

Confidential filing

Pay comparability and the future of the
Standing Commission. Clegg Commission Reports.

ECONOMIC
POLICY

Part 1: May 79
Part 3: July 80

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7-7-80		5-8-81					
10-7-80							
17-7-80							
22-7-80							
30-7-80							
26-8-80							
2-9-80							
3-9-80							
10-10-80							
8-12-80							
4-12-80							
15-12-80							
20-1-81							
30-1-81							
2-2-81							
11-3-81							
18-3-81							

PREM 19/4/82

STANDING COMMISSION ON PAY COMPARABILITY
CLEGG COMMISSION REPORTS



10 Downing Street
Whitehall

<u>REPORT NO.</u>	<u>SUBJECT(S)</u>	<u>FILED.</u>
1.	{ Local authority manuals N.H.S. Ancillaries Ambulance men University manuals	ECOM POL Pay Comparability Separate Box
2.	University technicians	" "
3.	Nurses & midwives	Nat. Health Oct-79 Nurses pay.
4. <small>Report as published at inside flap</small>	Professions supplementary to medicine.	ECOM POL Pay Comparability Separate Box
5. " "	British Waterways Board Salaried staff	" "
6.	Municipal Airport Manual Workers	" "
7	Teachers	Education, May 79, Teacher's Pay



File 10
Geo
Pd

10 DOWNING STREET

From the Private Secretary

5 August 1981

The Prime Minister has read your Secretary of State's minute of 3 August about the new arrangements for determining the pay of SDA Board members; she agrees with his proposals.

W. P. LANKESTER

John S. Wilson, Esq.,
Scottish Office.

H

812

1



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

h. Mr. Dickel *mm 3/8*

v. Prime Minister

Agree?

Yes
mt

R

3/7

PRIME MINISTER

NEW ARRANGEMENTS FOR DETERMINING THE PAY OF BOARD MEMBERS:
SCOTTISH DEVELOPMENT AGENCY

In accordance with the new arrangements the Agency has submitted its recommendations for the pay, from 1 April 1981, of its Chairman, Deputy Chairman, Chief Executive and Non-executive Board Members.

In recognition of the present economic climate it is recommending an increase of 7% the effect of which is shown in the attached table. In the case of the Chief Executive I propose to increase his range by 7% and it will be for the Agency to decide where on the new range he should be placed.

I have the agreement of Chirstopher Soames to these proposals and I would be glad to know whether you approve the increases for the Chairman and the Chief Executive.

G.S. Wilson

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

3 AUGUST 1981

	<u>TSRB 14 rate</u>	<u>Full time rate/range at 14 80*</u>	<u>Actual salary at 14 80 rates</u>	<u>Proposed Full time rate/range at 14 81</u>	<u>Proposed Actual Salary at 14 81</u>
Chairman	£37,000	£34,000	£13,600	£36,380	£14,550
Deputy Chairman	-	£20,500-£26,000	£ 4,650	£21,935-£27,820	£ 4,975
Chief Executive	£27,000-£35,000	£25,000-£31,500	£28,250	£26,750-£33,700	To be determined by the Agency
Board Members	£22,500-£29,000	£20,500-£26,000	£ 2,500	£21,935-£27,820	£2,675



Bk
Econ Pol

10 DOWNING STREET

THE PRIME MINISTER

18 March 1981

Dear Sir John,

Thank you for your letter of 6 March and for the attached reports. I am arranging for the reports to be published as soon as possible. I have also arranged for copies to be made available to both sides of the Joint Negotiating Committee for Chief Officials of Local Authorities (Scotland) and the Universities' Special Joint Committees for Computer Operating Staffs.

Now that the Commission has been wound up I would like to thank you again for taking on the job of Chairman and for ensuring that the Commission's outstanding work was completed. I am most grateful for the hard work you and other members of the Commission have contributed in achieving their objective. Perhaps you would be kind enough to thank the others on my behalf.

I was also glad to hear that you have found the OME staff helpful.

Yours sincerely,

MT

Professor Sir John Wood

JWC



10 DOWNING STREET

From the Private Secretary

18 March 1981

STANDING COMMISSION REPORT NO. 15 ON UNIVERSITY COMPUTER OPERATING
STAFF

The Prime Minister has seen your letter of 16 March and is content for the above Report to be published tomorrow. She has now written to the Chairman of the Commission in the terms suggested by the Department of Employment, and we have also received their draft Press Notice on this Report and on Report No. 14.

I am sending copies of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), Jim Buckley (Civil Service Department), David Edmonds (Department of the Environment), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office) and David Wright (Cabinet Office).

T. P. LANKESTER

Peter Shaw, Esq.,
Department of Education and Science.

ASG

cc: Hart
DEmp
CSD (Ld. Pres.)
DOE
So
Wo
NIO
CO

RLB



CC HMT
D/M
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HLB

bcc Ingram.

10 DOWNING STREET

From the Private Secretary

17 March 1981

Standing Commission Report No. 14

The Prime Minister has read your letter of 16 March and is content for the above Report to be published on 19 March.

I am sending copies of this letter to John Wiggins (H.M. Treasury), Richard Dykes (Department of Employment), Jim Buckley (Civil Service Department), David Edmonds (Department of the Environment), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office), Peter Shaw (Department of Education and Science) and David Wright (Cabinet Office).

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office.

h



FROM THE SECRETARY OF STATE

 ELIZABETH HOUSE,
 YORK ROAD,
 LONDON SE1 7PH
 01-928 9222

 T Lankester Esq
 10 Downing Street
 LONDON SW1

Prime Minister
*This is the last "Clegg" report -
 for publication on Thursday.
 Content?*
PL
17/3
16 March 1981

Yes not
Dear Tim

 STANDING COMMISSION'S REPORT NO 15 ON UNIVERSITY COMPUTER
OPERATING STAFF

Thank you for your letter of 11 March.

 This Report sets out the conclusions of the Standing Commission on Pay Comparability on university computer operating staff. It recommends that the current salaries of the main grades should be increased by 15.3% on average and of trainees by 10% and these recommendations will form the basis for negotiations on salaries to be implemented retrospectively from 1 July 1980. The Report is founded on comparisons carried out by the Pay Research Unit.

 The increases recommended are higher than the allowances made for them in cash limits but there will be no increase to cover the additional cost. The parties are committed to negotiations based on the recommendations and my Secretary of State sees no point in delaying publication. The date suggested by the Department of Employment is 19 March and they are sending you a draft Press Notice together with a letter to the Chairman of the Commission.

I am sending copies of this letter to recipients of yours.

Yours sincerely
Peter Shaw

 P A SHAW
 Private Secretary

→ (CR) pls type
and attach Wood's letter

Draft Letter for the PM to Send to Professor Sir John Wood at the Office of Manpower
Economics

R.

Standing Commission on Pay Comparability

Thank you for your letter of 6 March and for the attached reports. I am arranging for the reports to be published as soon as possible. I have also arranged for copies to be made available to both sides of the Joint Negotiating Committee for Chief Officials of Local Authorities (Scotland) and the Universities' Special Joint Committees for Computer Operating Staffs.

Now that the Commission has been wound up I would like to thank you again for taking on the job of Chairman and for ensuring that the Commission's outstanding work was completed. I am most grateful for the hard work you and other members of the Commission have contributed in achieving their objective. Perhaps you would be kind enough to thank the others on my behalf.

I was also glad to hear that you have found the OME staff helpful.

To be destroyed
once letter
filed



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Don't know

*in the book
the book*

*Content for this
report to be published
on 19 March?*

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

*Yes
not*

16 March 1981

Dear Tim,

TL

STANDING COMMISSION ON PAY COMPARABILITY - REPORT NO 14
CHIEF OFFICIALS OF LOCAL AUTHORITIES IN SCOTLAND

1473

Thank you for your letter of 11 March forwarding Report No 14 from the Standing Commission on Pay Comparability and asking for advice on handling.

We understand from the Department of Employment that the Commission have made arrangements for publication of the Report on 19 March, and there is no reason now for us to oppose such publication. It would we suggest be appropriate to issue a press notice on publication of the Report - and covering also the University computer operating staff about whom you are no doubt in touch with DES. Because however the main point of this press notice would be about the demise of the Clegg Commission itself, rather than the content of the Reports, the draft will be coming to you from the Department of Employment.

1

As regards the content of Report No 14 you will have seen that it suggests that the pay of the 800 or so officers in the reference group in Scotland was some 20 per cent behind that of external comparators in both the private and the public sectors at 1 July 1979. It emphasises however the difficulty of making valid comparisons. Advances of 14 per cent have already been made to the chief officers in respect of the 78/79 settlement against the Report's findings. The Commission recommends that a further 4 per cent be paid now, backdated to dates in 1980, and that 2 per cent be held in reserve for restructuring. It estimates that the total full year annual cost of the recommendations will be about £600,000 - or about 6 per cent of the basic pay bill at 1 July 1979 scales. These costs are exclusive of employers' increased pension and national insurance contributions.

As the terms of the reference made clear, the Commission were required simply to make suggestions which would provide a basis for negotiation rather than to make a formal and binding award. The Report is therefore now a subject for negotiation in the chief officers' negotiating body in which the Government of course has no formal locus.

In dealing with press queries therefore we will emphasise that it is entirely a matter for the negotiating body who will have to reach a view on the Report's recommendations in the light of other pay settlements

reached or in prospect and the knowledge that any settlement will have to be reached within the existing financial limits.

I am copying this letter to John Wiggins (Treasury), Richard Dykes (DE), Jim Buckley (CSD), David Edmonds (DOE), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office), Peter Shaw (DES) and to David Wright.

Hand over,

Godfrey Robson

GODFREY ROBSON
Private Secretary

File
CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

11 March, 1981

~~BF~~

We have now received Report No.14 from the Comparability Commission on Scottish local authority chief officials. I would be grateful for advice on the substance and handling of this report, a copy of which I enclose.

I am sending copies of this letter to Richard Dykes (Department of Employment), John Wiggins (HM Treasury), David Edmonds (Department of the Environment), Jim Buckley (CSD) and David Wright (Cabinet Office). Copy recipients will be able to obtain copies of the report from the Office of Manpower Economics if they require it.

T. P. LANKESTER

G Robson, Esq,
Scottish Office

CONFIDENTIAL

274

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

11 March, 1981

~~BF~~

① We have now received the Standing Commission's Report No.15 on University computer operating staff. I should be grateful for advice on the substance and handling of this report, a copy of which I enclose.

② I am sending copies of this letter to Richard Dykes (Department of Employment), John Wiggins (Treasury), Jim Buckley (CSD) and David Wright (Cabinet Office). Copy recipients will be able to obtain copies of the report from the Office of Manpower Economics if they require it. I am also sending to Richard Dykes a copy of Sir John Wood's letter of 6 March submitting this report and also the Scottish Local Authority's report, and I would be grateful if he would let me have a draft reply for the Prime Minister to send.

L. P. LANKESTER

Peter Shaw, Esq
Department of Education and Science

CONFIDENTIAL

Swf

FROM PROFESSOR SIR JOHN WOOD, CHAIRMAN, STANDING COMMISSION ON PAY COMPARABILITY



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1A 1AL

6 March 1981

Dear Prime Minister,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the Scottish local authority chief officials and university computer operating staffs references and I have pleasure, therefore, in submitting the attached reports.

These two reports complete the outstanding work of the Commission. I am aware that the process of pay comparability has been the subject of political controversy and indeed there appear to be one or two major unresolved weaknesses. I would, however, like to take this opportunity to place on record the hard work and devotion of the relatively small staff of the Commission. Since taking over the Chairmanship in October I have found that they have used every endeavour to achieve as professional and as fair an approach to the preparation of the data for our Reports as possible. I hope this will not be overlooked.

Yours sincerely

John C Wood



cc DES

B

Econ PA

10 DOWNING STREET

THE PRIME MINISTER

2 February 1981

Dear Sir John,

Thank you for your recent letter enclosing the Commission's Report No. 13 on university clerical staff. Arrangements are being made for publication as soon as possible and copies will be sent to the two sides of the Universities' Joint Committee for Clerical and Certain Related Administrative Staffs. My colleagues and I are grateful for the work which the Commission has put into this reference.

Yours sincerely
Margaret Thatcher

Professor Sir John Wood

MS

610
FROM PROFESSOR SIR JOHN WOOD, CHAIRMAN, STANDING COMMISSION ON PAY COMPARABILITY



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

Dear Prime Minister,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the university clerical staff reference and I have pleasure, therefore, in submitting the attached report. - attached to file.

Yours sincerely

John C. Wood
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10 DOWNING STREET

From the Private Secretary

30 January 1981

Thank you for your letter of 28 January about the Standing Commission's Report No. 13 on University Clerical Staff.

I have shown this to the Prime Minister, and she is content for the report to be published early next week and with the draft press statement which you enclosed.

I am sending copies of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), Jim Buckley (Civil Service Department), John Craig (Welsh Office) and David Wright (Cabinet Office).

