DRAFT REPLY:

~~No.~~ The Government intends that the Standing Commission on Pay Comparability should complete work on its current references and cases where a reference has already been agreed and will review the position thereafter.

P 3 MAY 1979

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall
London SW1

R 25/5

22 May 1979

Decca Peffering

STANDING COMMISSION ON PAY COMPARABILITY: GOVERNMENT'S
GENERAL EVIDENCE

At the conclusion of the Cabinet's consideration of the role of the Clegg Commission (CC(79)2nd meeting), Ministers were invited to offer comments on the draft General Evidence annexed to Paper C(79)3.

As I indicated in my memorandum C(79)8 on the teachers' pay negotiations, the teachers have been seeking restoration of the external relativities established by the Houghton Committee in December 1974, and have insisted that the terms of reference to the Standing Commission should refer to the Houghton Committee's Report and to the recent report of a Joint Working Party on Houghton relativities. The aim of the teachers has been to secure an updating of the Houghton award by simple indexing. This would have been unacceptable to the Government and incompatible with the draft General Evidence to the Commission.

The terms of reference agreed yesterday by the Burnham Primary and Secondary Committee (and annexed to this letter) are acceptable, and the main point I wish to make is that I find no incompatibility between those terms of reference and the draft General Evidence. On that count, therefore, I would not seek any amendment of the evidence beyond what was recommended during the Cabinet discussion. On the other hand, it may be worth noting that we shall hear protests from the teachers' associations when we publish the

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General Evidence, since it will be construed as an instruction to the Standing Commission to avoid reconstructing previous relativities.

I am sending copies of this letter to the Prime Minister and other members of Cabinet, and to Sir John Hunt.

Yours ever

Mark

MARK CARLISLE

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TERMS OF REFERENCE TO THE STANDING COMMISSION

The Government, at the request of both sides of the Burnham Primary and Secondary Committee, invite the Standing Commission on Pay Comparability to undertake, in the light of their terms and conditions of employment, a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society including all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

The conclusions of the Standing Commission should be conveyed to the Burnham Primary and Secondary Committee.

123 MAY 1979



~~Dear Sir~~

Dear Pat.

Prime Minister

You have your seat. Olin 3
on the Standing Commission &

Pay Compact is really a

forties discussion. If we are

high to send teachers bit, surely

any discussion on the Commission's future
is premature. Could we not have? W

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Ref. A09573

PRIME MINISTER

Standing Commission on Pay Comparability

(C(79) 3)

BACKGROUND

The joint paper (C(79) 3) by the Chancellor and the Secretary of State for Employment on the Standing Commission recommends reserving judgment on the longer term future of the Commission until the results of the immediate work can be considered - the first opportunity will be when first few references are completed which should be by August; that the Commission continues to operate without having its job formally redefined but that the Government should submit general evidence of their views on how it should operate; and that two relatively minor references agreed between the parties should be referred to the Commission, leaving teachers as the outstanding case.

2. At their meeting last Monday the Ministerial Committee on Economic Strategy (E) expressed a preference, provided the terms of reference were improved, for referring teachers to the Commission rather than the alternative of arbitration. They recognised that this decision was subject to Cabinet's conclusion on the future of the Commission but their preference adds weight to the arguments in C(79) 3 in favour of continuing the Commission for the time being.

HANDLING

(-1) 3. You might ask the Chancellor to introduce the paper and invite the Secretary of State for Employment to add any comments.

4. You might then focus discussion on the conclusions in paragraph 5a. -c.

- (a) Should the Commission be allowed to complete existing work on the basis previously arranged? You may want to forestall a lengthy discussion on first principles as the arguments against dismantling the Commission at this stage look conclusive whatever its longer term future may be.

The cases so far referred are all on the basis of terms of reference which

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make clear that the studies must cover conditions and not just pay. These terms of reference were the results of much delicate negotiation and any attempt now to change them would be fraught with difficulty. So it is probably best to leave them alone. This would leave the question of whether to change or add to the existing membership of the Commission. However any such act might be seen as a commitment to continue the Commission. // The question of membership can probably be left until the first reports of the Commission are available and a view can be taken on the competence and desirability of the work it has done.

- (b) General evidence. The paper argues that the Government should submit general evidence to the Commission on the lines of the text at Annex B but strengthened on the lines suggested and that it should be published. There is likely to be general agreement on this and you will not want a detailed textual discussion. You might invite Ministers who have comments to send them to the Chancellor by the end of the week and ask the Chancellor to clear a final draft in correspondence.
- (c) Outstanding cases for reference to the Commission. The paper also seeks agreement that two outstanding cases (local authority craftsmen and British Waterways Board staff) should be referred to the Commission. In these two cases terms of reference have already been agreed broadly on the lines of those for existing references and the course proposed will not prejudice the Government's freedom of action on the future of the Commission. The paper leaves on one side the question of the teachers.

Publicity

5. If the Cabinet broadly endorses the conclusions in C(79) 3 then you may want colleagues to consider how the Government should end speculation by making their position known both generally and to the Commission. One possibility would be for you to write to Professor Clegg in suitable terms and for your office to arrange for a Press release at the same time. If this suggestion finds favour the Chancellor, in consultation with Mr. Prior, might be asked to provide a draft.

