MT

Confidential filing

Pay of Administrative, Professional, Technical and Clerical Staff employed by local authorities.

LOCAL

GOVERNMENT

JULY 1979

PREM 19/828

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~9.7.79~~							
~~2.8.79~~							
~~30.7.80~~							
~~2.8.80~~							
~~17.9.80~~							
~~22.9.80~~							
~~2.10.80~~							
~~13.10.80~~							
6.1.82							

CLOSED

Dd 533270 5M 2/78 8362633 JET

E.R.

Local Govt

PRIME MINISTER

1. You asked me to find out how many Chief Executives in local authorities are paid more than Cabinet Ministers.

Including the Parliamentary salary, but excluding the London supplement, Cabinet Ministers now earn £35,955 a year. I am told by the Department of the Environment that no Chief Executives, and none of their juniors, earn as much as this. Apparently for a local authority with a population of more than 2 million, the pay scales for Chief Executives go up to £35,000.

2. You also asked for the real personal disposable income figures. I attach an extract from the Statistics Folder which I hope gives you the information you require.

MCS

8 January 1982

REAL PERSONAL DISPOSABLE INCOME

		1975 = 100	(Based on actual levels) Percentage change on year earlier
1970	1	84.5	
	2	86.9	
	3	87.4	
	4	86.7	
1971	1	85.2	0.8
	2	87.7	0.9
	3	88.2	0.9
	4	89.4	3.1
72	1	91.6	7.5
	2	96.7	10.3
	3	95.2	7.9
	4	96.5	8.0
1973	1	99.3	8.4
	2	103.5	7.0
	3	102.5	7.7
	4	101.4	5.1
1974	1	99.8	0.5
	2	100.5	-2.9
	3	102.9	0.4
	4	103.6	2.2
1975	1	103.5	3.7
	2	99.7	-0.8
	3	99.0	-3.8
	4	97.8	-5.6
1976	1	99.5	-3.9
	2	98.6	-1.1
	3	101.3	2.3
	4	98.3	0.5

		1975 = 100	Percentage change on year earlier
1977	1	96.7	-2.8
	2	95.4	-3.2
	3	97.8	-3.5
	4	100.5	2.2
1978	1	100.3	3.7
	2	105.0	10.1
	3	108.3	10.7
	4	109.4	8.9
1979	1	109.8	9.5
	2	111.7	6.4
	3	111.7	3.1
	4	116.5	6.5
1980	1	113.8	3.6
	2	113.5	1.6
	3	115.7	3.6
	4	115.6	-0.8
1981	1	113.7	0.2
	2	110.7	-2.9
	3		-3.1

4th quarter 1981 not yet available

Source: Central Statistical Office

CS

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SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

GTN 213

Mr Hoskyns
Mr Duguid

local Govt

Copied to Public sector Pay

Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1

13/10

13 October 1980

Dear Michael

ARBITRATION ON PUBLIC SERVICE PAY

You wrote to me on 2 October about your concerns on the use of arbitration for the pay of local authority employees and more generally. In replying, I also comment on some ideas Keith Joseph put forward in a minute to the Prime Minister of the same date.

The only sure way by which employers can avoid the risk of an arbitrator coming to an award beyond their ability to pay is to stand on their final offer and refuse to accept that an independent third party should be invited to determine their pay bill. If employers accept arbitration, on any practical test they are committed to accept the outcome. Uniquely in the public sector there are procedural agreements which provide unilateral access to arbitration and I readily agree that, provided with this option, unions might well choose to discover whether an arbitrator might make an award above the employer's last offer rather than conclude a negotiated settlement.

The immediate issue with which you are concerned clearly illustrates the point. The local authority employers, under their freely negotiated arbitration agreement, have agreed - albeit reluctantly - that the union can put the pay claim of white collar employees to arbitration. Should they not be urgently considering, given the extent of their concerns, changing their agreements so that arbitration can only take place with their agreement? This is the main issue to which the paper which I have put to E Committee on arbtration in the public services is addressed. It is important to note that S.3 of the Employment Protection Act 1975 prevents ACAS from referring any dispute to arbitration without the consent of all the parties to that dispute.