P. LANK

Peter Shaw Esq
Department of Education and Science



✓ CC Mr Venner
→ Mr Lyman

1
Prime Minister
This Clegg report
is entirely
uncontroversial.
Content with
publication early
next week, and draft
statement attached?

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Yes
and

T Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

28 January 1981

Dear Tim,

T.L.
29/1

STANDING COMMISSION REPORT NO 13 ON UNIVERSITY CLERICAL STAFF

Thank you for your letter of 20 January. This Report sets out the conclusions of the Standing Commission on Pay Comparability on university clerical staff. The recommendation that the current interim salaries show a shortfall of 5% will form the basis for negotiations on salaries to be implemented retrospectively from 1 July 1980. The report is founded on straightforward comparisons carried out by the Pay Research Unit mainly with data already gathered and is sensible and workmanlike. The modest increase recommended is in line with estimates made for the purpose of arriving at cash limits. My Secretary of State does not foresee any problems arising from this report and recommends publication as soon as it can be printed: ie early next week.

I attach a brief letter of acknowledgement for the PM to send to the Commission and a draft press notice.

I am sending copies of this letter to recipients of yours.

Yours sincerely

Peter Shaw

P A SHAW
Private Secretary

DRAFT PRESS STATEMENT

COMPARABILITY COMMISSION'S REPORT ON UNIVERSITY CLERICAL STAFF

The Government today published the 13th report by the Standing Commission on Pay Comparability on the salaries of about 19,000 clerical staff in 43 universities. The Commission finds that the staff were overall 5% below their comparators at 1 July 1980 and recommends that the shortfall should be the subject of negotiations between the parties. The report was commissioned in May 1980 and thus relates to the previous round of pay negotiations.

NOTES FOR EDITORS

The Standing Commission on Pay Comparability was set up in March 1979 to examine the terms and conditions of employment of groups of employees referred to it by the Government and to make recommendations on pay in the light of comparisons with other groups. The reference on university clerical staff was made in May 1980.

The Government has decided that no further references should be made to the Commission and that it should be wound up once it has reported on its remaining references (including university computer staff).

The recommendations will form the basis of negotiations within the Universities' Joint Committee for Clerical and Certain Related Administrative Staffs. This Committee comprises representatives of the employers, through the Universities' Committee for Non-Teaching Staffs, and the staff by NALGO (National and Local Government Officers' Association), NUPE (National Union of Public Employees), ASTMS (Association of Scientific, Technical and Managerial Staffs) and ACTS (Association of Clerical and Technical Staffs). Under the agreement the increase negotiated will be payable from 1 July 1980. A further 4000 or so other

clerical staff in 11 other universities are not covered by the reference as those universities do not participate in these national negotiating arrangements and are not bound by the Report.

Questions about the content of the report should be addressed to Mr M A Peaks or Mr R A Niven, Press Office, Office of Manpower Economics (Tel: 01-405 5944, Ext 312 or 344).



DS

bc JV
BI

Geon pd

10 DOWNING STREET

From the Private Secretary

20 January 1981

BF

3-2-81

Dear Peter,

We have now received the Standing Commission's Report No.13 on University Clerical Staff. I should be grateful for advice on the substance and handling of this Report. We have only received one copy; you and other copy recipients will be able to obtain copies direct from the Office of Manpower Economics.

I enclose a copy of Sir John Wood's letter forwarding the Report to the Prime Minister; and would be grateful for a draft reply for the Prime Minister's signature.

I am sending copies of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), Jim Buckley (Civil Service Department) and David Wright (Cabinet Office).

and to the Commission Office)

[Handwritten signature]

Peter Shaw, Esq.,
Department of Education and Science.

Tim Latham

JS

NOT G/R

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SWIP 3EB

Telex
01-212-8001

TV
22/12



cf 7
19/12 HS

*With the Compliments of the
Secretary of State for the Environment*

Green Park

R.



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

24.4

17 December 1980

Dear Professor Mercer

At our meeting on Wednesday last, held at your request to discuss various aspects of New Towns' staff pay, I told you that, even though the recommendations of the Standing Commission on Comparability were intended as a basis for negotiations, I can see no justification in current economic circumstances for a settlement which goes beyond those recommendations in terms of total wage bill cost. I made it clear that I should assume a settlement at a level of 12.3 per cent in taking any subsequent financial and other relevant decisions for which I bear Ministerial responsibility.

yes

MICHAEL HESELTINE

Professor Mercer

Y SWYDDFA GYMREIG
PARC CATHAYS
CARDIFF CF1 3NQ



WELSH OFFICE
CATHAYS PARK
CARDIFF CF1 3NQ

Tel: 0222 825111 (Switchboard)
0222 82 3418 (Direct Line)
TELEX: 49228

T Lankester Esq
Principal Private Secretary
No 10 Downing Street

Ein Cyf/Our Ref

Eich Cyf/Your Ref

Dyddiad/Date

11 December 1980

Dear Mr Lankester

M 15/12

COMMISSION ON PAY COMPARABILITY
NEW TOWNS STAFF

I refer to Jeffrey Jacob's letter to you of 4 December 1980.

I spoke with your office on Friday of last week and now write to confirm that Welsh Office are content with the action proposed therein. Whilst the Cwmbran Development Corporation is a fringe body under the aegis of the Secretary of State we look to the major department concerned with Development Corporations namely the Department of the Environment to take the lead in all staff salary matters. In the knowledge that DOE have expressed their agreement to both the increase and the publication of the report and having reminded the Corporation of the need to contain the increases, we are content with the action proposed.

Yours sincerely

MISS E N M DAVIES
PM Division



cc. D/E H5
Scot PA

10 DOWNING STREET

THE PRIME MINISTER

8 December, 1980.

Dear Professor Wood,

Thank you for your letter of 1 December enclosing the Commission's Report on New Towns' Staff. Arrangements are being made to publish the Report shortly. I am most grateful to you and the members of the Commission for your work on the reference.

Yours sincerely,

(SGD) MT

Professor Sir John Wood

SP



10 DOWNING STREET

MR. INGHAM

Please note that DOE are assuming that your Office will put out the Press Notice on Report No. 12 on New Towns Staff. You already have the draft (attached to Jacobs' letter of 4 December) which the Prime Minister has approved.

R

8 December 1980

File

JSC

cc: Mr. Ingham



cc: DEmp
SO
WO
HM
LPO

10 DOWNING STREET

From the Private Secretary

8 December 1980

CO

Dear Tom,

Thank you for your letter of 4 December about the Clegg Commission's Report on New Towns Staff. I have shown this and the draft press notice to the Prime Minister, and she is content that the Report should be published on 11 December as proposed. She has also written to the Chairman of the Standing Commission as you suggested.

I am sending copies of this letter to Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Peter Jenkins (HM Treasury), Jim Buckley (Lord President's Office), and David Wright (Cabinet Office).

~ ~ ~

Tim Laker.

J. Jacobs, Esq.,
Department of the Environment.

JSC



Approved

2 MARSHAM STREET
LONDON SW1P 3EB

Mr Vercher

My ref:

Your ref:

Mr Lytton

Paul Martin

4 December 1980

This seems alright.

*Content, subject to
any views from the Chief Secretary?*

Dear Tim

COMMISSION ON PAY COMPARABILITY
NEW TOWNS STAFF

*Letter for you to sign to send
to Sir John Hood is at Page 4.*

Thank you for your letter of 2 December to David Edmonds. The Report concerns some 7500 administrative, professional, technical, clerical and related staff in the new towns in England, Wales and Scotland. More senior posts (Chief Officers, and Upper Salaries Range, who are linked to Civil Service pay rates) were not covered by the reference.

Although the terms of reference required the Commission to make recommendations, it was made clear that these would form the basis for a final negotiating stage, rather than take the form of a binding award. The recommendations relate to the annual settlement date (1 July 1980) in the last pay round. An interim increase of 12% has already been granted to this group, operative from that date.

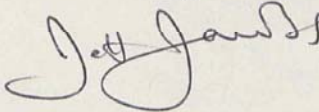
The Commission concludes that pay rates for the lower grades in the Group were only marginally below that of comparators but that the pay of more senior grades was up to 21% below that in comparative jobs. The overall increase in the basic pay bill required to make up this shortfall was 12.3%. As this is virtually the same as the interim increase already being paid to the Commission recommend that job comparison does not justify a higher increase for the reference group as a whole than has already been awarded. The 12% interim increase has been applied uniformly to all grades. The Commission accepts that it would be undesirable, and almost certainly impracticable, in industrial relations terms to renegotiate the 1980 settlements to introduce the differentials indicated by the comparability study and reduce the salaries of the lower paid groups. It therefore recommends that the parties should introduce the differentials in the settlement for 1 July 1981 or as soon as possible thereafter.

The Commission draw attention to the strong links which the parties see between the new towns staff structure and the local government APT&C structure (pay settlements for new towns staff have in the past followed closely those for APT&C grades). They conclude that acceptance of their recommendations alone would perpetuate and indeed increase the advantage which local government staff currently have. This is bound to be a factor in the negotiations to follow. The Commission's report will now form the basis for negotiation in the Whitley Council for New Towns Staff which is due to meet on 19 December. My Secretary of State will make it clear to the Chairman of the Whitley Council that it is the Government's view that there should be no further increase in pay beyond the 12% interim award that has already been agreed and that implementation of the

● differentials recommended by the Commission for the higher paid groups should be conditional on the pay for the lower paid groups being restrained in line with the Commission's recommendations.

In our view there is no reason why the report should not be published as soon as possible. Subject to the Prime Minister's agreement it is proposed that publication take place at 2.00 pm on 11 December as a command paper. I attach a draft press notice for you to put out on that day which has been approved by my Secretary of State, and a draft letter to send to the Chairman of the Standing Commission.

I am copying this letter to the recipients of yours with the request that any comments be sent direct to you by close of play tomorrow, 5 December.

Yours sincerely


J JACOBS
Private Secretary

DRAFT PRESS NOTICE

COMPARABILITY COMMISSION REPORT ON NEW TOWNS STAFF

The Government today published the twelfth report of the Standing Commission on Pay Comparability which concerns the pay of some 7500 administrative, professional, technical, clerical and related staff employed in the Development Corporations of New Towns in England, Wales and Scotland and in the Commission for the New Towns. The Standing Commission's recommendations provide a basis for negotiation in the Whitley Council for New Towns Staff for the pay settlement due from 1 July 1980. It thus relates to the last pay round.

The Commission's main conclusion, to be taken into account in negotiations, is that on the basis of the comparisons undertaken increases of between 0.4% and 21.1% are justified for the reference group with a total pay bill cost of 12.3%. However, the group is already in receipt of an interim increase from 1 July 1980 of 12%. The Commission therefore recommends that job comparison does not justify a higher increase for the reference group as a whole from 1 July 1980 than that already awarded. It further recommends that the parties should introduce the differentials indicated by the comparability study in the settlement for 1 July 1981, or if it is not practicable to complete the process in 1981, as soon as possible thereafter.

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. It has however been decided that no further references should be made to the Commission and that it should be wound up once it has reported on its remaining references, probably by the end of February 1981.
2. New Towns' staff who were formally referred to the Commission by the Government on 12 October 1979, are the subject of this, the Commission's twelfth report. The reference to the Commission provided for their recommendations to form the basis of the July 1980 settlement for this group: it relates therefore to the 1979/80 pay round. In view of the delay in the Commission producing their report, which meant that the date from which the new scales are to operate is already some months past, the parties agreed an interim increase of 12% for all grades as from 1 July 1980.
3. Questions about the content of the report should be addressed to Mr. J. Collins, Officer of Manpower Economics (Tel: 01-405 5944 Ext. 348).

Draft letter for the Prime Minister to send to
Sir John Wood, Chairman of the Standing Commission on
Pay Comparability.

Thank you for your letter of 1 December enclosing the Commission's Report on New Towns' Staff. Arrangements are being made to publish the Report shortly. I am most grateful to you and the members of the Commission for your work on the reference.

Agreed
ms

Econ Pol
Pay Comparability
Clegg
MR. VEREKER

FILE
CONFIDENTIAL

c. Mr. Wolfson
Mr. Duguid

Sub

PAY REVIEW BODIES

A few thoughts on the draft paper attached to your minute of 3 December.

I agree with the general argument that it would be unwise to try to change the terms of reference of the review bodies at this stage. I found the strength of the arguments against suspension - at least of TSRB and DDRB - less convincing. It does look very likely that we will have to override the recommendations of both these reports; and I think therefore that we do have to think very carefully whether it would not be better to suspend them both now. On the whole, I think it would be better not to suspend them, partly because somebody will have to advise on differentials, etc., and also - in the case of TSRB - the Prime Minister has given them a pretty clear indication that she wants them to continue. But I believe the argument is more finely balanced than the draft suggests.

Assuming all three review bodies are to continue with the existing terms of reference, it becomes absolutely crucial that the Government puts in good evidence to them. Given that their terms of reference are so wide, we must do everything we can to get them to take into account the wider economic context; and not just to take into account those factors which they think are important. Let me give one example of the latter. I was told by Harold Atcherley that the AFRB could not take into account wider economic considerations; at the same time, he said that one factor they would have to look at very carefully was the continuing high turn over of servicemen and at the cost of this to the Services. Thus, from the point of view of supply of new entrants to the Services, salaries might be set at £X, yet in order to reduce turn over a figure of £X plus one may be needed. The implication is that the AFRB will go for £X plus one.

