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Ref. A09573

PRIME MINISTER

Standing Commission on Pay Comparability

(C(79) 3)

BACKGROUND

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

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

HANDLING

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

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

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

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

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

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

Publicity

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

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CONCLUSION

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


(John Hunt)

16th May, 1979