As to your suggestions, I entirely agree that an arbitrator should take fully into account an employer's ability to pay, although the concept of what that might be does not always afford an absolute test. Even where the arbitrator's terms of reference do not specifically include this consideration, there is nothing to prevent employers arguing it forcefully before the arbitrator. Indeed, it must be expected that they would do so. And an arbitrator is most unlikely to ignore evidence from either party or ever likely to dismiss so important a consideration.

You also suggest that existing arbitration arrangements and practices might be modified in some way to ensure that arbitrators always took into account the wider national interest. An arbitrator is of course anyone appointed by the parties (or whose appointment they have agreed) to resolve an issue between them. A good many arbitrations are arranged privately and without recourse to ACAS. I find it difficult to see how arbitrators could be required by statute, as Keith Joseph suggests, to take account of some general national interest in reaching their recommendations. At the very most, such provision would be simply declaratory. If directed to arbitrators appointed by ACAS alone, the result would be that more arbitrations would be arranged privately and ad hoc. There are also objections in principle. Our system of arbitration is essentially voluntary. It is (or should be) an optional extension of free collective bargaining. It would be illogical and inconsistent to seek to impose specific restraints on arbitrators which we would not contemplate imposing on negotiating parties, eg a norm under a pay policy.

Moreover, the "national interest" is a generalised concept. To be taken into account, it would need to be particularised. If the national interest were accounted as coinciding with the employer's last offer, the independence of the arbitrator would appear diminished and unions would be less inclined to accept the outcome of any arbitration, on pay as well as other issues. Lastly only the Government could give evidence as to the national interest. The provision of such evidence would I fear drag us into disputes to which we were not a party and this I am sure should be avoided. To the extent that our evidence might appear not to have been accepted by the arbitrator, a set-back for the employer could be portrayed as a defeat for the Government. The experience we had in 1970 of providing evidence on the national interest in the dispute in the electricity industry needs to be remembered.

As to Keith Joseph's suggestion that arbitrators should be required to award only on either the claim or the offer ("flip-flop" arbitration), employers and unions are at present free to adopt this approach by agreement. But this must be a matter for them. They have never seen it in their interests to do so in this country and although the concept from time to time emerges in academic discussion it has rarely been used anywhere, even in the USA where the concept - but not its practice - was fashionable in the 1960s. I do not consider that it would be realistic to seek to impose one particular type of arbitration or indeed practical to do so.

On major wage issues arbitrators commonly specify the cost of their awards, but would their views be welcomed on how any additional cost might be met? This could inhibit managements' discretion and might well encourage reflections on priorities for public expenditure, pricing policies, etc which would be unwelcome.

I am copying this letter to the Prime Minister, Keith Joseph, the other members of E Committee, Robert Armstrong and John Hoskyns.

CF. For E folder when arbitration comes up.

Original on:
ECON POL : Public sector pay 87-

PRIME MINISTER

PUBLIC SERVICE PAY

1 John Hoskyns sent me a copy of his minute of 18 September commenting on Michael Heseltine's minute of 16 September about the arbitration exercise affecting the local authority Administrative, Professional, Technical and Celerical (APTC) grades. I think this provides an opportunity to consider a general short-coming in our existing arbitration arrangements.

2 At present there appears to have been a tendency for arbitrators to "split the difference" between the claim by the unions and the offer by the management. This pays no regard to ability to pay and provides a positive encouragement to the unions to increase their wage bids.

3 My own idea would be to ensure that all arbitrators should be required to take account of the general interest when reaching their recommendations. An alternative would be to require arbitrators to decide in favour of either the management offer or the unions' claim without giving them scope for chosing any intermediate amount. In either case arbitrators should be obliged to specify the cost of implementing their proposals and should make recommendations on how the money should be raised.