/Now I

CONFIDENTIAL

CONFIDENTIAL

- 2 -

Now I do not deny that the cost of high turn over is important - and of course there may be operational efficiency considerations too. But if they are going to look at this factor, why shouldn't they go wider still and consider the implications of possible repercussions in other parts of the public service?

T. P. LANKESTER

4 December 1980

KRB

CONFIDENTIAL

CONFIDENTIAL

MR LANKESTER

cc Mr Wolfson
Mr Duguid

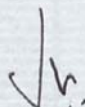
Pay Review Bodies

The attached paper is the draft of a paper by the Chancellor for E (intended for 10 December) in response to the Prime Minister's request for a discussion on pay review bodies. It will be discussed at a meeting in the Treasury on Friday morning, 5 December, which I shall attend; although the paper is explicitly by the Chancellor and not an interdepartmentally agreed paper by officials, and it will be open to us to brief the Prime Minister on points with which we disagree when the paper is circulated, we do therefore have the opportunity to influence its drafting.

I have indicated my own comments in the margins of the draft; the major issues seem to me:

- a) whether we accept the case against changing terms of reference in the current pay round; and
- b) whether we accept that it would be preferable to overturn the recommendations of some or all of the review bodies, rather than to suspend them now.

The issues arising out of the review bodies are considerably complicated by the fact that they undertake useful work quite apart from the main recommendation on pay, notably hypothetical advice on the distribution of a limited total (ie a specified cash limit), ^{and} advice on allowances and expenses. I shall be grateful for any comments you or any of the recipients may wish to make at this stage on the draft.



JOHN VEREKER

CONFIDENTIAL

3 December 1980

DRAFT

PAY REVIEW BODIES

Note by the Chancellor of the Exchequer

We last considered our attitude to Pay Review Bodies in July at E(80) meeting. That discussion took place very much in the context of our attitude to the longer-term future of pay determination, including the future of the Clegg Commission. As a result, we announced that the Clegg Commission would be wound up, but that the Review Bodies would continue to operate. I think we now need to take another look at the problem in the light of recent developments. The letter of 21 November from the Chairman of the Top Salaries Review Body (Annex A) has drawn attention to some of these problems.

define
the problem

Background

There are three bodies involved: the Top Salaries Review Body (TSRB), Armed Forces Pay Review Body (AFPRB) and Doctors and Dentists Review Body (DDRB). Details of each of these bodies are set out in Annex B.

The problem

We have announced that the rate support grant will be calculated on the assumption of an increase ~~in~~ 6% in pay; and that the pay of other public services will be subject to broadly similar financial disciplines. However, if the AFPRB and DDRB are influenced, as they have been in the past, by considerations of comparability, they are likely to recommend increases of at least ~~15%~~; and in the case of the TSRB, last years decision to pay less than the

of 6% in
the pay bill

recommended rates will mean that this years recommendations are likely to be at least 20%. Such recommendations would be embarrassing in themselves. What is more, unless they are substantially reduced by the Government (except perhaps in the case of the Armed Forces, which it may be possible, at some risk, to treat as a special case), they will cause problems both in accommodating them within cash limits, and for other groups which will be expected to settle for increases of around 6%.

Possible change in terms of reference

As noted in Annex B, the terms of reference of the Review Bodies are very wide. They neither require nor prohibit taking account of general economic circumstances or the ability of the country to pay; and the Government is free to present evidence on both these aspects. When we considered this issue in July, we concluded that we should not amend the terms of reference. However, there are two reasons for looking at the matter again. First, the AFPRB may well conclude that the Government's commitments regarding the pay of the Armed Forces must override economic circumstances and the nations ability to pay, and that any reconciling of these conflicting considerations should be left to the Government. (Sir Harold Atcherley, the Chairman of the AFPRB, implied as much at a recent lunch with the Prime Minister). Secondly, the TSRB, in the letter of 21 November, takes a broadly similar line. It makes it clear that it considers that its duty is to recommend what it judges to be the "right" levels of pay. Any reduction is a matter for the Government. We must expect the DDRB to take a similar line.

In order to ensure that the Review Bodies take greater account of

offer to
 Cabinet
 decision?

3
2
1

AFPRB may
 take into ac-
 count
 heavy burden

general economic and financial considerations there might be merit, for the longer term in amending their terms of reference: this question should be considered as part of the current study of long-term arrangements for pay bargaining in the public services. However, I do not think it is attractive as a short-term measure for the current pay round.

(a) It would be bound to lead to pressures to include other factors, particularly comparability, in the terms of reference.

(b) There would still be no guarantee that we should be able to accept the resulting recommendations; and having changed the terms of reference would make it more difficult to reject the ensuing recommendations.

(c) In the case of the DDRB, changes could not be made without consulting the Doctors and Dentists, who would be unlikely to agree.

only valid if you're prepared to reject them

Not convincing: great advantages on the other side

If therefore we consider that the consequences of the likely recommendations from the Review Bodies will be intolerable, the choice seems to lie between overriding the recommendations in due course, or suspending the operation of the bodies for the current pay round.

Suspension

The fact that we have suspended pay research for the non-industrial civil service is relevant to the possible suspension of at any rate the TSRB. However, the circumstances are significantly different. Pay research was suspended, not in order to enforce a 6% pay settlement, but in order to ensure the primacy of cash limits, since we could

a strong argument for

be sure that the pay research evidence would not be compatible with a 6% limit for earnings increases resulting from the 1981 pay settlement. However, for the groups within the purview of the Review Bodies:

- (a) the cash limit relating to Armed Forces pay is in practice open-ended;
- (b) only about 50% of the pay bill for Doctors and Dentists is cash limited: the family practitioner service is not cash limited;
- (c) since the TSRB groups formed such a small part of the pay bill, cash limits need not constrain the size of their pay settlements; and the pay of MPs and Ministers is not cash limited at all.

Moreover, there are significant positive arguments against suspension.

(a) unless we are prepared to say now that we have adopted a 6% pay norm for the public services (which I should not wish to do), we have no grounds for saying now that we can dispense with any form of advice from the Review Bodies;

(b) suspension would make it impossible for us to take up the offer from the TSRB, in their letter of 21 November, to advise on the distribution of a limited total. This could be embarrassing; and in the case of the Doctors and Dentists, for which the DDRB has carried out similar exercises in the past, it could create very serious technical problems.

Finally, it is relevant that the Review Bodies report relatively late in the pay round. The AFIRS and DDRB normally report in April, and their reports are usually published in May: the TSRB often

Of course we have! An expenditure-based pay policy could not possibly accommodate the results of incompatibility.

v stamp point

But the
knowledge of the
continued
existence will

reports later. Thus the reports are unlikely to have a significant effect on expectations during the current pay round: by the time they are published, the tone of the round will have been long since established. They may, no doubt, be used as a stick with which to beat the Government. But the important thing will be not the report themselves, but the action the Government takes after them. What will count, for example, with the nurses is much more what pay increase the Doctors receive than what the DDRB may recommend.

Conclusions

I therefore conclude as follows.

1. We should not, in present circumstances, suspend the Review Bodies.
2. We should not seek to change the terms of reference for the current pay round.
3. We should impress on the Review Bodies the need to take full account of current economic conditions and of the financial constraints that apply to the public services. This could be done both in Government evidence to the bodies, and in the reply to the letter of 21 November from the TSRB.
4. We must recognise that we may well have to overturn the recommendations of some or all of the Review Bodies, and that their response, or lack of it, to the evidence submitted by the Government will give us the basis for doing so. The commitments in respect of Armed Forces pay will raise particular difficulties; and our room for manoeuvre may be limited. There are, however, factors related to pay (such as pensions, allowances, and quartering charges) which could be used to justify a lower pay settlement; these should be fully covered in evidence to the AFPRB.

Is this a
satisfactory
reply?

THE PAY REVIEW BODIES

The three Review Bodies all have similar terms of reference: to advise the Prime Minister on the remuneration of the group concerned. In other respects, however they diverge.

Method of working

AFPRB: has well-established (and fairly sophisticated) machinery for factorial comparisons. Much of the input is in the form of job evaluation reports by consultants; and the outcome thereafter is essentially mechanical.

DDRB: since there are no obvious outside analogues for Doctors and Dentists, and the DDRB has steered clear of factorial comparisons, the recommendations rely largely on applying judgement to earnings movements in the economy at large as evidenced by the New Earnings Survey.

TSRB: uses surveys of top management salaries, plus a considerable element of judgement. The TSRB has stated that it adjusts its recommendations to take account of the benefits of working in the public sector.

Treatment of pay within public expenditure system

AFPRB: the pay of the Armed Forces is cash limited; but for 1981-82

it has been agreed that the cash limit will be adjusted if necessary to accommodate the pay settlement.

DDRB: hospital doctors and dentists (about half of the total) are covered by the NHS cash limit. The pay of family practitioners is not cash limited.

TSRB: all groups, except Ministers and MPs are cash limited; but the small numbers of people involved, in relation to the total pay bill, means that the cash limits in practice need not constrain the size of the settlement.

Existing commitments

AFPRB: the present administration is committed by its election manifesto (a commitment which has subsequently been reaffirmed on various occasions) to keep the pay of servicemen at full comparability with their civilian counterparts. Moreover, the Prime Minister stated in the House of Commons on 10 July that the Government would accept the recommendations of the AFPRB.

DDRB and TSRB: the Government has inherited the commitment of its predecessors to accepting the recommendations of these bodies unless there are "clear and compelling reasons to the contrary". This escape clause has been used, as with last years TSRB report, to set aside recommendations on general grounds of economic policy. However, the Review Bodies might well be unwilling to continue to serve if their recommendations were repeatedly rejected.

FILE

JFH



ccan/la

10 DOWNING STREET

From the Private Secretary

2 December 1980

I am writing to acknowledge your letter of 1 December with which you enclosed Report No. 12 on new towns staff. The Report will now be considered by the Government and a further reply will be sent to you in due course.

T. P. LANKESTER

Professor Sir John Wood.

15

PRIME MINISTER

mb

*cc Mr. Lyman
Mr. Vander*

2

Standing Commission's Report on New Town Staff

We have now received the Standing Commission's Report No. 12 on new town staff, and I have asked the Department of the Environment and other interested Departments for advice on it.

The Report seems pretty uncontentious and will not - on the face of it - cost the new towns any extra money. Their staffs were given an interim increase of 12 per cent in July, and the Commission have concluded - on the basis of the comparability study of outside analogues - that they should have had an increase of 12.3 per cent. So there is scarcely any basis for the staff side now asking for more. (The recommendations of this Report are not binding on the parties: they were only to be taken into account in negotiations.);

But the Report does indicate that differentials have been excessively squeezed and recommends that they should be widened in the 1981 pay negotiations.

IL

2 December 1980



JFH

cc D/M HMT
SO LPO
WO CO

10 DOWNING STREET

From the Private Secretary

2 December 1980

We have now received the Standing Commission's Report No. 12 on new towns staff, and I am enclosing a copy of their Report and of the Chairman's covering letter to the Prime Minister.

I should be grateful for your advice on the substance and handling of this Report, and also for a draft letter for the Prime Minister to send to the Commission's Chairman in due course.

I am sending copies of this letter to Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Peter Jenkins (HM Treasury), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office). If copy recipients need to obtain copies of the Report, they can no doubt do so direct from the Office of Manpower Economics.

T. P. LANKESTER

David Edmonds, Esq.,
Department of the Environment.

33

From Professor Sir John Wood, Chairman, Standing Commission on Pay Comparability
OFFICE OF MANPOWER ECONOMICS



22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

*cc Press Office
J. Vanecko*

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

1 December 1980

Dear Prime Minister,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the new towns staff reference and I have pleasure, therefore, in submitting the attached report.

Yours sincerely

John C Wood

cc:- Mr Duguid
Mr Ingham

MR LANKESTER

REVIEW BODIES

Following your letter of 17 November to the Chancellor's Private Secretary indicating that the Prime Minister would like the Chancellor to bring forward to E in the near future a paper on the Review Bodies, the Treasury held an interdepartmental meeting this morning, which I attended.

You may wish to know that although the group made very little progress, since the issues are on close examination difficult, politically controversial, and perhaps also quite different in the case of each of the three review bodies, it is still the Treasury's intention to bring this to E in the week beginning 8 December; there will be a further meeting of the group next week, but there will be no attempt to present E with an interdepartmentally agreed report from officials. The Chancellor will put in a paper, on which CSD, DHSS or MOD Ministers will have to comment.

J.

JOHN VEREKER

26 November, 1980



FROM THE SECRETARY OF STATE

The Rt Hon Sir Geoffrey Howe MBE MP
Chancellor of the Exchequer
Parliament Street
London SW1P 3AL

ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

*Original on
Public sector Pay*

15 October 1980

Dear Chancellor,

I have a direct interest in the proposal in paragraphs 6(a) and 11(c) of your paper E(80)118 and feel that it might be helpful if I set out the background more fully here before we discuss this with our colleagues on Thursday.