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CONCLUSION

6. Subject to the discussion you may wish to guide the Cabinet -
- (a) to endorse the conclusions in paragraph 5.a. -c. of C(79) 3.
 - (b) To ask the Chancellor to revise the general evidence at Annex B to take account of the discussion and for comments in writing from colleagues to reach him by the end of the week; and then to circulate the revised version to colleagues prior to submission to the Commission and publication.
 - (c) To invite the Secretary of State for the Environment to clear in correspondence with the Secretary of State for Employment and the Chancellor /or Chief Secretary/ the terms of reference for the comparability studies proposed for BWB staff and local authority craftsmen; and then to refer the two cases to the Commission.
 - (d) To review the question of adding to the membership of the Commission after the first block of references have been completed in August.
 - (e) To invite the Chancellor, in consultation with Mr. Prior, to provide you with a draft letter to Professor Clegg telling him of the Government's decision that work on existing references should continue; and to agree that your office should make a suitable Press release.


(John Hunt)

16th May, 1979

APPOINTMENTS IN CONFIDENCE



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

16th May, 1979

Prime Minister

You shall see before Cabinet discusses the Comptroller, Cn. on Thursday. I suggest that you might see Clegg first not least because you might need to think of additional members one of them might need to be his successor at the end of this year: if not sooner.

You wrote on 14th May about possible strengthening of the present membership of the Clegg Commission.

Ken S
16/v.

The Chancellor agrees that this would be a good idea. As far as names are concerned, he has the following comments and suggestions.

Two of the Prime Minister's suggestions are academics. Under this heading, the Chancellor would support Professor Harold (not Henry) Rose and sees no need to look for an alternative if Rose is available. He doubts whether Minford would carry sufficient weight in this field, which would be a novel one for him.

From the business world, the Chancellor would be very happy to support Sir Frank McPadzean, but wonders whether it might be worth seeking a private sector candidate who is not connected with nationalised industry. There could also be advantage in getting somebody who has been operationally closer to problems of pay evaluation and labour markets. He understands that the CBI have been thinking along these lines: indeed they suggested two of the following names informally to a member of the Chancellor's staff, and have indicated that they would support the other two. The Chancellor therefore proposes the following four names, perhaps in the following order and subject very much to availability and willingness to devote some enthusiasm and effort to what could be a not very thankful task:

- Ken Johnson (Dunlop and with previous experience on the Pay Board - it is not known whether he might be available).

T. Lankester, Esq.,
Private Secretary,
10, Downing Street

APPOINTMENTS IN CONFIDENCE



- Jim MacFarlane (GKN, General Personnel Manager - thought from some earlier private sounding to be both interested and potentially available).
- Bob Ramsey (Ford, Director for Industrial Relations and a tough and experienced negotiator, close to labour market problems - thought likely to be interested, but might be inhibited by pressure of work and fear of repercussions from membership of the Commission on his role in the Company).
- Bob Haslam (ICI equivalent to Ramsey, and perhaps less attractive in view of the sheer size of ICI as an employer).

Other possibilities occur, including Sir Jack Wellings (600 Group) Sir Arthur Knight (Courtaulds), David Lewis (GEC commercial lawyer) and Peter Meaney (Thomas Tilling); but although some of these could be useful voices on the Commission, they do not have the same immediacy of experience with problems of negotiation and evaluation as the four preferred in the Chancellor's list above. The Chancellor wondered also whether someone with expertise in the pensions field might not be helpful; but recognises that pensions are not of major concern in the pay and conditions of service of the main group so far referred to the Commission.

The Chancellor sees the attraction of going for two additional names, on the lines suggested by the Prime Minister, but thinks on balance that it is probably advisable at this stage to add a third name, from the union side; he considers that this can be done without impairing the objective of strengthening the Commission. One quite attractive possibility would be Hugh Scanlon, well known for his critical approach to the public sector and perhaps, given his recent retirement, available. The public sector unions would not welcome his appointment, but might find it difficult to take exception to it. Frank Chapple is another possibility, though the Chancellor thinks his appointment could be unduly provocative. Nor is he an ideal committee man.

Finally, the Chancellor has asked me to say that, since your letter was not copied to other colleagues, he has not himself consulted colleagues, but suggests that the Secretary of State for Employment will no doubt have been reflecting on the problem in view of his close interest in the possible future work of the Commission, and might usefully be brought into consultation.

/I am

APPOINTMENTS IN CONFIDENCE



I am copying this letter to Martin Vile (Cabinet Office).

Yours ever,

MA

(M.A. HALL)
Private Secretary

APPOINTMENTS IN CONFIDENCE



18 MAY 1973

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File

859
Econ. Policy

10 DOWNING STREET

From the Private Secretary

B/F 21.5.79

14 May 1979

The Prime Minister has been considering the present membership of the Standing Commission on pay comparability, which is of course described in Annex A to the Chancellor's and the Secretary of State for Employment's paper to Cabinet. With a view to strengthening and balancing the present membership, the Prime Minister believes that two additional members are needed, and she would be grateful for the Chancellor's views on who these might be. She has herself in mind the following names - Professor Henry Rose, Professor Patrick Minford, and Sir Frank McPadzean. She would like to have the Chancellor's views on these suggestions, and any other names that he may have in mind.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

T. P. LANKESTER

A. M. W. Battishill, Esq.,
H. M. Treasury.

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10 DOWNING STREET

From the Private Secretary

MR. VILE

CABINET OFFICE

The Prime Minister was grateful for Sir John Hunt's further minute of 9 May on the Standing Commission.

