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PRIME MINISTER (E-Folder)

cc. Mr. Wolfson
Mr. Ingham
Mr. Hoskyns

E, 26 November: Arbitration on Public Services Pay

Mr. Prior's paper, E(80)131, makes a number of helpful recommendations designed to minimise the adverse effect on pay settlements of the right of some groups to unilateral access to binding arbitration.

2. It is particularly important for the outcome of the next pay round, and also in some cases for the outcome of this one, that these arbitration arrangements be withdrawn as far as possible. Of the eight groups listed in paragraph 6 of the paper, the proposals in respect of the first two (school teachers) and of the fourth (civil servants) meet this objective.

3. On the other five groups I have these comments:

University Teachers: Mr. Carlisle has written (flag A) to say that action to renegotiate should not be aimed at the current year's settlement, but at 1981. I think E can accept that: university teachers' access to arbitration is not entirely unilateral (an independent Chairman has to agree); and there is a considerable danger of adversely affecting the current pay negotiations if the arbitration arrangements are now re-opened.

The Police: As long as the police have their indexation agreement, their access to binding arbitration is probably not important; but should not rule out looking at it again, and could merely agree not to renegotiate the agreement this year.

Waterworkers: The waterworkers are pursuing a large claim and are potentially disruptive; unilateral access to binding

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arbitration reduces the chances of a satisfactory outcome. E should agree to ask the employers to renegotiate, not just to "consider renegotiating".

Local Authority Staff: The award for the APT & C (white collar) grades was high - 13 per cent from 1 July 1980, plus 2 per cent from 1 April 1981 and 5 days' extra leave. This reinforces the need to renegotiate the agreement urgently.

UKAEA staff: It is not at all clear why UKAEA staff should be allowed to retain their arbitration arrangements. Their automatic pay link with the civil service did not prevent their claim^{ing} 30 per cent from 1 October this year, and if arbitration is to be withdrawn from the civil service next year, it should surely also be withdrawn from UKAEA staff.

4. One group not mentioned in Mr. Prior's paper is the Probation Service. They also have access to arbitration, which they used this year. But the arbitration is not binding, because it is subject to the Home Secretary's veto. E could agree not to alter the arrangement provided the Home Secretary indicates he is prepared to use it.

Jr.

25 November 1980

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