The staging of settlements resulting from comparability studies was not a device to circumvent cash limit control, but a requirement imposed by successive Governments. The objective was to reduce the cost of settlements in the short term and that was achieved. But there was a clear understanding that the full cost would ultimately be covered and indeed as you point out in your paper we met this obligation in 1980-81 for the various comparability settlements where staging was complete by the end of 1979-80.

I recognise that you wish to avoid a repetition in the future. But if our policy on pay and cash limits is to succeed, it must be seen to be fair and reasonable. I can see no logic in singling out for special treatment in the determination of cash limits for 1981-82 only those whose final staging of "comparability" settlements fell during 1980-81 (that is school, further education and university teachers). In other words, we would be accused of deliberately penalising those whose comparability studies and settlements were either delayed for one reason or another outside their control or who accepted longer periods of staging for the payment of their award.

Hence while I entirely agree that we must set rules for the operation of cash limits in 1981-82 which seek to avoid further difficulties for us in the future, I do not think we should apply new rules retrospectively to settlements in the 1979/80 pay round.

I believe this to be important as a matter of principle in the operation of cash limits.

I am copying this letter to the Prime Minister, each member of E Committee and Sir Robert Armstrong.

Yours sincerely

T.A. Shaw

for

MARK CARLISLE

*Dictated by the Secretary of
State and signed in his absence*

CONFIDENTIAL

15 October 1980

Policy Unit

PRIME MINISTER

*Original returned
Copy on Civil Service Pay*

COMPARABILITY AND CASH LIMITS: FUTURE OPTIONS

1. As the Chancellor's covering note to E(80)115 says, the paper by officials does not deal sufficiently with the fundamental issues. Nor do we think the real choice is, as the Lord President argues in E(80)114, between comparability and determining Civil Service pay by Government fiat.
2. We see the fundamental choice as between the following two approaches to Civil Service pay:
 - (a) Free collective bargaining. If we go down this route, then it is essential to change some of the ground rules. These would include:
 - (i) Allowing management to withhold pay from those laid off as a result of strike action by others. This would reduce the power of the selective strike weapon - though by no means eliminate it. The power that small groups of workers in the public service have to disrupt an increasingly complex system is a fact of life. We can try to make contingency plans in the most obvious cases.
 - (ii) Decentralising the bargaining arrangements might make sense. (We have not yet seen CSD's promised study of this - though no doubt it will present many difficulties.)
 - (iii) Various changes - including management style and merit payments - might increase the motivation, toughness and skill of management negotiators.
 - (iv) The present pay agreement and conditions of service might need to be changed. This would include changing the arbitration provisions, though according to the Secretary of State for Employment's paper, it is firmly established by convention that the Government is not bound to honour the arbitration provisions in the agreement.

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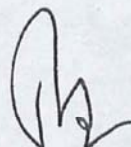
CONFIDENTIAL

(b) A comparability-based system. This would have to incorporate some of the improvements on the old system that the Lord President is now trying to negotiate. It might also involve a "step change" downwards in pay levels to reflect the value of an indexed pension. Alternatively, the pension arrangements themselves could be modified. Although it sounds ambitious, in the longer term we think the price for a comparability-based system (a genuine one, with certain minimum guarantees) should be a no-strike agreement. The Police and Armed Forces are, of course, already unable to strike. The continuation of the indexed pension could be another negotiable element in achieving this.

3. In thinking about our choice of approach for the longer term, we should distinguish between the requirements of Transition and Stable State. When inflation is under control, a sensibly designed comparability system, with a no-strike agreement, might be a better way of paying the Civil Service. In the interim, with high unemployment in the private sector, we know that an early return to backward-looking comparability can make no sense.

Next year

4. We strongly support the Chancellor's view that the right level for the next settlement will be close to the bottom end of the present money supply target range. Paragraph 5 of the Lord President's paper says that two factors are important: avoiding an "unrealistically low" cash limit; and avoiding a charge of discrimination. A third important factor may be what we are able to tell the Civil Service about our broad approach for the future.
5. I am sending a copy of this minute to Geoffrey Howe, Robin Ibbs and Sir Robert Armstrong.





CONFIDENTIAL

Copied to
Public Sector Pay

Ref. A03236

PRIME MINISTER

Comparability and Cash Limits

(E(80) 115 and 119)

BACKGROUND

Folder 1

In his paper on public service pay in the summer (E(80) 71) the Chancellor pointed (in paragraph 11) to a range of options for settling Civil Service pay in the longer term. At the meeting which took his paper (E(80) 27th Meeting, Item 1) he was asked to arrange for officials to elaborate these options for further consideration by colleagues. The report attached to his present paper

Folder 1

is the result. In addition the CPRS have circulated a paper (E(80) 119) commenting on the range of options now before the Committee. In his cover note to the officials' paper the Chancellor says that his own first impression is "that it does not deal sufficiently with the fundamental issues". He does not

Folder 1

elaborate further than this, though the evidence in his other paper (E(80) 118) which will have been discussed at the outset of the present meeting suggests that he is really hankering after a system whereby public service pay is determined by the monetary targets for at least the next two years. It is likely that the main issue here - whether, and if so for how long, cash limits can lead pay settlements - will have been extensively discussed. If the view of the Committee has proved to be, as the Lord President puts it in his paper, that pay in the public services is to be determined by Government fiat, the options in the paper do not arise. If on the other hand the Committee feel that this approach is unrealistic and that, in reality, the choice is between agreement with the staff on how pay is to be determined or free collective bargaining (neither compatible with tough cash limits set in advance), then the choice of options rests on a judgment about which gives the best overall result (including in the balance sheet the costs of disruption). The CPRS clearly believe that the choice, if there is to be a structured system at all, lies between option B (improved comparability) and option E (topping up and periodic pay research).




CONFIDENTIAL

If (at the end of what may be a long and difficult meeting) your colleagues are not inclined to come to a specific conclusion, it may be enough for present purposes to seek a collective view on whether your colleagues prefer straightforward bargaining or a structured agreement containing an element of comparability. If they prefer the latter, it would help (but is not essential) if they could narrow down the options to perhaps two alternatives which officials could be asked to study further. Such a study would usefully extend beyond the options themselves into the difficult areas of the NHS and local authority employees.

HANDLING

2. In introducing his paper you might ask the Chancellor to expand upon the doubts he refers to in his covering note. You might then invite your colleagues to consider the three basic questions:-

- (a) Is it conceivable that the Government can impose pay settlements on  the public services beyond next year unrelated to movements in pay in the rest of the economy?
- (b) If not, do they prefer a system which is essentially one of free collective bargaining or a structured system with an element of comparability agreed with the staff?
- (c) If the latter, can they narrow down the options for further consideration?

CONCLUSIONS

3. These might follow the three questions set out in the preceding paragraph coupled, if that is the view, with an invitation to the Chancellor of the Exchequer to arrange for the interdepartmental group of officials who produced the present report to bring forward a further report, taking account of the discussion, as quickly as possible.

(Robert Armstrong)

15th October, 1980



cc. JS.
D/M.
Evan P.O.

10 DOWNING STREET

THE PRIME MINISTER

3 September, 1980.

Dear Sir John,

I am writing to say how grateful I am that you have agreed to take over as Chairman of the Standing Commission on Pay Comparability when Professor Clegg leaves at the end of September. Your appointment will run from 1 October. As you know, the Commission is to be wound up when it has reported on its outstanding references and your appointment will terminate once it has done so.

Yours sincerely,

(SGD) MT

Professor Sir John Wood

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PRIME MINISTER

Sir John Wood has now confirmed that he is prepared to chair the Clegg Commission through its last rites.

1. Mr. Prior's office suggest Friday
5 September as a suitable time for the announcement, which would get minimal publicity then. Agree? *Yes not*

2. Would you please sign the attached letter to Sir John formalising the appointment.



2 September 1980

MC

APPOINTMENTS IN CONFIDENCE



*cc Press Office
Type for PM etc.*

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

M Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

2 September 1980

Dear Mike,

Thank you for your letter of 26 August. We have spoken to Sir John Wood and he has confirmed that he is prepared to take the job on.

The next steps are for the Prime Minister to write to Sir John formalising the appointment and, subsequently, for No 10 to announce the appointment. A draft letter for the Prime Minister to send and a draft press notice are attached.

It is of course for the Prime Minister to decide when the announcement should be made. But we would advise Friday 5 September when the announcement would be unlikely to attract much attention. Perhaps you could let me know what is decided so that we can let Sir John know in advance.

Yours truly

ANDREW HARDMAN
Private Secretary

DRAFT LETTER OF APPOINTMENT FOR THE PRIME MINISTER TO SEND TO SIR JOHN WOOD

Professor Sir John Wood
44 Ranmoor Cleffe Road
Sheffield
S10 3HB

I am writing to say how grateful I am that you have agreed to take over as Chairman of the Standing Commission on Pay Comparability when Professor Clegg leaves at the end of September. Your appointment will run from 1 October. As you know, the Commission is to be wound up when it has reported on its outstanding references and your appointment will terminate once it has done so.

DRAFT PRESS NOTICE

APPOINTMENT TO STANDING COMMISSION ON PAY COMPARABILITY

The Prime Minister announced today that she has appointed Professor Sir John Wood to succeed Professor Hugh Clegg as Chairman of the Standing Commission on Pay Comparability from 1 October. Professor Clegg has given notice of his intention to resign at the end of September. Sir John Wood's appointment will enable the Commission to complete its outstanding work.

10 Downing St
Whitehall SW1

AUGUST 1980

Notes to editors

1. The Prime Minister announced on 4 August that the Standing Commission on Pay Comparability would be wound up once it had reported on its outstanding references. This is expected to be early in the New Year.
2. Sir John Wood holds the Edward Bramley Chair of Law at Sheffield University. He is Chairman of the Central Arbitration Committee and of two Wages Councils, and a part-time member of the Mental Health Review Tribunal. He has held a number of other public appointments, ~~in the past.~~

APPOINTMENTS IN CONFIDENCE



Com Pd S
cc Mr Ingham

10 DOWNING STREET

From the Private Secretary

26 August 1980

Richard Dykes wrote to me on 15 August, about the chairmanship of the Standing Commission on Pay Comparability following Professor Clegg's departure at the end of September.

The Prime Minister has now agreed your Secretary of State can make a firm offer to Sir John. On the assumption that he accepts you will no doubt be in touch with us about the timing of the announcement of his appointment.

I am sending copies of this letter to Martin Hall (HM Treasury), Jim Buckley (Lord President's Office) and Barry Hilton (Cabinet Office).

M. A. PATTISON

Andrew Hardman Esq
Department of Employment.



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

M A Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

Prime Minister^{1.}
Agree that Sir John
Wood should now be
invited to handle
Prof Clegg's work in the
wind-up period?

15 August 1980
MAP 18/8

Yes
no,

Dear Mike.

In your letter of 16 June you recorded the Prime Minister's agreement to Sir John Wood being sounded, without commitment, on whether he might be prepared to chair the Standing Commission on Pay Comparability to complete its remaining two or three relatively minor references after Professor Clegg's departure at the end of September.

We have ascertained that he would be prepared to do so. Moreover, he would not want to be offered a salary or fee for what he would see as a brisk winding down of the Commission. This would have presentational benefit and meets the CSD's concerns (mentioned in Jim Buckley's letter of 18 June) about the appropriate level of salary.

My Secretary of State would now like to make a firm offer to Sir John so that his appointment could be announced a few weeks before Professor Clegg departs. It would be necessary for them to discuss together the progress made on the outstanding references and for the other members of the Commission to be informed of the change in good time. We have still been unable to identify anyone else who might be prepared to take on this thankless chore.

I would be grateful if you could please seek the Prime Minister's views as soon as possible after her return from holiday.

I am sending copies of this letter to John Wiggins (HM Treasury), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

Yours
Richard Dyke.

R T B DYKES
Principal Private
Secretary



B/R ~~B.8.80~~
cc Mr. Lopham

10 DOWNING STREET

From the Private Secretary

4 August 1980

We have now received the Clegg Commission's report on local authority building workers, and I would be grateful for advice on the substance and handling of this report. You and copy recipients will be able to obtain copies of the report from the Office of Manpower Economics.

I have acknowledged receipt of the report on the Prime Minister's behalf.

I am sending copies of this letter to John Wiggins (HM Treasury), Godfrey Robson (Scottish Office), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

T. P. LANKESTER

David Edmonds, Esq.,
Department of the Environment.

TCR

4 August 1980

I am writing on the Prime Minister's behalf to thank you very much for your letter of 1 August with which you enclosed the Standing Commission's report on the local authority building workers references.

TIM LANKESTER

Professor Hugh Clegg



cc D/Emp

10 DOWNING STREET

THE PRIME MINISTER

4 August 1980

Dear Professor Clegg,

As you know, I shall be telling the House this afternoon, at the time the Commission's general report is published, that the Government has decided to make no further references to the Commission; and to wind it up once it has reported on its outstanding references.