4 I am not sure how such a change could be implemented. One

/possibility ...

possibility might be to amend the legislation regulating the activities of ACAS to require this kind of approach. Another possibility might be to include a suitable passage in the Green Paper on trades union immunities etc which Jim Prior is about to circulate.

5 I am copying this minute to John Hoskyns and to the recipients of his minute.

K J
2 October 1980

Department of Industry
Ashdown House
123 Victoria Street

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

2 October 1980

ARBITRATION IN PUBLIC SECTOR PAY

Jim Lester will have reported to you the useful discussion we had with the local government employers here last week. It was clear that the employers are anxious to achieve settlements in this round at the kind of level which the Government would like to see; but they were very concerned that their best efforts might be undermined by the unions' recourse to arbitration. They are rightly apprehensive that, when in negotiation they have gone to the limit of what they can afford, the union can choose either to go to arbitration, with the near certainty of an award above the employers' best offer, or to take industrial action. I am writing to reinforce my personal concern about the potential dangers to our objectives if, as seems highly likely, there is a growing resort to arbitration in this pay round.

I recognise of course that arbitration procedures are an important, indeed an essential, part of the established system of pay bargaining in this country and that it is important in the general context of industrial relations that confidence in it should not be impaired. I quite see that any attempt by Government to impose a different structure on the present system would be likely to be counter-productive. But I do wonder whether some modification of present practices might nevertheless be possible, and in particular whether there is some way short of legislation in which ACAS and other arbitral bodies might be brought to take into account questions of the wider national interest and the employers' ability to pay, even in cases where these questions cannot be included in the specific terms of reference. I gather that the arbitrators customarily do not necessarily regard these considerations as relevant to the issues before them; and if that is so, I must say that it seems to me to be both unsatisfactory and unrealistic in today's circumstances. I think we should consider whether the Government should take an early opportunity to make its views known on this point, perhaps in the form of a statement by the Prime Minister or by you.

I hope that you will be able to take account of the points I have made here in the paper which you are preparing on this subject.

I should add that I am considering the Prime Minister's suggestion that we might submit Government evidence to the arbitrator in the local government APT&C case. I am inclined to think that this

might be counter-productive unless we could be assured that the arbitrator would take our evidence into account. I propose to await your paper before taking this further.

I am copying this letter to the Prime Minister and to those of our colleagues who were present or represented at my meeting with the local authority employers.

Yours ever

MICHAEL HESELTINE

Rt Hon James Prior MP
Secretary of State for Employment

2F

RESTRICTED

vb

10 DOWNING STREET

c D/IND
D/M
SO
WO
TRADE
D/N
Chief Sec.
CO

From the Private Secretary

22 September 1980

Local Authority Pay Negotiations

The Prime Minister was grateful for the Secretary of State for the Environment's minute of 16 September on the local government main non-manual group's pay negotiations. She has noted that the employers apparently had no option but to agree to go to arbitration. Given that this dispute will be going to arbitration, she has suggested that Mr. Heseltine might consider the possibility of the Government giving evidence to the Arbitrator on this occasion. Such evidence could underline the evidence put in by the employers on ability to pay, and could in the process draw the attention of the Arbitrator to the pressures upon private sector employers, the likelihood that pay settlements in the private sector will run at a considerably lower level this year, and the importance of that not being undermined by excessive settlements in the public sector. It might in the process help to weaken the impact of the evidence which will be put in by the unions on the basis of past comparability. The Prime Minister is, however, aware that there are arguments against the Government putting in evidence, and Mr. Heseltine will doubtless weigh these up against the advantages of doing so.

I am sending a copy of this letter to Private Secretaries to members of E(EA) and to David Wright (Cabinet Office).

J. P. LANKESTER

David Edmonds, Esq.,
Department of the Environment.

