



## COMPARABILITY STUDY - TERMS OF REFERENCE

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

In particular the investigation should:

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

Kob Shepherd



HOUSE OF COMMONS  
LONDON SW1A 0AA

3rd April, 1979.

*Dear Fred.*

You were kind enough to send me a copy of your letter to Mrs. Thatcher about your Union's pay claim. As you will understand, she is at the moment extremely busy and in view of the urgency of the matter I thought it only right I should reply to you myself at once.

As I am sure you will appreciate, no Opposition can make firm advance commitments about increasing public expenditure, particularly in a financial year which has already begun. The question of Rate Support Grant finance for Local Education Authorities is one that can only be considered in the context of public expenditure strategy generally after the election.

You also asked, by implication, whether the Conservative Party could commit a future Conservative Government to implement the results of any study of teachers' pay by the Standing Commission on Comparability. This is a very hypothetical question. No responsible Opposition could give unqualified advance approval to the outcome of any study such as the one to which you refer, although we should of course pay most careful attention to their conclusions. Final decisions can only be made after consideration of all the facts - something which is only possible when in Government - and proper consultation with all the parties involved.

*Yours sincerely*

*Nash*

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hard as soon as I can. The Act has been in force since 1949. It produces tremendous disparities, particularly in Government grants, which range widely from 24 per cent. to 79 per cent. I hope that we can make progress as soon as resources are available.

#### Local Authority Houses (Back Boilers)

18. Mr. Edwin Walwright asked the Secretary of State for the Environment if he will take steps to ensure that under modernisation schemes every house owned by local authorities shall have a fireplace with a back boiler installed.

Mr. Freeson: No, Sir. It is for the local authority concerned to decide what sort of space and water heating should be installed in modernised dwellings in the light of local needs and circumstances.

Mr. Walwright: Does not my right hon. Friend feel that he is reneging on his duty and responsibility? Is he aware that in the Merborough area houses are being modernised and gas fires are being installed without any back boilers? Is it not crazy that in these days when central heating is being installed we cannot even make funds available to the local authorities to instal back boilers?

Mr. Freeson: That is not the position. The decision on particular heating systems lies with the local authorities and their professional advisers and designers. We do our best to review the housing cost yardstick, which affects these matters, on a quarterly basis. We do it regionally to take account of all local factors on price and costs. Against that background, I do not accept that it is for me to direct local authorities about their particular heating systems.

#### PAY COMPARABILITY (COMMISSION)

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

In my speech to the House on 16 January I commented on the present method of fixing pay and conditions in some areas of the public services and expressed the Government's readiness to

see a greater role for measuring their pay and conditions by making comparisons with pay for comparable work and effort in other occupations where both sides so requested.

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

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

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

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

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

In the case of these groups it has been agreed that the Commission will make recommendations which the Government and the trade union concerned have undertaken to accept. The Commission

(The Prime Minister.)

is being asked to report on these groups by 1 August 1979.

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

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

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

Mrs. Thatcher: I do not find the statement wholly clear. Is the Prime Minister aware that there appears to be a fundamental contradiction on two matters? He said at the beginning of his statement that the main task of the Commission in relation to any group of workers that was referred to it would be to report in each case on the possibility of establishing acceptable bases of comparison. I understand that that is to be the Commission's main role.

Towards the end of the statement, before a shred of evidence has been examined, the Prime Minister then assumes that there is a basis of comparability in relation to four particular groups. Apparently the Commission must assume that, and then go on to make recommendations presumably about pay levels. Is this Commission not to undertake the task of seeing whether there are possible bases for comparability in these cases, but to go straight in and make recommendations? There is a fundamental contradiction. Is the "possibility" role to be carried out first? This has significance, because not only has the Prime Minister assumed that there are bases of comparison: he has even paid £1 on account. How does he reconcile those two factors?

Secondly, the Prime Minister makes the point that the Government's job is

13 M 18

to avoid arrangements that could prove inflationary in themselves. How does he intend to ensure that the recommendations of this body are within the cash limits that the Treasury has provided to meet these wage claims? In the private sector Labour Members are always urging industrialists not to pass on increasing pay claims in increasing prices. Does that obtain in the public sector as well? Is the Prime Minister urging public sector concerns not to pass on increasing pay bills in increased taxes, rates and borrowing?

Thirdly, and finally, as there are a large number of other review bodies whose work must include comparability studies, will their work be subsumed in the Standing Commission, or will it continue?

The Prime Minister: The Leader of the Opposition says correctly that the work of the Commission, certainly in the first four cases, is divided into two parts. First, it must make an examination of the feasibility of these studies, and both parties must accept that such comparisons are feasible. When it has done that, it is agreed that it should then carry through the results of such an agreed feasibility study into recommendations which the Government and local authority employers have agreed to accept on this occasion for these four cases. I understand that this is a little difficult, but the role is quite clear and is understood by the trade unions who will take their cases to the Standing Commission. It is important to get the agreement of all those concerned.