I am very conscious of the difficulties which the Commission has faced in producing its reports, on matters of great complexity, against tight time restraints. I am most grateful for all the hard work which you and the other members of the Commission have contributed; and in particular for the care you have taken over the preparation of your general report with its valuable account of the Commission's activities.

I am also especially grateful to you personally for your willingness to stay on longer than you had originally intended.

However, the Government has concluded that institutionalised comparability arrangements are not the most satisfactory way of determining the pay of the public service groups which the Commission has covered, and that therefore it should be wound up once it has completed the work it already has in hand.

Professor Hugh Clegg

Yours sincerely
Margaret Thatcher

ds



10 DOWNING STREET

THE PRIME MINISTER

4 August 1980

Dear Edward,

When we met on 21 July you told me that, assuming Ministers wanted the Top Salaries Body to continue, it would be most helpful if I could say so publicly. I indicated then that I was sure we would want TSRB to continue. I can now confirm this, and I will be announcing it in an answer to a written Parliamentary Question this afternoon. I attach a copy of the answer.

Yours etc
Raymond

The Rt. Hon. The Lord Boyle of Handsworth

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10 DOWNING STREET

THE PRIME MINISTER

4 August 1980

Dear Sir Harold,

Following the announcement of the Government's decisions on the recommendations of the fourteenth and fifteenth reports of the Top Salaries Review Body, there has been speculation about the future of the three Pay Review Bodies. The Government wants the Review Bodies to continue to make recommendations on the groups within their terms of reference and in order to leave no doubt about this, I have decided to announce it in answer to a written Parliamentary Question this afternoon. I attach a copy of the full answer.

Yours sincerely
Margaret Thatcher

Sir Harold Atcherley

ds



10 DOWNING STREET

THE PRIME MINISTER

4 August 1980

Dear Sir Robert,

Following the announcement of the Government's decisions on the recommendations of the fourteenth and fifteenth reports of the Top Salaries Review Body, there has been speculation about the future of the three Pay Review Bodies. The Government wants the Review Bodies to continue to make recommendations on the groups within their terms of reference and in order to leave no doubt about this, I have decided to announce it in answer to a written Parliamentary Question this afternoon. I attach a copy of the full answer.

Yours sincerely
Margaret Thatcher

Sir Robert Clark, D.S.C.

21



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

4 August 1980

Dear Tim,

COMPARABILITY COMMISSION

... I enclose a draft letter for the Prime Minister to send to Professor Clegg this afternoon.

He will be at the Office of Manpower Economics, 22 Kingsway, London WC2 until 2.00pm when he will be leaving for his Press Conference which is taking place at Church House, Westminster, at 3.30pm.

*Yours
Richard Dykes*

R T B DYKES
Principal Private Secretary

DRAFT LETTER FOR THE PM TO SEND TO PROFESSOR CLEGG ON 4 AUGUST

STANDING COMMISSION ON PAY COMPARABILITY

As you know, I shall be telling the House this afternoon, at the time the Commission's general report is published, that the Government has decided to make no further references to the Commission; and to wind it up once it has reported on its outstanding references.

I am very conscious of the difficulties which the Commission has faced in producing its reports, on matters of great complexity, against tight time restraints. I am most grateful for all the hard work which you and the other members of the Commission have contributed; and in particular for the care you have taken over the preparation of your general report with its valuable account of the Commission's activities.

I am also especially grateful to you personally for your willingness to stay on longer than you had originally intended.

However, the Government ^{has} concluded that institutionalised comparability arrangements are not the most satisfactory way of determining the pay of the public service groups which the Commission has covered, and that therefore it should be wound up once it has completed the work it already has in hand.



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Tim Lankester Esq
10 Downing Street
LONDON SW1

1 August 1980

Dear Tim,

PAY REVIEW BODIES

You told me that the Prime Minister now plans to announce the continuation of the three Pay Review Bodies on Monday 4 August. The Chairmen of the Review Bodies have been told informally of the Government's intentions but it might be courteous if a letter went to each of them from No 10 on Monday enclosing a copy of the answer the Prime Minister plans to give.

... I attach three draft letters for the Prime Minister's signature. They could be easily converted into Private Secretary letters if you felt that was more appropriate. The three letters are slightly different, reflecting the different circumstances of the three Review Bodies.

All of the Chairmen can be reached at the Office of Manpower Economics, 22, Kingsway, London WC2B 6JY.

Yours sincerely,

Jeremy Colman

JEREMY COLMAN
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO SIR EDWARD BOYLE,
CHAIRMAN, TOP SALARIES REVIEW BODY

When we met on 21 July you told me that, assuming Ministers wanted the Top Salaries Body to continue, it would be most helpful if I could say so publicly. I indicated then that I was sure we would want TSRB to continue. I can now confirm this, ^{and} ~~I also agree that a public announcement of our decision would be desirable and I will therefore be answering a written Parliamentary Question to that effect on Monday 4 August.~~ ^{announcing it in answer to a written} ~~Parliamentary Question to that effect on Monday 4 August.~~ ^{this afternoon.}

... I attach a copy of the ~~full~~ answer.

I hope that you and the other members of the Top Salaries Review Body will find this reassurance welcome.

DRAFT LETTER FROM THE PRIME MINISTER TO SIR HAROLD ATCHERLEY
CHAIRMAN, ARMED FORCES PAY REVIEW BODY

Following the announcement of the Government's decisions on the recommendations of the fourteenth and fifteenth reports of the Top Salaries Review Body, there has been speculation about the future of the three Pay Review Bodies. I have already made it clear in an answer I gave to Mr James Wellbeloved MP in the House of Commons that the Government would honour the recommendations of the Armed Forces Pay Review Body. However in order to leave no doubt about the matter, I have decided to announce in a written Parliamentary Question on Monday 4 August that the Government wants the three Pay Review Bodies to continue to make recommendations on the groups within their terms of reference. I attach a copy of the full answer.

...

I hope that you and the other members of the Armed Forces Pay Review Body will find this reassurance welcome.

DRAFT LETTER FROM THE PRIME MINISTER TO SIR ROBERT CLARK, CHAIRMAN,
DOCTORS AND DENTISTS REVIEW BODY.

Following the announcement of the Government's decisions on the recommendations of the fourteenth and fifteenth reports of the Top Salaries Review Body, there has been speculation about the future of the three Pay Review Bodies. The Government wants the Review Bodies to continue to make recommendations on the groups within their terms of reference and in order to leave no doubt about this, I have decided to announce it in ^{an answer to a} written Parliamentary Question ^{in answer to} ~~on Monday 4 August~~. I attach a copy of the full answer.

I hope that you and other members of the Doctors and Dentists Review Body will find ~~this~~ reassurance welcome.

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Monday 4 August 1980

(Answered by the Prime Minister on 4 August)

UNSTARRED Sir Nicholas Bonsor: To ask the Prime Minister, whether
NO. 79 she will make a statement about the future of the Clegg
(W) Commission.

As the House knows, the Government have kept under review the work of the Standing Commission on Pay Comparability and I have now received the Commission's own General Report on its work. This is being published today. We have concluded that no further references should be made to the Commission and that it should be wound up once it has reported on its outstanding references. I expect this to be about the turn of the year.

The Government are grateful to Professor Clegg and the other members of the Commission for the very considerable efforts required of them in dealing with many questions of great complexity, usually within severe time restraints.

The Government are not however satisfied that institutionalised comparability arrangements have proved the most satisfactory means of determining the pay of the public service groups which have been referred to the Commission.

The Commission itself recognises in its General Report that there have been difficulties with many of the comparability systems it has had to use. Although it makes tentative proposals for developing better systems, this would take a long time; and the Commission is not sure that they

/would prove entirely

would prove entirely successful. Moreover, the Commission has concluded that it is not possible for it to adjust its findings to take account of the relative efficiency of the groups being compared, or of the state of the labour market; and regards these as matters for negotiation.

Much of the Commission's work has been concerned with the injustices and anomalies created by the previous Administration's pay policies. That is in the past. For the future, pay needs to be negotiated with full regard to the country's economic circumstances, to the need to improve the efficiency of the public services and to what the taxpayer and ratepayer can be expected to afford.

From Professor Hugh Clegg, Chairman, Standing Commission on Pay Comparability



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

1 August 1980

Dear Mrs Thatcher,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the local authority building workers references and I have pleasure, therefore, in submitting the attached report.

Yours sincerely

Hugh Clegg

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c HO	Chief Sec
FO	DES
HMT	DHSS
IND	SO
LPO	WO
MAFF	CO
TRADE	MOD
D/N	

bc - Press Questions Mr. Caw. P40

10 DOWNING STREET

From the Private Secretary

30 July 1980

You wrote to me on 24 July about the announcement of the termination of the Clegg Commission and the publication of their general report. We have agreed that these should take place next Monday; and that the announcement should be by way of a written answer, which the Prime Minister will also want to give on Monday.

As envisaged at the recent meeting of E Committee on public sector pay, the Prime Minister will also wish to announce that the three review bodies are to continue. I have asked CSD to provide us with a draft written answer for reply on the same day at the Clegg announcement.

I would be grateful if you would let us have a draft on Clegg, and if the CSD would let us have one on the review bodies, by close of play on Friday 1 August.

I am sending copies of this letter to the recipients of yours and also to Brian Norbury (Ministry of Defence).

T P LANKESTER

Richard Dykes Esq
Department of Employment

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Prime Minister

C. M. Lyburn
Mr. Dykes



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Tim Lankester Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

he think you can
announce the end of
Clegg by way of
a written answer -
since it has been
extensively trailed. Clegg's
general report could
24 July 1980

be published on the
same day. You could
also announce in a
written answer that the
Review Bodies are to continue.

Dear Tim,

Yes not

COMPARABILITY COMMISSION

E Committee decided yesterday that an announcement about winding up the Clegg Commission should be made before the Recess. It also decided that the Commission's general report should be published before the Recess.

Agree?

12

As the Prime Minister has indicated, there is no strict need for the announcement to be made at the same time as the report is published. But it would look a little strange to announce the Commission's demise just before publication of its report - and it might be embarrassing for the Chairman if the press Conference he plans to hold at the time of publication were followed a few days later by the announcement. My Secretary of State therefore considers that it would be sensible to make the announcement at the same time as the report is published - which can be on or after 30 July.

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He believes that the Prime Minister will wish to make the announcement by way of an oral statement in the House. He leaves it to her judgement as to which would be the best day and stands ready to provide a draft statement and supplementaries for her. He would be pleased to make arrangements to let Professor Clegg know about the impending announcement shortly before it is made

I would be grateful if you would let me know the Prime Minister's views.

Copies of this letter to to the private secretaries to the members of E, to Peter Shaw (DES), Don Brereton (DHSS), Godfrey Robson (Scotland), John Craig (Wales), and to David Wright (CO).

you ever

Richard Dykes

RICHARD DYKES
Principal Private Secretary

CONFIDENTIAL

PRIME MINISTER

Evon PD.
cc Public Sector
Pay - Pt 2.

Comparability and Cash Limits
(E(80) 71, E(80) 75 and the minute from
Mr. Hoskyns dated 18th July also relevant)

BACKGROUND

The Chancellor's paper (E(80) 71) covers a lot of ground and overlaps at the margin with the Lord President's paper on the Review Bodies (E(80) 59) - to be taken as Item 2 on the agenda - and the proposals on nurses' pay (E(80) 74) to be taken under Item 3 of the agenda. The Committee will also have before it Mr. Hoskyns' minute to you of 18th July and, as background, the note by officials (E(80) 75) listing the decisions which have already been taken and those which have to be taken over the months ahead on public sector pay issues.

2. The Chancellor's paper is a logical development of the arguments he put forward at earlier E discussions on public service pay. You will recall that the basic division of opinion then was between the Lord President of the Council who believed that Civil Service pay should continue to be based on comparability - improved as necessary and with the Government bargaining toughly for the lowest outcome - and the Chancellor of the Exchequer who wanted to set cash limits in advance and stick to them irrespective of the findings of Pay Research. The issue of principle was not resolved, and indeed, as the Chief Secretary pointed out, the two approaches are not necessarily in conflict - everything depends on the size of the cash limit actually set. The logic of the Chief Secretary's position is that the Government should hold its hand until nearer the time when the cash limit has to be set.

3. What the Chancellor of the Exchequer is now saying is that he wants a cash limit figure below 10 per cent, if at all possible, and that this is likely to be irreconcilable with any conceivable PRU outcome. It follows, he suggests, that Pay Research should be suspended and an announcement made to this

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effect before the summer Recess. The mechanism would be to suspend the Civil Service Pay Agreement and (although the Chancellor does not say so) the Arbitration Agreement which is an integral part of the Government's present agreements on pay with its staff.