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Caxton House Tothill Street London SW1H 9NA
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PM 24/9

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

21 September 1980

Dear Michael

LOCAL AUTHORITY PAY NEGOTIATIONS

In your minute of 16 September to the Prime Minister, you referred to my role in relation to the arbitration agreement for local authority APT and C grades.

I am not of course a party to this agreement, which is entirely the responsibility of the employers and unions. It is a historical accident that I am nominated as agent in referring claims to arbitration: most similar agreements now provide for references to be made by ACAS.

In case there is any doubt, I am happy to endorse your understanding that I have no alternative but to refer claims which are reported to me under the terms of the agreement. My role is clearly intended to be a formal and mechanical one. The agreement affords no basis for my seeking to exercise discretion and I am aware of no grounds on which I might purport to do so. Any attempt of this kind would in any case be liable to prove ineffectual since there would be nothing to prevent the parties agreeing between themselves upon alternative arbitration arrangements.

I am copying this letter to the Prime Minister, E(EA) members and to Sir Robert Armstrong.

Yours

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18 September 1980

Policy Unit

PRIME MINISTER

Prime Minister

Do you wish the proposals in para 7 to be pursued? If so, I will get Cabinet Office advice on how we should handle (b) and (c).

PUBLIC SERVICE PAY

1. Michael Heseltine's minute of 16 September explains that the Administrative, Professional, Technical and Clerical (APTC) grades of local government employees, who were due to settle on 1 July, have gone to arbitration. We understand that there are nearly 600,000 in the APTC grades. He confirms that the national agreement provides both sides with unilateral access to binding arbitration.

2. These arrangements for arbitration seem almost guaranteed to produce intransigence. They invite unreasonable demands and negate the principle that public service pay must in the end depend upon what can be afforded. It appears that few individual local authorities will be free to renounce the arbitration award.

3. On the face of it, there seems to be a strong case for local authorities refusing to implement it if - as seems likely - it is more than 13%. But if this cannot be done, they could at least make the price of acceptance the renegotiation of the present national agreement - especially its arbitration provisions. So long as agreements like this persist, it will simply not be possible for our economic policies to impact upon large parts of the public service. There may be other agreements which require revision, including of course the Civil Service Pay Agreement about which CSD are deliberating. University teachers and Magistrates Courts staff pay raised similar issues in early August. A systematic review is urgently needed.

4. This case belongs to the last round, but will no doubt attract publicity during the early stages of the new round. It highlights the extreme difficulty of imposing the "ability to pay" principle in the public services when settlement dates bear no relation to the Government financial year. It would be difficult to get this principle firmly established even under more rational conditions. But with the myriad bargaining dates and unreal bargaining arrangements, the job is probably impossible.

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5. We suggest that a fundamental reform which could help to establish firmly the "ability to pay" principle would be to synchronise all public service pay settlements, so that they coincide with the Government financial year. That way, it would be very much easier to demonstrate the close link between public service pay and what the country can afford. We talk about "getting the message across", but without synchronisation, it is hard for any message (other than of incomprehensible confusion) to emerge.

6. Opinion research shows that the principle of synchronising pay bargaining throughout the economy has wide all-party support. It may be impracticable - and possibly even undesirable - to attempt to impose this on the private sector (although the CBI favour it). Since EFLs are only one of several influences on the ability of nationalised industries to pay, there is a less strong case for synchronising their dates - though there is a case. But in the public services, where central Government allocations are the prime determinant of pay, there is an overwhelming case for aligning pay with the Government financial year.

7. In summary, we suggest that the following approach should be examined:

(a) The Local Authority Conditions of Service Advisory Board (LACSAB) should insist on renegotiating the national agreement.

(b) All public service pay agreements should be reviewed, in order that the primacy of the ability to pay principle can be asserted. (Of course, it would still be difficult to assert it, and judgments would be required about threats of industrial action. But at least it would be possible to try in every case.)