The Prime Minister has made the following points:

- (i) She hopes that the drafting of the Government's general evidence to the Commission can be pushed ahead as fast as possible. She has asked whether this could include requesting the Commission to consider the economic consequences of any award - including in particular its effect on public sector finances.
- (ii) The Prime Minister would like two further names to be put forward to balance the present membership. She has mentioned the names of Professor Henry Rose, Professor Patrick Minford, and Sir Frank McFadzean. She has asked that we consult Sir Geoffrey Howe on these names, and on any other possible names of people with similar views.
- (iii) The Prime Minister has suggested that she might see Professor Clegg about her general worries on this whole subject. We think that this would be a good idea when Cabinet have had a first shot at comparability this Thursday; and assuming Sir John Hunt does not dissent, we will ask you for the briefing in due course.

I am not writing out to Ministers about the Prime Minister's wish to move ahead quickly with the Government evidence - since this is covered in the Chancellor's paper for Cabinet (C(79)3), which is being taken on Thursday. However, I will be writing to the Treasury about possible further names for the Commission.

K.K.S.

14 May 1979

CONFIDENTIAL

Weekend work
Please

Prime Minister
A v. useful note

Ref. A09521

PRIME MINISTER

See last page
of letter
note

1. Do you agree that the Chancellor should prepare Govt. evidence to the Cn. (para 10) for consideration by E Committee?
2. Shall we get ideas for 3 names to add to the Cn? John Hutton and Sir K. Joseph will have ideas. KRS.

Standing Commission

I understand, through Mr. Stowe, that you would welcome a factual note on the composition and terms of reference of the Standing Commission on Pay Comparability.

Membership

2. The present membership of the Standing Commission is:-
 Professor Hugh Clegg (Chairman) (Professor of Industrial Relations, Warwick University)
 Mr. Peter Gibson (ex-Director of Personnel, BP Oil Ltd.)
 Sir William Ryland (ex-Chairman of the Post Office)
 Mr. Harry Urwin (TGWU)
 Sir Leslie Williams (ex-Secretary General of the Civil Service Staff Side)
 Professor Joan Mitchell (Professor of Political Economy, Nottingham University)

3. Fuller personality notes on the members are annexed.
4. When Mr. Callaghan announced the appointment of these members he said that further appointments would be made in due course. I understand that, at your meeting yesterday, Mr. Prior spoke of a possible seven additional members being needed. Officials of his Department do not recognise this number and had been thinking of "up to three".
 - That is rather a lot.

Terms of Reference - General

5. There is no single document which contains the general terms of reference of the Standing Commission (specific terms of reference are devised in agreement with the parties for each of the references made to it). Nevertheless there are three sources of general guidance to the Commission: the initial statement by Mr. Callaghan on 16th January when he indicated the Government's willingness to consider comparability studies as a solution in public service pay settlements;

Mr. Callaghan's statement to the House on 7th March announcing the setting up of the Standing Commission; and the letters of appointment sent to the individual members of the Standing Commission.

Flag A
I have added comment to the notes. KRS.

Flag B

Flag C

Flag D

6. The key phrase from the 16th January statement is:

"Some public service groups already make use of comparisons with rewards paid to employees in the private sector in their negotiations. The Government will be ready to see in some additional areas of the public sector, other than those engaged in trading, where there is a different set of negotiations, a greater role for comparability in determining pay. The guiding principle should be the achievement of comparable pay for comparable work and comparable effort. Where the employers and the unions concerned make a request, therefore, the Government will be prepared to agree to an investigation into the possibility of establishing, for particular groups of workers, acceptable forms of comparison with terms and conditions for other comparable work".

7. The key passages from the statement of 7th March are:

"In my speech to the House on 16th January I commented on the present method of fixing pay and conditions in some areas of the public services and expressed the Government's readiness to see a greater role for measuring their pay and conditions by making comparisons with pay for comparable work and effort in other occupations where both sides so request ... The Government have a responsibility both to be fair to public service employees and to avoid arrangements which could in themselves prove inflationary. Comparability studies must therefore be made in a systematic and thorough manner, taking all relevant factors into account. A Standing Commission on Pay Comparability is accordingly being set up by the Government to examine the terms and conditions of employment of particular groups of workers referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison, including comparisons with terms and conditions for other comparable work and of maintaining appropriate internal relativities. Any further role for the Commission in each case will be a matter for agreement between the Government and the parties".

8. The letters of appointment sent to the members of the Standing Commission repeated, but did not further amplify, the main points in Mr. Callaghan's two statements. A copy of the letter of appointment sent to Professor Clegg on 14th March is annexed. The other letters of appointment were in similar terms.

9. You will also recall that in answer to a Question by you in the House on 20th February Mr. Callaghan confirmed that manning levels, job security and inflation-proof pensions would be among the criteria to be taken into account in comparability studies.

10. In addition I think I should let you know privately (while preserving the conventions about access to the proceedings of a previous Administration) that

under the previous Administration officials were working on general evidence to the Standing Commission which would have considerably amplified the Government's approach to comparability and the techniques and factors to be taken into account in the Commission's work. This project fell because of the intervention of the Election campaign. The idea ~~of~~ was however sound and you *Yes also* may wish to revive it quickly. Any such evidence now submitted would of course be produced on the responsibility of the present Government and would reflect your own approach and attitudes: it could ensure beyond doubt that the non-monetary factors are brought well to the fore in the Commission's thinking.

11. It is worth bearing in mind (not least because it is relevant to the handling of the teachers' pay claim) that the Standing Commission is not free-standing from Government. As Mr. Callaghan made clear in his statement of 7th March, it is for the Government to refer cases to the Commission, in agreement with the parties. There is no right of access without Government approval: and there is no question of the Commission making awards unless this is asked for in the terms of reference of a specific case.