4. The main weakness of the Chancellor's approach is that he barely considers the question of whether, in the absence of agreed procedures for settling pay, the Government's employees would simply take what they were being offered or would fight for more - and what the outcome of such a fight might be. This is the point at which Mr. Hoskyns' approach is most relevant. He argues for further analytical work on the alternatives before the Government goes out on a limb. It is also the point at which the Committee will need an assessment from the Lord President and Departmental Ministers most closely in touch with their staffs as to their likely reaction to the suspension of the Pay Agreement and at attempts to impose a single-figure settlement next year.

5. Some of your colleagues may also wish to probe the apparent inconsistencies in the Chancellor's paper. Thus, in paragraph 6 he says that the Government should make it clear that suspension of the Pay Agreements "does not imply any intention to discriminate against the Civil Service as compared with the rest of the public services". How will the Civil Service reconcile that statement with decisions already taken on the Armed Forces (where the Government has decided to implement next year's comparability exercise irrespective of cash limits), the police (where index-linking is about to be implemented), the teachers (where the statutory right to arbitration exists) and the nurses (where the Government is contemplating introducing a new comparability system)? In addition, paragraph 11(iv) of the Chancellor's paper expressly holds out the possibility that the Government might adopt a "topping-up" scheme based on the CPRS ideas considered at an earlier meeting. Whatever its other merits - and they are real - such a scheme would mean that, if the topping-up mechanism was activated, cash limits would have to be adjusted from the figure first set. This would weaken the impact of cash limits but might be preferable to setting a cash limit too low and being forced to adjust it because of a pay increase that broke it.

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6. There is a major question of tactics and timing: does it make sense to announce the suspension of the Civil Service Pay Agreements before the Recess, or should a final decision be held over until the Chancellor's proposal for a study of the options for the future of comparability has been completed, and until the Lord President has had time to try to negotiate changes in the agreements to improve the pay research system: failure to negotiate such changes could help to justify a subsequent decision to suspend the agreements.

7. I doubt whether your colleagues will want to discuss Mr. Hoskyns paper in any depth. In effect it argues for a good deal more study, case by case, of the public sector pay cases which will have to be decided in the next six months to a year as a preliminary to deciding whether the Government should decide upon a formula - which would inevitably be very like a "norm". The case for "looking before you leap" is strong (you will remember Mr. Hoskyns' earlier report to you on the events leading up to last winter's steel strike); but ideas of a "norm" are unlikely to attract your colleagues, and are of course vulnerable to destruction if they are extended to the main nationalised industries.

8. The background paper by officials (E(80) 75) does not call for decisions, but may serve to remind the Committee of the substantial range of practical issues which they will have to resolve as the months pass.

HANDLING

9. You will no doubt want to begin by asking the Chancellor of the Exchequer to introduce his paper. Thereafter, while some general discussion is inevitable - and the Lord President and the Secretary of State for Employment will want to contribute to this - you will probably find it easiest to handle the discussion by concentrating on the specific recommendations in paragraph 33 of the Chancellor's paper (E(80) 71). The questions which arise from these conclusions are:-

- (a) (33a) Whether it is necessary or sensible to make an announcement about the future of Civil Service pay before the end of this month: this is the immediate operational decision.

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- (b) (33a(i)) What the content of such an announcement should be: the Chancellor comes down in favour of the possibility in paragraph 9(b) (not 6(b) as his paper says), but other options are displayed in paragraph 9 and one of them (9(c)) would require further work to be done before anything could be said.
- (c) (33a(ii)) The abolition of the Clegg Commission: no problem for Ministers and a presentational plus point.
- (d) (33a(iii)) The Review Bodies: a decision here could be left until the discussion, later in the meeting, of the Lord President's paper on the subject.
- (e) (33b) A remit to officials to study the options in paragraph 11: a sensible and necessary piece of work: I have made proposals to you on this.
- (f) (33c) Final decisions on cash limits and EFLs to be taken in November: obviously some decisions will be needed by then. There is however no need for the Committee to commit itself now to taking all of the relevant decisions on this timetable.
- (g) (33d) Adjusting cash limits to avoid carrying through the effects of staging to the base figures for the following year: this is really a reaction to last year's problem - because of the main staging process is now behind us - but is still relevant to the main Civil Service settlement where the Government saved 2½ per cent of the cost of this year's settlement by delaying the implementation of the settlement by 5 weeks. The 2½ per cent of the wage bill involved could be important next year if the Government is striving for a settlement in single figures. Retention of a little flexibility could be useful in the event.
- (h) (33e) Provisionally, the pay element in cash limits and EFLs should be in single figures subject to review "for realism" in the autumn: the proviso invalidates the conclusion and colleagues may not want to go this far this quickly.

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*Subject file
Future of TSRB
Econ 101 - July 80*

Ref. A02690

PRIME MINISTER

The Review Bodies: Membership and Terms of Reference

(E(80) 59)

BACKGROUND

In previous discussion it was agreed that further thought should be given to the possibility of tightening the terms of reference and changing the membership of the three Review Bodies - the Armed Forces Pay Review Body (AFPRB), the Doctors and Dentists Review Body (DDRB) and the Top Salaries Review Body (TSRB). The Lord President's note covers a report by officials on these issues.

2. The note by officials points out that, while the members of the TSRB can be changed at any time, those of the other two bodies have fixed appointments and for the most part the terms of the present members continue until the end of 1981 or 1982. It goes on to make the obvious point that any blatant attempt to alter the membership in order to encourage recommendations more in accordance with the Government's wishes might easily backfire. The doctors and dentists could be particularly troublesome in this respect (you will remember that last year they were arguing for the DDRB to be slanted more in their direction). And of the three Review Body groups the doctors and dentists alone have the power to cause real trouble and expense to the Government.

3. On terms of reference, officials point out that it is open to the Government to submit evidence to the review bodies about economic considerations which should be taken into account, and that this could be done with or without a change in the terms of reference. The risk of changing the terms of reference is that the Government could then reduce its freedom for manoeuvre since it might be difficult to reject recommendations which the Review Bodies claimed already took account of economic considerations as put to them by the Government.

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4. In his letter to you of 16th July Lord Boyle advises against changes in the TSRB's terms of reference. He would prefer an informal understanding whereby before the Review Body reached conclusions they could receive oral evidence from senior Ministers on the Government's overall view of the pay situation. Since then you have discussed these matters with Lord Boyle and may wish to convey the results to your colleagues.

Item 1 — 5. In his memorandum (E(80) 71) the Chancellor of the Exchequer agrees that the terms of reference should not be changed; in part because he fears that the spelling out of the need to take account of economic factors would lead to pressure to specify other factors also, such as the role of comparability. He does not ask for any changes in membership apart from care in the making of new appointments. He recommends an announcement that the Government intends that the pay levels of groups covered by the review bodies should be fixed at levels which take economic considerations into account.

HANDLING

6. After the Lord President and the Chancellor of the Exchequer have spoken the Secretary of State for Defence and the Secretary of State for Social Services may wish to comment on the AFPRB and the DDRB. The Chancellor of the Duchy of Lancaster and the Lord Chancellor may wish to comment on their interests in the TSRB.

7. There is likely to be broad agreement that no specific new measures should be taken to change the terms of reference or the membership of the Boards. Subject to this the main questions are:

- (1) Should Ministers offer informal advice on economic considerations to each of the Boards?

This would meet Lord Boyle's proposal and could also apply to the two other Boards. Although the advice would be informal, Ministers would have to recognise that it would probably become public knowledge.

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- (ii) Should the relevance of wider economic considerations be announced?

This is the proposal in paragraph 17 of the Chancellor of the Exchequer's paper (E(80) 71). He wishes to announce this decision at the same time as those on Pay Research and Clegg. It would be bound to provoke questions over who would advise on such economic considerations and how. The Committee will wish to consider whether it could lead to pressure for the Government to set out its position formally rather than informally.

- (iii) What needs to be done on the proposal to link MPs' pay with that of the Civil Service?

The Committee might invite the Chancellor of the Duchy to consider this further with the Lord President and the Chancellor and to make proposals.

- (iv) Are the arrangements for the nationalised industries now satisfactory?

There has been an extensive correspondence on the Lord President's minute of 1st July to you about these new arrangements. The Lord President will wish to consider these comments and we will advise you on whether a separate discussion is necessary.

CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions:
1. Agreeing that the terms of reference of the Review Bodies and their membership should not be changed, except in the normal course of making new appointments.
 2. On whether informal advice should be given to each of the bodies on economic considerations.
 3. What should be said publicly, and when, about the relevance of such wider economic considerations.
 4. Inviting the Chancellor of the Duchy of Lancaster to consider further, in consultation with the Lord President and the Chancellor of the Exchequer, the proposal that the pay of MPs should be linked to that of a Civil Service grade.

ROBERT ARMSTRONG

(Robert Armstrong)

CONFIDENTIAL



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10 DOWNING STREET

From the Private Secretary

21 July, 1980.

Comparability Commission: General Report

The Prime Minister has read your Secretary of State's minute of 14 July. Her initial view is that the abolition of the Commission should be announced before the Recess rather than in the autumn. But she would like to discuss this in E Committee on Wednesday, and also the question of when the Commission's general report should be published. The latter report does not, in her view, need to be published on the same day as we announce the demise of the Commission.

I am sending copies of this letter to the Private Secretaries to the members of E, to Godfrey Robson (Scottish Office), John Craig (Welsh Office), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science), and David Wright (Cabinet Office).

T. P. LANKESTER

Richard Dykes, Esq.,
Department of Employment.

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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

17 July 1980

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

MBM

17/7

Dear Tim

COMPARABILITY COMMISSION: GENERAL REPORT

My Secretary of State was sent a copy of the minute from the Secretary of State for Employment to the Prime Minister, dated 14 July. He strongly endorsed the proposal in the penultimate paragraph of Mr Prior's minute, ie that the Government statement on publication of the General Report is that they are considering its contents and the Commission's future, and that there are no proposals for making further reference to the Commission.

I am copying this minute to the recipients of the minute from the Secretary of State for Employment.

Yours sincerely

BM

VP
D Brereton
Private Secretary

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

17 July 1980

R 17

Richard Dykes, Esq.,
Private Secretary to the Secretary of State
for Employment

Dear Richard,

COMPARABILITY AND CASH LIMITS

The Chancellor has, I think, mentioned to your Secretary of State his intention to put a further paper to E Committee on comparability and cash limits. I now
..... attach a copy of the draft as approved by the Chancellor; his intention is to circulate it tomorrow evening.
copies go to Tim Lankester and Jim Buckley.

Yours sincerely

John Wiggins

A.J. WIGGINS

1. MR RYRIE *LSR. 17/7*
 2. CHANCELLOR OF THE EXCHEQUER

cc: Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Sir Douglas Wass
 Mr Burns
 Sir Kenneth Couzens
 Sir Anthony Rawlinson
 Mr Bailey
 Mr Littler
 Mr Middleton
 Mr Dixon
 Mr F E R Butler
 Mr Robson
 Mr Ridley

*The only significant point I have on the draft is that the limit to officials to report on the main policy options should call for it in "the autumn" rather than in September. A very big job is involved even if we do it in stages, with interim reports, I think some time will be needed. One purpose of suspension is to give us a little time to think. *LSR. 17/7**

COMPARABILITY AND CASH LIMITS

I attach a revised draft of the paper for E Committee in the light of discussion at your meeting yesterday. I am afraid that it has not been possible entirely to remove the stylistic differences between the two parts of the paper, but I hope that the draft represents at least some improvement.

On substance, I should draw your attention to paragraphs 25-27, which I have revised rather more than was originally envisaged, following discussion with GE. Mr Butler's view, with which Mrs Heaton and I agreed, was that it was worth using this paper as a means of getting a policy decision that cash limits in future should be set in a way that would avoid groups deferring part of the cost of a settlement into subsequent years by staging in the current year. Paragraphs 25-27 have therefore been drafted by GE to achieve this, and I have added a reference to the point in the concluding paragraph. A fuller explanation of this and of the precise mechanics is given in Mr Butler's parallel submission.

The paper will be numbered E(80)71. If you are content, perhaps your Private Office could arrange for copies to go today to the Lord President and Secretary of State for Employment, as already agreed, and for the paper to be sent to Cabinet Office tomorrow.

*and L
to No 10
Daggit.*

LSR

P M Rayner
 P M RAYNER

17 July 1980

CHANCELLOR'S PAPER FOR E COMMITTEE ON 23 JULY 1980

Comparability and Cash Limits

1. Following our discussions about "dethroning" comparability, we need to consider further how to handle cash limits for public service pay.

The Future of Comparability

2. The key to this is the Civil Service. Although this represents only a fairly small proportion of the total public service, it has the most formal and long-running system of comparability. If we can get the right approach here, it should be easier to deal with other cases in the public service, including those covered by the Review Bodies. We shall, however, need to review the position on nurses, in the light of our recent decision in Cabinet that future arrangements for determining their pay should be considered. Though there may be some scope for breaking up the big public service groups into smaller units for pay negotiating purposes, scope for the short term at least is limited. We are clearly going to have to face up to the prospect of handling pay claims made on the basis of various forms of comparability and inconsistent with the levels of cash limits we shall need to set.