(c) A proposal should be formulated for aligning all public service pay with the Government financial year.

8. I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Industry, Employment and the Environment, Robin Ibbs and Sir Robert Armstrong.

JOHN HOSKYNS

cc Mr Duguid

Ref: A03013

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MR. LANKESTER

I have received a copy of the minute which the Secretary of State for the Environment sent to the Prime Minister on 16th September about the decision that the pay claim for local government APT & C grades should go to arbitration.

2. I think that the Prime Minister should agree that the claim should go to arbitration, with the employers making the most of their case on the basis of ability to pay. She may like to consider suggesting to the Secretary of State that the Government should also, on this occasion, give evidence to the arbitrator. Such evidence could underline the evidence put in by the employers on ability to pay, and could in the process draw the attention of the arbitrator to the pressures upon private sector employers, the likelihood that pay settlements in the private sector will run at a considerably lower level this year, and the importance of that not being undermined by excessive settlements in the public sector. It might in the process help to weaken the impact of the evidence which will be put in by the unions on the basis of past comparability.

3. There are several arguments against the Government putting in evidence. The Government itself is not a party to the dispute, and has no formal locus (though of course the central Government finds over half the money required). The union might say that such evidence was not only constitutionally improper but was also likely to undermine the impartiality of the arbitrator, and this could lead them to refuse to accept the result of arbitration. But, as you will have seen from the piece in this morning's Times about Health Service non-manual workers, NALGO members are a good deal less militant than their union, and I am not sure that we need be too frightened of what the union might say or do.

4. In any case the difficulties will speak for themselves; even if the answer in the end is that it would be better for the Government not to put in evidence, it may well be worthwhile making the suggestion.

(Robert Armstrong)

17th September 1980

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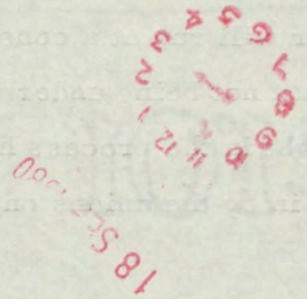

Mr Hodgson
Mr Lankester
Mr Vereker

Prime Minister

Prime Minister
This is the negotiation mentioned by Pennock. The employers apparently had no option but to agree to go to arbitration.

LOCAL AUTHORITY PAY NEGOTIATIONS

You are aware I think that in negotiations for the local government main non-manual group (APT and C) last week the National Joint Council, at the union's request, agreed to refer the union claim for increases in pay of 22% plus improvements in conditions to arbitration. The claim relates to the settlement due on 1 July 1980 and is regarded as being in the pay round that ended recently.

The background to this reference is that in advance of the negotiations the national employers most unusually consulted all local authorities to determine the level of the settlement they could afford. The consensus was that the offer should not exceed 13% and during negotiations the employers have steadfastly refused to go beyond that figure despite pressures by NALGO including threats of industrial action. It is consistent with the pay assumption in the cash limit and the same as the settlements for the local government manual groups earlier in the round.

A NALGO delegate conference last month decided to reject the offer and put their claim to arbitration. Under the terms of the national agreement a dispute must, at the request of either side, be reported by the NJC to the Secretary of State for Employment requesting a reference to arbitration. Jim Prior may wish to comment on his position in these circumstances but I understand that, as we have no locus in the negotiations and since the formal reference is, despite the employers' reluctance, a joint one, there are no grounds on which he could reasonably refuse to refer the dispute to arbitration or seek to influence it. Although the employers agonised before last Wednesday's negotiations to find a way out of going to arbitration, they reluctantly concluded that they had no option under the agreement, and they were not willing to make any concessions to buy their way out of the difficulty. The agreement requires that the arbitration award shall be accepted and be treated as though it were an agreement by both sides.