Terms of Reference - Individual Cases

12. Nine separate groups of public service workers have already been referred to the Standing Commission. They are: local authority manuals; NHS ancillaries; ambulancemen; university manuals; university technicians; nurses; manual airport workers; professions supplementary to medicine; and ambulance officers. In each of these cases the unions and employers concerned opted for the Commission to recommend actual pay levels on this occasion (not necessarily in the future) and the employers, the unions and the Government were committed to accepting the results. In addition there are six groups where the previous Government had approved pay offers which included a reference to the Commission but where agreement was not reached in time for actual references to be made before the Election. These groups were: local authority craftsmen; British Waterway Board staff; university teachers; schoolteachers (England and Wales); teachers in central institutions in Scotland; and teachers in colleges of education in Scotland. The offer for the first two of these groups included

CONFIDENTIAL

asking the Standing Commission to recommend actual pay levels. Discussion with the other groups had not reached this point though the draft terms of reference which the English and Welsh schoolteachers and their employers (with Government dissenting) had agreed immediately prior to the Election did not seek recommendations on pay levels, i.e. the Commission's work was seen by them as a basis for further negotiation.

13. The terms of reference for these various groups differ but those agreed for the four original clients (local authority manuals, NHS ancillaries, ambulancemen and university manuals) were regarded by the then Government as the basic model. | The text agreed for these groups is annexed. | You will see that they referred to "terms and conditions for comparable work" but did not further elaborate the comparability process. You will see also that the envisaged process can be divided into three parts: a study of the feasibility of making use of comparisons; the carrying out of comparisons; and the implementation of the comparisons. It so happened that in the earliest cases both sides said they would accept the outcome of the Commission's studies as a pay award. It was however also envisaged that, where the parties preferred, the findings of the Commission should be used as the basis of separate negotiations (as in the Civil Service PRU system). We know also that Professor Clegg would also hope that the Commission would be able progressively to move away from an award function and to concentrate more on providing relevant data to the parties.

Comments and Conclusions

14. | It is not perhaps revealing too much of the internal workings of the previous Government if I say that officials had of course been considering the various pay machinery options open to them before Mr. Callaghan's statement in January. This process inevitably got mixed up with the industrial troubles of last winter and the Standing Commission was born partly in response to those troubles and took shape in the particular context of the industrial disputes affecting the local authorities and the NHS. The terms of reference for the first investigations were negotiated in that setting and as a means of bringing those disputes to an end. Their vagueness, to which you have several times drawn attention, reflected the fact that they were negotiated in a situation where some of the unions concerned were far from convinced that genuine comparability

studies would benefit all of their members - NUPE being particularly worried that investigation might show some of their people to be overpaid. On the other hand it is fair to say - and Mr. Callaghan's statements in the House reflect this - that the then Government was well aware of the dangers of comparability exercises fuelling inflation unless they were honestly and rigorously carried out. They were no doubt inhibited from saying so too plainly by a fear that the local authority and NHS settlements might come unstuck when put to the membership of the unions concerned. It is relevant, too, that by making the services of the PRU and the OME available to the Commission the then Government were seeking to ensure that the disciplined approach of the existing comparability machinery carried through into the new Commission. It is equally clear that the possibility open to the Government for giving general evidence to the Commission provides an opportunity for making quite clear the basis on which the Government now wishes the Commission to work and the spirit in which it expects references to be carried out. Given that the Standing Commission has already embarked on a number of studies there would be real advantage in such evidence being produced and submitted quickly. I think you should ask the Chancellor to produce a draft for consideration by colleagues at an early date.

John Hunt

for JOHN HUNT

9th May, 1979

① The write submit hand

to amplify the point, opposed to "comparability" should be continued urgently. See p.3.

Something

-5-

② General evidence (see this page) should be drafted. Would this include asking the Commission to consider the economic consequences of any award? i.e. where the money "comes from" in the absence of profits? p.7.2.

(3) Suggest 2 further
names to be considered
to balance the present memberships,

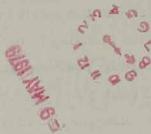
Dr. Lecky here.

Prof. Henry Rose?

- Dieford? Sir Frank DeFurcan
(Bank business)

Are suggestions

- a source of similar views



(4) Would it be all right if
I saw Prof. Lecky about
my general worries on this
whole subject and his
difficult terms of reference?

Ans.

Name: CLEGG Professor Hugh Armstrong M.A.

Volume: 2

Date of birth: 22nd May 1920

On C.S.D..... YES ~~XX~~

Address and telephone number:

Place of work
(All communications)
The University of Warwick
Gibbet Hill Road
Coventry, CV4 7AL
Warwickshire
Present main appointments: 0203 24011 Ext 2433

Home
48 Amherst Road
Kenilworth CV8 1AH
Warwickshire
0926 54825

Professor of Industrial Relations at Warwick University, October 1967-

OTHER APPOINTMENTS

Lecturer in Industrial Relations
Emeritus Fellow of Nuffield College, Oxford 1966-
Official Fellow of Nuffield College, Oxford, 1949-1966.
Member, Independent Inquiry into the Council Workers' strike 1970.
Director, Industrial Relations Research Unit of the Social Science Research Council 1970-74 (Based at Warwick University).

PERSONAL PARTICULARS

Married
Educated Kingswood School, Bath, and Magdalen College, Oxford
HMF 1940-1945
Published a number of Books on Industrial Relations, Trade Unions etc,
including "The system of Industrial Relations in Great Britain".