3. Reconciling Civil Service pay increases with cash limits was not easy for this year, and will be even more difficult in 1981-82. Some quite large parts of the Civil Service pay bill are housed in cash limit blocks which do not include significant other expenditure. The scope for offsetting volume adjustment (by reduction of numbers below planned levels) will be very much narrowed for 1981-82 if, as I intend, the Estimates provision already takes into account ^{already planned} reductions in the size of the Civil Service. Finally it would be damaging to repeat the tactic of compensating for the cost of a high pay increase by deferring the date of implementation. Thus the allowance for pay increases built into whatever cash limits are decided for next year will be an even tighter constraint than this year in effectively determining the actual pay increases which can subsequently be negotiated.

4. The figure we shall want to choose for the cash limit will probably be considerably below the figure likely to emerge from normal pay research. So comparability in any form will probably be irreconcilable with cash limits for the Civil Service for 1981-82. In such circumstances, cash limits will have to prevail. This raises the questions:

- (i) whether it would be sensible to take the initiative and suspend comparability now, at least for the coming year, and if so
- (ii) whether to announce this decision now or leave it until nearer the time for pay negotiations.

5. A practical argument for an early announcement is that six months' notice should be given for the suspension of the Civil Service Pay Agreement. This would call for an announcement by 1 October. There are arguments for making an announcement still sooner. There seems to be a certain momentum towards lower figures in the private sector. The announcement on TSRB salaries has probably had a beneficial effect, creating lower expectations. There is a clamour from the private sector for the public sector to set a good example for the next pay round. Suspending pay research could have a very helpful influence on the climate.

6. There is also a great deal of feeling against comparability, largely occasioned by the work of the Clegg Commission. E Committee has already agreed to wind up the Commission and there would be advantage in an announcement before the Recess following publication of the Commission's General Report. This would inevitably lead to questions about the future of comparability more generally, which argues for tying in ^{with it a statement} ~~in~~ about the suspension of pay research. We should make it clear in the announcement that this does not imply any intention to discriminate against the Civil Service as compared with the rest of the public services - which means saying something about the rest.

7. But we have to consider not only the next year but the slightly longer term as well. I have not suggested that we should abandon comparability entirely. In the longer term it will probably be impossible to get away from comparisons as part of the basis for determining pay in the Civil Service in particular, and in much of the public service area as well. A policy of using the public sector to drag down the general level of pay settlements would not be sustainable over any substantial period. Even for the coming year, we do not want to find that at the end of the round the public sector has received pay settlements substantially lower than the rest of the community.

8. Of course, we cannot know in advance what the general level is going to be. We have to take a view on what we can reasonably hope and expect will be happening in the economy as a whole, and bias it a bit towards the optimistic. But to go further than this is to invite trouble. Even if the policy could be made to stick for one year the risks for later years would be increased. All this must affect the character of any announcement we make now.

The Options

9. Broadly the options seem to be:-

- a) To suspend the Civil Service Pay Agreement and the operation of pay research (the PRU could be put on to a care-and-maintenance basis) and say nothing more. This would imply that pay would be settled annually in the light of what we judged could be afforded.
- b) To suspend the Agreement and pay research, but at the same time indicate that the Government accepts that comparability should continue to play a part in the determination of public service pay; that the present arrangements for pay research are unsatisfactory and need overhauling; and that we will be considering new and improved arrangements for making comparisons and discussing them with the unions.
- c) As at b) above, but adding something more about the kind of future system which we have in mind.

10. I do not think a) is to be recommended. It would play into the hands of militants and it would probably lead to an immediate demand from the unions that they should participate in decisions about the level of the pay element in cash limits, which is where the crucial decisions would lie.

11. On the other hand, c) would require decisions now about the future policy and this may be difficult. So b) seems the best course. Even so I think it would be advisable before making any announcement at least to have some preliminary idea of what the future system will be. There seem to be broadly four approaches - though I think it would be premature to discuss them in any detail:

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- i) A year of suspension followed by a re-instatement of pay research on an annual basis, but modified to take account of its well-known shortcomings. If the reform of the comparability arrangements really produced rather different results, this might work out well. If not, the one year's suspension could be followed by another catching-up process in the following year.
- ii) A year of suspension followed by a new regime in which pay research on a modified basis would produce data, but the management would retain flexibility on the extent to which its results influenced the subsequent pay negotiations. This is akin to the ideas of the Clegg Commission in Chapter 7 of their General Report.
- iii) A system in which job-for-job comparisons were done only at intervals of longer than one year - say every three years. Since we have just come through a phase of catching up, the next year for full comparisons might be 1983. In the immediate years, ^{pay} could be settled either by a cash limit system or by "free collective bargaining" or by something on the lines of iv) below. Once again there would be a risk that the comparison years would produce a sharp increase because of catching-up, but this would depend on how severe the regime was in the interim years and on whether the reform of the system of comparisons (which would be part of this policy also) led to more moderate figures or not.
- iv) An arrangement for "topping-up" settlements based on cash limits. Civil Service pay would be determined by the pay element in cash limits fixed the previous autumn and coming into force in April. But there would be a safety valve in case this resulted in Civil Service pay falling substantially behind the private sector. It would offer some assurance to the unions that they would not lose out seriously, but would avoid both retrospection and leading. The topping-up element could be negotiated on an ad hoc basis or according to a formula linked to the movement in private sector earnings, after making allowance for earnings drift. This is akin to the proposal contained in the CPRS paper E(80)54.

12. These ideas will need to be considered more fully, and it may be that other possibilities will emerge. I suggest that we ask officials to examine the

CONFIDENTIAL

alternatives further so that we can look at them again in ^{early} ~~September~~ ^{the autumn}.

Clegg

13. We agreed at E(80) 22nd meeting on 26 June that the Clegg Commission should be wound up as soon as its present references were completed. As indicated above, these are arguments for an early announcement, and, since it will raise more general questions about comparability, there is advantage in combining this announcement with that on the future of comparability.

The Review Bodies

14. These are the only other ^{permanent} ~~institutionalised comparability~~ bodies ^{which play a part in comparability} and we should need to make our position on these clear if we made an announcement on Civil Service pay research. We agreed at E(80) 22nd meeting on 26 June that the proposals in the paper on the membership and terms of reference of the 3 pay review bodies, which was attached to the note by the Lord President of the Council, E(80)59, should be considered after the Cabinet had discussed the two current reports from the TSRB.

15. In my view, our conclusions on those reports do not in any way invalidate that paper. I have considered, for example abolishing TSRB now that we have taken nationalised industry chairmen and board members out of its remit. But our strategy is to dethrone comparability. The inevitable logic of this is to retain the Review Bodies and a fact-finding capacity in the Office of Manpower Economics, which may in due course form the nucleus of some more rationalised machinery as suggested in my earlier paper E(80)46.

16. I doubt the advisability of changing the Review Bodies' terms of reference, both for the reasons in paragraph 5 of E(80)59, and because spelling out the need to take account of economic factors would undoubtedly lead to pressure to specify other factors also - in particular the role of comparability. We shall, of course, want to be very careful in any new appointments to the Bodies. But our main influence must be in our evidence to the Review Bodies and in our right to refuse to accept a Review Body's recommendation if we consider that it has given sufficient weight to economic considerations (although in the case of the Armed Forces, the commitments we have given mean that we are bound to honour the AFPRB recommendations).

17. I therefore suggest that, when we announce our decisions on pay research and Clegg, we should make clear that we intend to ensure that pay levels of groups covered by the Review Bodies are fixed at levels which take wider economic considerations into account.

Other Public Service Settlements

18. i) Police

We have agreed to maintain indexation of police pay for their settlement which will be announced in early August. But I would hope some element of market forces could be introduced into the level of settlements in future years now that the recruitment picture is beginning to improve.

ii) Firemen

There have been some signs that the local authorities are thinking of breaking the index linking of firemen's pay, and we should use any opportunities to encourage this.

Fixing the Pay Element in Cash Limits

19. An announcement that comparability was to be suspended would lead immediately

to pressure for an indication of how the Civil Service (and other public sector) pay was to be settled next year; and in particular what figures for pay increases in the public sector we had in mind. In any case, it may be difficult to arrive at conclusions on the points discussed in paragraph 11 above without coming at least to some provisional view on this question.

Timing of Decisions and Announcements

20. For operational reasons, the basis on which cash limits are fixed has to be decided towards the end of October. If it were later, we could not get the RSG settled in time for the necessary Order, nor construct the Estimates in time for presentation to Parliament. This year, special arrangements were made for delayed decision and presentation of a central Vote covering pay increases for the Civil Service; but for next year I should like to treat the Civil Service in the same way as all other public sector pay. The decision whether to announce the pay element in that ^{particular} cash limit in November or later can, however, be left open for the time being.

21. The local authority manuals settlement date is 4 November, but negotiations on this commonly finish after that date, with a retrospective decision. For other parts of the public services, an early November timing also fits. NHS ancillaries settle in December.

22. For the nationalised industries, we have agreed that EFLs should be announced at about the same time ie early November. But before this there will have to be discussions with the managements which will begin with proposals by the management, including proposals as to pay assumptions, on which discussions will begin in September. It will therefore be necessary to have at least a provisional view about appropriate levels (although these may vary from one case to another with the nationalised industries, within limits) in September.

Basis of Cash Limits

23. It may well be necessary for the pay element in cash limits next year to be somewhat lower than the non-pay element. This is consistent with our view that a fall in real earnings should occur in both the public sector and the private sector over the coming year. This discrepancy will have to be acknowledged publicly and defended.

24. The pay element in cash limits for all parts of the public service do not necessarily have to be the same. But there will no doubt be a general assumption that they will be based on the same reasoning and wider or seemingly random variations would be hard to defend. I think that the right approach would be to have a central figure, but we can leave open for the moment the possibility of variation from it in cases where there are special reasons for this, eg market factors.

25. There is one loophole I propose to block up. In the past staging has offered a way of avoiding the full financial discipline of cash limits. Staging reduces the immediate cost of a settlement. It offers a way of keeping the cost within the cash limit for the current year by deferring part of the cost to the following year.

26. Under past procedures, cash limits for the following year have been calculated in a way that provided whatever money was needed to meet the full cost of past awards, including any element of the cost deferred by staging. For this reason the 1980-81 cash limits provide for an increase between 1979-80 and 1980-81 of about 25% in the Civil Service paybill, despite the fact that they provide only 14% for new pay awards in 1980-81.

27. I propose that in future we should calculate the provision for pay increases in cash limits in terms of an addition to the average pay rates over the twelve months preceding the settlement date, not the final pay rates. We can consider over the next few months how we apply this approach to particular groups which have had staged settlements during the present year, but this change in approach is necessary to ensure that the effect of our policy is not circumvented by staging.

The Level of the Pay Element in Cash Limits

28. Assuming that we are agreed that we should now form a provisional view on the level of the pay element in cash limits, we need to consider what the level should be.

29. In my paper on 'Influencing National Pay Behaviour' (E(80)66) I suggested that we should point to the need for a relationship between pay settlements and money growth in this economy generally if unemployment is not to rise. Though there clearly cannot be any mechanical relationship between money growth and public service pay in any particular year, to chose a figure which was higher than the middle of the target for money supply growth might give the impression

that the Government was not serious about these targets. This reasoning leads one towards 9% (although, of course, a new target range, centred on 8%, will come into force at about the time when the Civil Service settlement is due). Figures of this kind would also be consistent with statements which the Prime Minister and I have made that cash limits for pay for next year must be significantly lower than last years. The recent decision on 9.6% for MPs also helps to point towards single figures. This is one side of the argument.

30. But on the other hand we cannot ignore the question of realism. Whilst we must aim for settlement as low as we realistically can, a great deal of damage would be done if the figure we chose turned out not to be realistic and the policy could not be made to stick. Pay settlements of 9% may turn out to be well below the rate of inflation over the twelve months ending about next Spring and might also be substantially below the average rate of increase of earnings in the private sector.

31. In the end, our decision on this is not something which can be settled by doing much more analytical work or figuring. It is very much a matter of judgement. The most I can suggest at this stage is that the pay element in public service cash limits for 1981-82 should probably be in single figures, subject to reassessment of the realism of this in the Autumn.

Staff Relations

32. Inevitably an announcement of the suspension of pay research will not be taken easily by the staff and the unions. I therefore think it important that we should all personally make a determined effort to get across the reasons for our decision to our own staff and employees of the public services for which we are responsible. This may be tedious and time-consuming: but they are the only way in which we can hope to achieve acceptance of what we shall be asking for - a real fall in living standards for our own employees. If we leave it to the professional managements, we shall never overcome the inevitably hostile union responses.