In past weeks publicity has been given to the possibility that some authorities might refuse to implement an arbitration award if it exceeded 13%. In theory it might be possible for them to do this since they subscribe to the national agreement only on a voluntary basis, but I understand that a model individual contract

of employment requiring adherence to the national agreement is used very widely. Apart from this, widespread dissaffection could undermine the national agreement which arguably could be to our longer term disadvantage especially now that the local government employers are increasingly showing signs of negotiating in a responsible manner and are likely to do so in the next round.

The dangers are, of course, that the arbitrator will split the offer and the claim, and even if the latter is put at 22%, this could give rise to an award of 16-17%. But the employers intend to press very hard indeed that the arbitrator must take account of their ability to pay, and there is some hope, in view of the level of settlements in the round for the other local government groups, that a lower award may emerge. The union side will of course argue on the need to maintain the value of the comparability settlement they received earlier in the year.

Throughout these negotiations the employers have behaved in a highly responsible way. Their 13% settlement with their manual workers was last November a relatively good settlement. Their approach has been consistent with our general stance on public sector pay during the last round. There has therefore up to now been no basis on which I could usefully influence events. However

But there were later Clegg stage payments from the previous round.

we are now beginning a new round and together with colleagues from other sponsor departments I am meeting the local government employers on 25 September to discuss the pay round. I shall take the opportunity to consider with them how best to deal with this situation in order to minimise its effects on the crucial manuals' negotiations which are due to begin in November or December.

I am copying this to members of E(EA) and to Sir Robert Armstrong.

MH

16 September 1980

CONFIDENTIAL

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

2 August 1979

Dear John

LOCAL AUTHORITY APT AND C NEGOTIATIONS

You sent John Biffen a copy of your letter of 26 July to Keith Joseph.

I have every sympathy with your aim. But I think we must recognise that it would be difficult to go further than John suggested without overturning my carefully chosen remarks on RSG in the Budget statement, and without prejudging the results of the 'in-house' comparability study (which, however great our suspicions, I would be reluctant to do). I would therefore wish to rest on John's formulation.

In any event, since a settlement now seems to have been reached, I cannot imagine that such pressure would lead the local authorities to repudiate it, even if they could do so legally.

I am copying this letter to the recipients of yours.

(GEOFFREY HOWE)

The Rt. Hon. John Nott, MP

CONFIDENTIAL

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
London SW1

26 July 1979

Dear Keith.

LOCAL AUTHORITY APT AND C NEGOTIATIONS

John Biffen suggested in his letter of 25 July that the Local Authorities should be warned, now they have decided to disregard our advice, that they cannot assume that there will be any RSG cover for the costs flowing from their private comparability study. I do not think this goes far enough. Michael Heseltine has already told them this after our meeting on 4 July. It did not restrain them. Must we not tell them that there will be no such cover; and that this will be our practice whenever they decide on pay settlements more costly than those whose expense we have indicated we can share?

Unless we leave them in no doubt on this matter I fear they will not regard the cash limit discipline as any deterrent to the steady upward drift of settlements that we can already discern.

I am copying this letter to the other members of E(EA) and Sir John Hunt.

Yours ever
John.

JOHN NOTT

Local Government

PM seen

PRIME MINISTER

PAY COMPARABILITY AND LOCAL AUTHORITIES' APT AND C STAFF

You asked whether we had agreed that no further cases, other than teachers, should be put to the Clegg Commission.

I too was surprised by the E(EA) decision to put the local authorities' APT and C staff to Clegg - at least without reference to you first. However, this had never been explicitly ruled out.

The Chancellor's paper to Cabinet on the Standing Commission, which was taken on 17 May, said:

> "Looking ahead, the one important additional case on which we might be pressed is the large and varied group of local authority white collar staff. But no decision on this is needed yet."

and in line with this, no decision was taken by Cabinet.

At E Committee on 4 July, there was some discussion about Clegg - and indeed a good deal of grumbling. This was immediately after you had seen Professor Clegg. But again, no decision as such was taken against any further references.