The Leader of the Opposition said that it was assumed that there was a basis for an increase because I had paid them an extra £1 a week already. She is wrong. That extra £1 was not part of the Government's agreement. That was the arrangement entered into by the local authority employers with the unions concerned when they were meeting together without the presence or assistance of the Secretary of State for the Environment. They reported this matter to him, and they must bear this increase on the rates. The right hon. Lady is quite wrong to say that I have undertaken to pay £1 on account. Presumably the local authorities have felt themselves covered by this matter, because it is for them and not

something that posed.

The Leader asked whether within the cash retary to the Treasury fully drafted in order to try the right hon. L nothing further.

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Mr. David sensible to secure than a series of queries of the some may I ask the P fication of the te Commission? W inflationary settle the scope for pro ing comparability. its terms of rel difference between of this / and and Incomes Board in 1970, and the R was abolished in make an effort to pay body to adjud

The Prime Minister the last part of the man's question bears terms of reference. front of me. It is to argue in front of mission and for the sider whether pay relevant to the comp what weighting to Commission will con and will weigh the considerations—what the value to attach to linked pensions, on

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something that the Government have proposed.

The Leader of the Opposition also asked whether the payments would be within the cash limits. The Chief Secretary to the Treasury made a very carefully drafted statement on this matter in order to try to meet the points that the right hon. Lady has raised, and I have nothing further to add to it.

On the question whether the arrangements for other groups would be subsumed in the work of the Commission—at present the answer is "No". However, if they express a desire to enter into the new arrangements—indeed, I hope that the Standing Commission will grow in authority—I should wish to see that possibility examined with care.

Finally, perhaps I am naïve to be a little surprised that the right hon. Lady did not express some appreciation of the fact that we are entering into a system that could avoid the dislocation of recent weeks.

Mr. David Steel: It is obviously sensible to secure new machinery rather than a series of individual ad hoc inquiries of the sort that we have had, but may I ask the Prime Minister for clarification of the terms of reference of the Commission? Will it be able to avoid inflationary settlements by also examining the scope for productivity deals in assessing comparability, or will that be outside its terms of reference? What is the difference between the terms of reference of this body and those of the Prices and Incomes Board, which was abolished in 1970, and the Relativities Board, which was abolished in 1974? Is it not time to make an effort to establish a permanent pay body to adjudicate in these matters?

The Prime Minister: I cannot answer the last part of the right hon. Gentleman's question because I do not have the terms of reference of those bodies in front of me. It will be for the parties to argue in front of the Standing Commission and for the Commission to consider whether particular factors are relevant to the comparability exercise and what weighting to give to them. The Commission will consider the submissions and will weigh the individual points and considerations—whether on productivity, the value to attach to job security, index-linked pensions, on holiday or sickness

arrangements. The parties will argue those matters in front of the Commission and the Commission will rule on them.

Mr. Alexander W. Lyon: Since the introduction of the Commission has arisen from increasing evidence that public sector pay has been falling behind that of the private sector, does not the establishment of the Commission presume that there must be a continuing incomes policy in the future, in order that the pay in the private sector should be brought roughly into line with the increase in real wealth in the economy?

The Prime Minister: That depends on what period one takes. One cannot draw a general conclusion and say that pay in the public sector has fallen behind. It depends what years are taken for that purpose. We should try to avoid the leapfrogging that takes place when public servants—I take them as a hypothetical illustration—receive substantial increases that are supposed to bring them up to private sector increases and that the private sector then use in order to build new claims. That is the merry-go-round—the circularity—that produces inflation.

It is inherent in this arrangement that the circularity will not be allowed to persist. In the joint statement, the TUC said that it recognised that this could happen, and it does not intend to base its claims in that way. As for the question of a continuing incomes policy, I believe that more and more people are coming to the conclusion, certainly within the public sector, where free collective bargaining clearly does not apply, that an incomes policy is becoming more and more self-evident.

Mr. Hugh Fraser: Will the Prime Minister examine what happened with the Services pay review body, which attempted to establish these comparability studies? It was a total failure. Are we to regurgitate all the failures of previous Governments? Surely that would delude the workers and guarantee inflation. I hope that the Prime Minister will withdraw this preposterous suggestion.

The Prime Minister: It is easy to criticise the arrangements. If the right hon. Gentleman is saying that he thinks that the arrangements are not worth a trial and that he would rather the public put up with what they have over the recent

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LEADER'S CONSULTATIVE COMMITTEE

240TH MEETING

5.00 p.m., Wednesday, 4th April 1979, in the  
Leader's Room at the House of Commons.

REVISED AGENDA

1. Public Sector Pay, a paper by the Research Department, LCC/79/195 - attached.
2. The election campaign.
3. Any other business.

Conservative Research Department,  
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