Conclusions

33. I seek the agreement of the Committee that:-

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- a) An announcement should be made before the end of this month that:
- i) the Civil Service Pay Agreement and pay research are being suspended and the Government will be considering future arrangements for comparability, which it accepts should continue to play a part in the determination of Civil Service pay (paragraph 6b above);
 - ii) the Clegg Commission is to be abolished;
 - iii) the Review Bodies (armed forces, doctors and dentists and top salaries) will continue in being since they are not merely instruments of comparability; but that the Government expects them to take account of general economic considerations in making their recommendations and will itself take account of them in arriving at decisions on their recommendations.
- b) Officials should examine further the options for the future of comparability as set out in paragraph 11 and report ~~early~~ in ^{early} the ~~autumn~~ ^{autumn} ~~September~~.
- c) We should take our final decisions on the pay element in cash limits for the public services as well as pay assumptions in EFLs for the nationalised industries at the beginning of November (and announce them to the extent that may be decided then).
- d) Cash limit arrangements should be adjusted so as to avoid groups deferring the full cost of settlements by means of staging.
- e) Provisionally, the pay element should be in single figures, though this should be reviewed for its realism in the Autumn.
- f) Ministers should follow up the announcement with meetings with staff to explain the reasons for the decisions.

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Original a Defence Budget Pt 3.

Clegg Pt 3 with TL

PRIME MINISTER

Meeting with the Chancellor : 0900 hours Thursday 17 July

The Chancellor wants to discuss:

(i) The defence programme and how to handle the three outstanding issues - last year's overspend, this year's likely overspend and the Chief Secretary's proposal for a volume cut in spending over the next three years. I attach the note I did last week explaining this, and also the note the Chancellor handed you. I am told that the review of this year's cash limit still is not completed; until it is, it will not be possible to take a decision. But I do think it would be worth focussing on what to do about the proposed volume cuts for 1981/82 onwards. The issue really is how we are to interpret the 3% NATO commitment. Mr. Pym will say that it has to be based on the 1978/79 out-turn; the Chancellor argues that we should take 1979/80 out-turn as the base, and he will argue that we should be interpreting the commitment in cost terms rather than volume terms anyway. ("Cost" in this context does not mean cash; it means the resources that are used in implementing a particular programme - taking into account the fact that the price of defence goods and services tends to go up more rapidly than the price of goods and services in the economy as a whole. By contrast, volume means the number of tanks, personnel etc.)

(ii) Comparability. The Chancellor will be circulating a paper on the outstanding comparability issues before the weekend - in particular, when to announce the demise of Clegg, what (if anything) to do about the review bodies and what to do about odd groups like the nurses. There is also the Chancellor of the Duchy's wish to announce in the Debate on Monday that MPs' pay and secretarial allowances will be subject to continuing annual review. The Chancellor wants to water this down, and I expect the matter will need to be discussed in Cabinet under Parliamentary. One further point:

/Clegg

Clegg has now submitted his general report (which I will put in the weekend box for you to look at); Mr. Prior is suggesting that it be published next week; I believe the Chancellor wants to delay until we have an announcement about the future of Clegg.

TL

16 July 1980



10 DOWNING STREET

THE PRIME MINISTER

16 July, 1980

Dear Mr. Rogers,

Thank you for your letter of 4 July accepting appointment to the Standing Commission on Pay Comparability. I am pleased that you can accept, and was very interested to read your views on the factors that should bear on pay determination. *I am in full agreement.*

Yours sincerely
Margaret Thatcher

T.G.P. Rogers, Esq.

DS.

CCDM

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jd



2 pp's

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Switchboard 01-213 3000

Mike Pattison Esq
10 Downing Street
LONDON SW1

Type re MPP

14 July 1980

Dear Mike,

...I attach a draft reply for the Prime Minister to send to Mr Parry Rogers in reply to his letter of 4 July.

Your Svc

[Signature]

PP

J ANDERSON
Private Secretary

T G P Rogers Esq
Director Personnel
The Plessey Company Ltd
Millbank Tower
LONDON
SW1P 4QI

July 1980

Thank you for your letter of 4 July accepting appointment to the Standing Commission on Pay Comparability. I am pleased that you can accept, and was very interested to read your views on the factors that should bear on pay determination.

St Hosky

I have already indicated in the House that the Commission is winding up. We should announce our decision before the Chamber is putting in a paper to E on this.

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PRIME MINISTER

COMPARABILITY COMMISSION: GENERAL REPORT

Amir Amin

Mr Prior wants to publish the attached report next week. The Treasury think it would be better to publish on the day we announce the end of class and future comparability arrangements generally. I agree with them. Content? (There is a summary of the report at page A. I have read the whole report and nowhere is there any discussion of efficiency)

We have now received the Commission's general report. It will need to be published and we need to decide on the timing of its publications and our response. A brief summary is attached.

I see no reason to delay publication and suggest that it should be sent for printing allowing publication during the week commencing Monday 21 July.

Its publication will prompt questions about the Commission's future. We have already decided that it should be wound up once its present references are completed, probably about the end of the year. Publication would provide an opportunity for the announcement of that decision.

We could say that the Commission is itself not satisfied with many of the comparability systems it has had to devise or employ and that although it has put forward tentative proposals for developing better systems this would take a long time and there could be no guarantee of the outcome. We could also stress that the injustices and anomalies created by previous pay policies for the groups concerned had been substantially rectified. And we could point to the lack of enthusiasm of many of the groups, both management and unions, for the Commission's methods and for its recommendations. We would also of course deploy the economic arguments against institutionalised comparability arrangements for these groups. We would conclude that the Commission had outlived its usefulness.

However, there are arguments against an early announcement and there is no pressing operational need. To link it with publication of the general report could well seem discourteous to the Commission and

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could detract from the authority of its subsequent reports which are to provide a basis for negotiations. Moreover, questions would be prompted on our intentions on the role of comparability elsewhere in the public services. In particular we should be pressed to say how nurses pay was to be dealt with in future, if changes were to be made to the arrangements for Civil Service pay, and what was to be the future role of the Review Bodies. We have as yet no fully developed answer to these questions. Lastly the TUC has represented to the Chancellor that it sees a continuing need for some such body as the Commission and I believe that to announce its abolition before Congress meets in the first week of September might unnecessarily fuel a heated debate about public sector pay.

For these reasons I would favour delaying an announcement of the abolition of the Commission until late in the summer of the early autumn. Convenient opportunities might arise when, as we have proposed, the appointment of a new, caretaker Chairman is made on Professor Clegg's departure; or when the new Parliamentary Session starts. But we do not need to take a decision about the best date now.

I suggest therefore that all we need say when we publish the Commission's general report is that we are considering its contents and still considering the Commission's future; making clear that we have no proposals for making further references to it.

I am sending a copy of this minute together with a copy of the report to our colleagues on E Committee, to George Younger, Nicholas Edwards, Patrick Jenkin, Mark Carlisle and to Sir Robert Armstrong.

J P

14 July 1980

SUMMARY OF THE REPORT

The report provides a historical account of how the use of comparability in the public services has grown and the growing influence of the concept, reflects on the Commission's own experience and makes suggestions on how the Commission might help to develop comparability arrangements in the longer term.

2. It contains no surprises. The Commission believes that, although there are limitations to what independent assessment can achieve and these must be recognised, comparability could make a substantial contribution to better industrial relations in the public services.
3. It readily acknowledges that not all the comparability systems it has been able to devise in the time available have been satisfactory. Job-for-job comparisons have generally worked well but experience of this approach is not yet conclusive. The public service professions (eg nurses, professions supplementary to medicine, teachers) pose greater problems and two approaches are suggested. Both would take some time. One way would be to extend job-for-job comparison techniques in a way appropriate for groups who have few direct comparators outside the public sector. Another way would be to develop a common factor plan for the professions (eg nurses, professions supplementary to medicine and teachers) on which a satisfactory common system for them could be based. Such a plan would take at least two years to develop and the Commission confesses that it could offer no guarantee of success for either approach. But it thinks the attempt worth making.
4. Above all the Commission concludes that it should not be asked to make binding recommendations and have an arbitral role, sufficient time must always be allowed for technically sound comparability studies to be developed in consultation with the parties, and that normally it should not be asked to make recommendations on pay levels applicable to some date in the past.
5. The report provides only limited help on how the pay of reference groups might be kept up to date in future years. But it considers that when comparability systems have been developed and found acceptable, pay could be satisfactorily updated for a period of not more than four years by reference to the pay of the

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ANNEX

original comparators.

6. The report also comments briefly on some of the technical problems encountered and reflects on the Government's evidence to it. It expresses the hope that the Government inquiry into the value of index-linked pensions and job security will throw more light on how evaluation might be attempted. It accepts that efficiency and the labour market are both relevant to pay, but concludes that these are primarily issues for management and for negotiations. A supplementary report is promised later in the year to deal more fully with technical issues.

7. Lastly, the report makes some suggestions for organisational change on the tacit assumption that the Commission will continue with the kind of role it sees as appropriate. In particular it sees advantages in a single, centralised, fact finding, public agency that could embrace the work of the present Civil Service Pay Research Unit (PRU), the Office of Manpower Economics (OME), and of the consultants used by the Commission, or working on their own behalf to replenish their databanks.



10 DOWNING STREET

Reply not yet sent to
Professor Clegg.

10 July 1980



10 DOWNING STREET

From the Private Secretary

10 July 1980

MS
CCHO MAFF
FCO DIT
HMT D/N
D/I CST
LPO CO
D/M BC R. Ingham

B/F 17-7-80

This is to confirm that we have now received the Comparability Commission's General Report, and that your Secretary of State will be minuting the Prime Minister with advice on its content and handling in due course. I enclose for you - but not for other copy recipients - a copy of Professor Clegg's letter.

I am sending copies of this letter to Private Secretaries to members of E Committee and to David Wright (Cabinet Office). If copy recipients wish to obtain copies of the Report, no doubt they will be able to obtain them directly from the Office of Manpower Economics.

T. P. LANKESTER

Richard Dykes, Esq.,
Department of Employment.

MS

010

From Professor Hugh Clegg, Chairman, Standing Commission on Pay Comparability



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22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

*MBM get
12*

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

10 July 1980

Dear Mrs Thatcher,

When I sent you my letter of resignation on 23 April I said that the Commission had decided to write a general report setting out the lessons we had learnt and the general conclusions we had reached in our work since we were first appointed in March 1979.

The Commission have now completed work on the general report which I therefore now submit.

*Your sincerely
Hugh Clegg*

ab



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Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON
SW1

9 July 1980

Dear Tim

COMPARABILITY COMMISSION: GENERAL REPORT

We understand that the Comparability Commission's general report is likely to be received by the Prime Minister tomorrow. It will be necessary to publish the report; and this is just to let you know that as soon as we have had an opportunity to digest it my Secretary of State will be minuting the Prime Minister with advice on its content and the way in which publication should be handled.

I am copying this letter to Martin Hall (Treasury).

You ever
Richard Dykes

R T B DYKES
Principal Private
Secretary

Econ 107

File

TMP



S/F11-7-80

10 DOWNING STREET

From the Private Secretary

7 July 1980

Dear John

I enclose a copy of Mr. T.G.P. Rogers' reply to the Prime Minister's letter of 1 July, confirming his appointment to the Standing Commission on Pay Comparability.

The Prime Minister may wish to comment on the points made by Mr. Rogers in acknowledging his letter, and I would be grateful if you could let me have a suitable draft by Friday, 11 July.

I am sending copies of this letter and enclosure to Martin Hall (Treasury), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

*Yours ever
Mike Pattison*

John Anderson, Esq.,
Department of Employment.

DSG

Tror

7 July 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 4 July.

I will of course bring this to her attention at once.

M. A. PATTISON

T.G.P. Rogers, Esq.



The Rt. Hon. Mrs. Margaret Thatcher, P.C., M.P.,
The Prime Minister,
10 Downing Street,
London,
S W 1

4 July 1980

Dear Prime Minister,

Thank you for your letter of 1 July. I am pleased to accept appointment to the Standing Commission on Pay Comparability.

May I place on record with you, as I have done with the Department of Employment, that I do not believe that comparability on its own is the right approach to determining pay in Public Sector organisations. Considerations of such factors as supply and demand, productivity, cash limits, regional differences and the general question of whether there is need to encourage or discourage new entry into a particular field are all elements of greater weight than comparability.

There is also, in my view, need to emphasize wealth creating employment as higher priority and deserving greater reward than wealth consuming employment against the broad picture that we can only consume what we have created.

I also believe we ought to try to reduce the emphasis on pay rates and increase consideration of the cost of employment in any organisation. Cost of employment, of course, encompasses not only rates of pay but numbers of people and their productivity and if we could negotiate a cost of employment amount for a given group of workers that would lead to negotiations on rates of pay, numbers of people and output with a clear understanding of the inter-action between those factors.

Against this background I will do my best to contribute to the work of the Clegg Commission for whatever period of existence may remain for it.

Yours sincerely,

T G P Rogers



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Directors: Sir John Clark, Michael Clark CBE, W J Dalziel CBE, P I Marshall, W J Sinshelmer (USA),
Lord Brookes, F K Chorley, F J Fielding, A G Frame, G C Gaut CBE, Sir Raymond Pennock,
D H Pitcher, T G P Rogers, Sir Francis Sandilands CBE

● PART 2 ends:-

PM to TCP Rogers 1.7.80

PART 3 begins:-

TCP Rogers to PM 4.7.80.