OFFICIAL APPOINTMENTS

Member, Guillebaud Railway Pay Committee of Inquiry, 1958-1960.
Member, Staff Side Panel, Civil Service Arbitration Tribunal, 1963-1968
Member, Committee of Inquiry into dispute between two sides of the National Joint Council for the Port Transport Industry 1964 (Devlin)
Member Royal Commission on Trade Unions and Employers' Associations, 1965-1968
Member Arbitral Body to determine Remuneration of Primary and Secondary School Teachers, 1965
Member, National Board for Prices and Incomes 1966-1967
Member Court of Inquiry under Lord Pearson into Shipping Dispute - 1966
Chairman, Court of Inquiry into Operation of Fork Lift Trucks at Albert Edward Dock, Newcastle, 1966
Chairman, Civil Service Arbitration Tribunal (DE) 1968-1971
Chairman, West Midlands Conciliation Committee of the Race Relations Board (Home Dept) 1971-1973
Member, (Officers Panel) Arbitral Body to consider a difference between the 2 sides of the Soulbury Committee concerning the salaries of inspectors and organizers employed by LEAS. (DE) 1971
Member, Council of Advisory, Conciliation and Arbitration Service. Aug 1974 - Arbitrator (ACAS) 1974-
Member, Commission of Inquiry about Industrial Staff Canteen undertakings Wages Council (DE) June 1975.

From Minister.

Prof. Clegg took on the job reluctantly and

There is an unwritten agreement that he will reconsider his position towards the end of the year and then, probably, ask to go.

October 1977

K.R.S.

Name: GIBSON Peter Douglas

Date of birth: 3 December 1920

Address and telephone numbers

Place of work

Volume- 3

On C.S.D. The ICI
(John Greenborough)

Home

"Pinehurst"
Grayland Close
Park Farm Road
Bickley, Kent

RETIRED

Former main appointments:

Director, Personnel and Administration, BP Oil Ltd, January 1976-
30 December 1978.

Other Appointments

Joined BP in 1938 and has remained in the industry.
Director, BP Marketing Ltd, Prior to 1974.

Director, Personnel and Administration, Shell-Mex and BP Ltd, 1 March 1974-
1 January 1976 (when the two companies divided into Shell and BP).

Personal Particulars

Married

Official Appointments

Member, Petroleum Industry Training Board (DE), 1969-1973.

Prime Minister.

We took Mr. Gibson "blind"
on John Greenborough's recommendation.

KRS

NAME: RYLAND SIR (ALBERT) WILLIAM (CECIL) CG. CND IEE. FElM. H. C91A.

Date of birth: 10 NOVEMBER 1913

On C.S.D. YES/NO.

Address and telephone number:

Place of work

Home

RETIRED

13 MILL VIEW GARDENS

CROYDON

SURREY CR0 5HW

Present main appointments:

01-656-4224

RETIRED

OTHER APPOINTMENTS

ASSISTANT TRAFFIC SUPERINTENDENT GPO 1934 - 1938
ASSISTANT SURVEYOR GPO 1938 - 1939
PRINCIPAL GPO - 1949 - 1954
PRINCIPAL PRIVATE SECRETARY TO P.M.S. - 1954 - 1958
ASSISTANT SECRETARY GPO - 1955 - 1958
DIRECTOR OF ESTABLISHMENTS AND ORGANISATIONS GPO - 1958 - 1961
DIRECTOR OF INLAND TELECOMMUNICATIONS 1961 - 1965
DEPUTY DIRECTOR-GENERAL 1965 - 1967
MANAGING DIRECTOR, TELECOMMUNICATIONS GPO 1967 - 1969
PO CORPORATION JOINT DEPUTY CHAIRMAN AND CHIEF EXECUTIVE 1969 - 1970
ACTING CHAIRMAN 1970 - 1971
CHAIRMAN POST OFFICE CORPORATION 1971 - OCTOBER 1977 (RETIRED)

PERSONAL PARTICULARS

MARRIED: 1 SON 1 DAUGHTER
EDUCATED: GOSPORT COUNTY GRAMMAR SCHOOL
NMF: 1939 - 1945 ROYAL ENGINEERS (POSTAL SECTION)
CB 1965
KNIGHTED 1973

OFFICIAL APPOINTMENTS

Prime Minister.
Sir Lowry Laidlaw was being
thought of as a possible Deputy Chm
and/or Successor to Clegg. He knows this.

K.R.S.

Name: URWIN (Charles Henry) Harry

Volume:-

Date of Birth: 24 February 1915

Address and telephone number:

Place of work
Transport & General Workers' Union
Transport House
Smith Square
London SW1F 3JB
01 828 7768

Home
4 Leacliffe Way
Walsall WS9 0PW
West Midlands
021 353 3363

Present main appointments:

Deputy General Secretary, TGWU 1969-

Other Appointments:

Converter of shop-stewards at Wickmans Ltd (Machine Tool Works) Coventry to 1947
TU Official (full-time) since 1947 (TGWU District Organiser, Coventry)
TGWU Coventry District Secretary 1955-1959. TGWU Midlands Regional Trade
Group Secretary (Commercial) 1959-1962 also part-time District Secretary
Confederation of Shipbuilding & Engineering Unions 1955-1960
Regional Organiser (Midlands) TGWU 1962-1963
Regional Secretary (Midlands) TGWU 1963-1969
Member, TUC Midlands Advisory Committee 1963-1969
Governor, University of Aston, Birmingham
Member, TUC General Council 1969- , and several Committees

Member, Arbitration Tribunal between the Trustee Savings Bank and the Union
of TSB Staff 1971 (private Arbitration)