E(EA) therefore took their decision to refer the local authority staff to Clegg in good faith. Following the meeting, the employers and the unions were informed of the decision.

However, we have now heard that they are refusing to accept the decision, and instead have agreed on an "in house" comparability study. This will preserve your view [redacted] - that there should be no further references for the time being. On the other hand, an "in house" study is likely to be even less well done than a study carried out by Clegg. DOE say there is little prospect of their being able to stop the local authorities from going ahead with the study.

R.

9 July 1979

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: E(EA)(79) 6th Meeting, Minute 2

Date: 4 July 1979

Signed C M Wayland Date 27 September 2012

PREM Records Team

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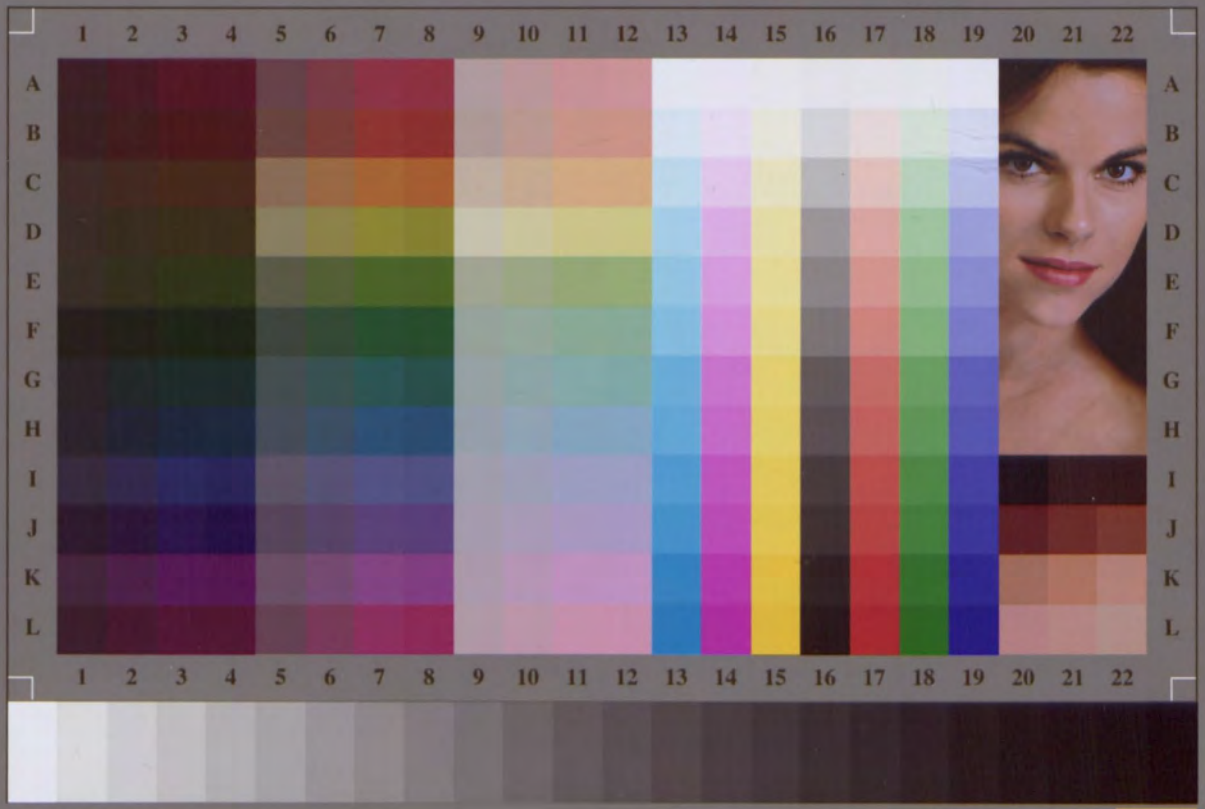

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