Member, Committee of the European Social Fund, EEC 1975-

Member, TUC Team Presenting evidence to advisory Committee on Asbestos, June 1977

Personal Particulars:

Married. 1 Daughter

Comes from a Durham mining family

Official Appointments:

Former Member, Machine Tools Economic Development Committee (NEDO)

Member, West Midlands Economic Planning Council (MLGRP) 1968-1970

Member, Road Haulage Wages Council (DE) 1969-1974

Member, Industrial Health Advisory Council (IH) 1973-1975

Member, (part-time) National Freight Corporation (DOE) December 1973- 1978

Member, (part-time) Manpower Services Commission (DE) 1974-

Member, (part-time) of Sir Don Ryder's Task Force on the problems of
British Leyland 1975

Member, Industrial Development Advisory Board (Industry) 1972-

Member, Organising Committee, National Enterprise Board 1975

Member (part-time) National Enterprise Board (Industry) November 1975-

Member, Committee on Finance for Industry (HEDC) 1975-31 December 1977

Member, Advisory Committee on Dangerous Substances (HSC) (DE) Jan 1977-

Member, Advisory Committee on Toxic Substances (HSC) (DE) Jan 1977-

Member, Central Arbitration Committee (DE), June 1977-October 1978 (Resigned)

Member, Energy Commission (Energy), June 1977-

Member, Industrial Tribunals Panel (DE), October 1974-

Member, Post Office Arbitration Tribunal (DE), May 1978-

Member, Council of ACAS (DE), October 1978-

Prime Minister.

*Down clearly has "conflict of interest"
facing him since the C.A. has to deal with November 1978
the NHS and local Govt. claims involving his members.
Your predecessor took the firm view that he should play no
part in these specific cases. NHS*

Name: WILLIAMS Sir (John) Leslie, CBE

Volume:- 4

Date of birth: 1 August 1913

Address and telephone number:
Place of work

Home

RETIRED

26 Russell Green Close
Furley
Surrey

01-660 9666

Present main appointments:

RETIRED.

Other Appointments:

Civil Service (Post Office) 1931-1947
Assistant Secretary, Society of Civil Servants 1947-1949;
Deputy General Secretary 1949-1956;
General Secretary 1956-1966
Executive Council Member, Royal Institute of Public Administration 1955- 1974
(Chairman 1968) (Vice-President 1974-)
Chairman, Civil Service National Whitley Council 1960-1962
Member Board of Governors, National Hospital for Nervous Diseases 1962- (Chairman
1974-)
Vice-President, Civil Service Council for Further Education
Member, representing workpeople, CBI/TUC Conciliation Panel 1972-
Secretary General, Civil Service National Whitley Council (Staff Side)
1966-1973 (Retired).
Independent Chairman (part-time), Conciliation Committees NJC for Civil Air
Transport 1974-

Personal particulars:

Educated: Grove Park Grammar School, Wrexham
Married
C B E, New Year Honours, 1970
Knighted, New Year Honours, 1974
A Trustee, The Civil Service Benevolent Fund.

Official appointments:

Member, NW Metropolitan Regional Hospital Board (DHSS) 1963-1965
Member (part-time) United Kingdom Atomic Energy Authority (Energy) 1970-
Member, Advisory Council, Civil Service College (CSD) 1970-1976
Deputy Chairman, Civil Service Appeal Board, 1973-1977 - Chairman, March 1977-July
1978
Member, (part-time) Pay Board. 1974-
Chairman, Appeals Tribunals for National Health Service Reorganisation,
(England) (DHSS) 1974-
Member, Royal Commission on Standards of Conduct in Public Life 1974-1976
Member, Police Complaints Board (Home) to 1976

AFEB

Home Minister

*Leslie Williams was recruited because
it was hoped that the Ph. would in due course
exercise a firm oversight of Civil Service
Pay research - which is an inflationary
process.*

July 1978

K.R.S.

NAME: MITCHELL Prof Joan Eileen (MRS James CATERMOLE)

Date of birth: 15 MARCH 1920

On C.S.D. YES!

(TREASURY AND UGC)

Address and telephone number:

Place of work

home

UNIVERSITY OF NOTTINGHAM
UNIVERSITY PARK
NOTTINGHAM N57 2RD
0602 56101

15 RANMOOR ROAD
GEBLING,
NOTTINGHAM

Present main appointments:

PROFESSOR OF POLITICAL ECONOMY, UNIVERSITY OF NOTTINGHAM.

OTHER APPOINTMENTS:

ECONOMIST, MINISTRY OF FUEL AND POWER, 1942-1945

TUTOR, ST. ANNE'S COLLEGE, OXFORD. 1945-1947

ECONOMIST, BOARD OF TRADE, 1947-1950

RESEARCH OFFICER, LABOUR PARTY, 1950-1952.

LECTURER IN ECONOMICS, NOTTINGHAM UNIVERSITY, 1952.

READER IN ECONOMICS, NOTTINGHAM UNIVERSITY, 1962.

PERSONAL ECONOMIC ADVISER TO SECRETARY OF STATE FOR PRICES AND INCOMES, 1974.

PERSONAL PARTICULARS:

MARRIED. 1 SON, 1 DAUGHTER.

EDUCATION: ^{SOUTHEND-ON-SEA HIGH SCHOOL} ST. HILBA'S COLLEGE, OXFORD.

AUTHOR OF VARIOUS PUBLICATIONS ON ECONOMICS ETC.

OFFICIAL APPOINTMENTS:

MEMBER, EAST MIDLANDS ECONOMIC PLANNING COUNCIL (DOE), TO-DATE.

MEMBER, NATIONAL BOARD FOR PRICES AND INCOMES 1965-1969.

MEMBER, COMMITTEE TO REVIEW THE FUNCTIONING OF FINANCIAL INSTITUTIONS (SIR H. WILSON) (PM), JANUARY 1977 -

Prime Minister.

This name is unwelcome to
the TUC and is there to balance class,
up to a point.

KRS

Handly!

ms

7 March B 1979

OFFICIAL REPORT:

VOLUME 963 COLUMN 1251-1253

PAY COMPARABILITY (COMMISSION)

The Prime Minister (Mr. James Callaghan): With permission, Mr. Speaker, I will make a statement about the establishment of a Standing Commission on pay comparability.

In my speech to the House on 16 January I commented on the present method of fixing pay and conditions in some areas of the public services and expressed the Government's readiness to see a greater role for measuring their pay and conditions by making comparisons with pay for comparable work and effort in other occupations where both sides so requested.

This suggestion was carried further in the recent joint Government-TUC statement as a means of averting strike action in areas which affect public health and safety, and we undertook to identify groups which might be covered by such agreements.

The Government have a responsibility both to be fair to public service employees and to avoid arrangements which could in themselves prove inflationary. Comparability studies must therefore be made in a systematic and thorough manner, taking all relevant factors into account.

A Standing Commission on pay comparability is accordingly being set up by the Government to examine the terms and conditions of employment of particular groups of workers referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison, including comparisons with terms and conditions for other comparable work and of maintaining appropriate internal relativities. Any further role for the Commission in each case will be a matter for agreement between the Government and the parties.

The chairman of the Commission will be Professor Hugh Clegg, and members will include Sir Leslie Williams, Sir William Ryland, Mr. Peter Gibson, Mr. Harry Urwin and Dr. Joan Mitchell. Other Members will be announced in due course.

During the recent negotiations on the pay of local authority manual workers, National Health Service ancillary workers, ambulance men and university manual workers, it was agreed as part of the proposed settlements that a study should be made of acceptable bases of comparisons for these groups. It has also been agreed that these groups should now be investigated by this new Standing Commission.

In the case of these groups it has been agreed that the Commission will make recommendations which the Government and the trade unions concerned have undertaken to accept. The Commission is being asked to report on these groups by 1 August 1979.

The staging of implementation of these recommendations was also agreed as part of the pay negotiations. The Commission will start work on these assignments as soon as each settlement is reached. Other groups will be referred to the Commission from time to time by agreement.

The TUC informs me that it fully associates itself with the establishment of the Commission. My right hon. Friend the Secretary of State for Employment will be responsible for these new arrangements, which should help us in future years to avoid the dislocation and hardship that the public has suffered in recent weeks.

This is a difficult area in which to determine proper rates of pay, but I believe that these new arrangements will commend themselves to the public as a sensible way forward.

16 January 1979.

OFFICIAL REPORT:

VOLUME 960 COLUMN 1556 - 1558

The Prime Minister

I come now to the aspect of fixing fair rates of pay for those employed in the public sector. One of the real difficulties which always emerge when one is in a period of free collective bargaining, as we are now, is that fairness is rooted deeply in the conceptions of what should be the proper rewards. Some public service groups already make use of comparisons with rewards paid to employees in the private sector in their negotiations. The Government will be ready to see in some additional areas of the public sector, other than those engaged in trading, where there is a different set of negotiations, a greater role for comparability in determining pay.

The guiding principle should be the achievement of comparable pay for comparable work and comparable effort. Where the employers and the unions concerned make a request, therefore, the Government will be prepared to agree to an investigation into the possibility of establishing, for particular groups of workers, acceptable forms of comparison with terms and conditions for other comparable work. We will be prepared that the results of negotiations based on such comparisons should be implemented by stages in subsequent years. This is by no means an ideal solution, but it seems to us that, if we have to try to find our way through the present difficult situation, it is something on which we should be ready to take a chance.

Obviously, if we are to achieve the desired effect of setting fair and equitable relationships, such an arrangement depends upon the recognition by those groups with whom the comparisons are being made that it will be self-defeating if they seek to use the consequential increases in the public sector as a basis for their own next round of claims.

Mr. Terence Higgins (Worthing): Has not the Prime Minister yet learned the lesson, which was pointed out by the original three wise men about 15 years ago, that if one has productivity agreements in some parts of the public sector and comparability in the other—indeed, if one has productivity agreements generally and comparability in the public sector—this must be inflationary and there is no way in which that can be avoided?

The Prime Minister: That is an argument of the economists. It is one on which I have heard both sides argued. I am not attempting to insult the hon. Gentleman by calling him an economist, but in practical terms I think that this is the best way forward. But in case the hon. Gentleman has misunderstood, I am not proposing that there should be indexing, that the public sector should be able to index its earnings against others. I believe that this argument will go on, but decisions have to be taken and I believe that this is a way of trying to get through the present situation without resulting in runaway inflation.

Ministers have begun discussions with employers and unions concerned—with local authority manual workers, with National Health Service ancillary workers and with ambulance men—to see whether a comparability investigation on the lines that I have described has a contribution to make in the context of their current negotiations. The Government will naturally be prepared to give sympathetic consideration to joint approaches for comparability to be applied to other public service groups. Here I have in mind nurses, for example because it seems to me that there there is an opportunity to try to get some sense into the present situation.



10 DOWNING STREET

THE PRIME MINISTER

14 March 1979

Dear Hugh,

I am writing to thank you for agreeing to take on the Chairmanship of the Standing Commission on Pay Comparability and formally to confirm your appointment.

I enclose a number of documents which I am also sending to the members of the Standing Commission. They include my statement in the House of Commons on 7 March, my speech of 16 January and the recent joint Government/TUC statement.

As you know, the Standing Commission is being set up by the Government to examine the terms and conditions of employment of particular groups of workers referred to it by the Government, in agreement with the employers and unions concerned, and to report in each case on the possibility of establishing acceptable bases of comparison including comparisons with terms and conditions for other comparable work and of maintaining appropriate internal relativities. Any further role for the Commission in each case will be a matter for agreement between the Government and the parties.

I enclose a copy of the terms of reference which have already been agreed with the parties in respect of the first 4 cases which will be referred to the Commission in each case as soon as a settlement is formally concluded. As you will see in these cases it is already agreed that in addition to the feasibility study the Commission shall have a further role and the Government and the unions concerned have undertaken to accept its recommendations. The Commission will be asked to report on these groups by 1 August 1979.

/As you

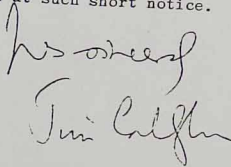


As you will see from my speech of 16 January the Government sees the guiding principle to be the achievement of comparable pay for comparable work and comparable effort. To achieve the desired effect of setting fair and equitable relationships such arrangements would depend upon the recognition by those groups with whom the comparisons were made that it would be self-defeating if they sought to use the consequential increase as a basis for their own next round of claims. In its approach to these matters the Government is concerned both to be fair to public service employees and to avoid arrangements which could in themselves prove inflationary. A proper comparison of pay and conditions is already the basis for the establishment of pay in wide areas of the public service and is implicit in much wage bargaining throughout the community. To be fair to all concerned, comparisons must be made in a systematic and thorough way, taking all relevant factors into account.

I am also writing to confirm that your remuneration will be £1,100 per annum on the basis that you will be asked to devote on average not more than one day a week to the business of the Standing Commission. Further details as to conditions of appointment, including reimbursement of expenses will be sent to you shortly by Mr. W. F. Hartman of the Department of Employment who will deal with any immediate queries you may have on this. The Commission's secretariat will be provided by the Office of Manpower Economics, 22 Kingsway which is being suitably strengthened for this purpose. I understand that the Director, Miss J. F. H. Orr is contacting you.

The appointment will formally be for the period from 7 March 1979 to 6 March 1982 but can be terminated subject to three months' notice on either side; it may be renewed by mutual arrangement.

I should like to repeat how grateful I am to you for agreeing to serve on the Standing Commission at such short notice.



Peter Gibson, Esq.

The Government wishes to encourage negotiators to consider comparability exercises in the public services and the Government will be initiating further talks to this end. The Government will now establish an independent investigation, a Standing Commission, to examine the terms and conditions of workers in the public services and to report on the possibility of establishing acceptable bases of comparison, including comparison with terms and conditions for other comparable work, and of maintaining appropriate internal relativities. The first groups to be investigated will be local authority manual workers, NHS ancillaries, ambulancemen and university manual workers.

In particular the investigation should:

- (i) assess the appropriate form of comparisons with terms and conditions in other sections of the economy, and identify relevant comparators.
- (ii) make suggestions on how such comparisons should be carried out and on the resources required for carrying them out.
- (iii) make suggestions as to how the comparisons should be made available to the relevant negotiators within the local authorities/NHS/universities.
- (iv) consult the parties to the agreement on how the results of the comparisons of terms and conditions can be embodied in the relevant collective agreements.
- (v) following (i) to (iv) make recommendations which the Government and the trade unions have undertaken to accept. In the case of the local authorities the Government undertakes to provide its share of the Rate Support Grant to enable them to implement the recommendations.

Extract from Informal Cabinet Meeting Record at 2.30 pm on 8 May 1977

e-11
f. Comparability Commission - Ministers considered the status and function of the Standing Commission on Comparability and questioned whether, leaving aside the question of whether it should continue at all, its terms of reference and membership were appropriate. You subsequently commissioned an analysis for this purpose from the Cabinet Office.

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10 DOWNING STREET

From the Private Secretary

8 May 1979

Held until PM has
received Cabinet Office
paper. JSM must
will suggest terms

of report for
paper for the Chancellor

21/5
issue

on this
subject

The Prime Minister has now had an opportunity to give some preliminary consideration to the ~~problems~~ of comparability and the future of the Standing Commission. She would be grateful if the Chancellor of the Exchequer would submit a paper for early consideration by the Ministerial Committee on Economic Strategy. The Prime Minister would be grateful if the paper would cover the philosophy underlying the comparability approach, the current work programme of the Commission, the arguments for and against extending its programme further, and any other issues which the Chancellor may wish to cover. In considering the basic approach, she would be grateful if the paper would cover the point that for some groups in the public sector - for example, teachers and servicemen - there are no clear analogues in the private sector; and also the point that increases in public service pay, which are made to bring it into line with private sector pay based on improved output per head, is likely to be inflationary.

are

I am sending a copy of this letter to the Private Secretaries to the other members of ES Committee and Martin Vile (Cabinet Office).

[Handwritten signature]

She has already commissioned
for the Cabinet Office a paper
on the Commission - which will
cover its present membership, history,
and the reforms made already
etc.)

Tony Battishill, Esq.,
HM Treasury.

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