

PUBLIC SECTOR PAY.Paper by the Research Department

This paper discusses how we might react to public sector pay claims in the period up to the election, and sets out recommendations which may be relevant not only during the campaign but in Government. It only explores broad issues and proposes general principles. But if they, or something like them, are acceptable, it would not be too difficult to establish how, or how far, they should be applied, case by case. We have already undertaken a fairly extensive analysis of the principal public sector claims and settlements in preparing this paper. This work has been most valuable. We propose to carry it further forward, and to prepare from it fuller background information for circulation to interested members of the Shadow Cabinet in the near future.

FOUR CATEGORIES

2. The major public sector pay claims and settlements can perhaps be best classed as follows: those in which,

- (1) conventional phase 4 settlements have already been concluded, with no specific agreement about further increases in the 1979/80 pay-round. (In many cases these agreements also involve the implementation of "something extra" which had been negotiated in Phase 3).
- (2) Phase 4 settlements have been concluded, and either new comparability commitments have been made; or well-established systems of review and comparison are being re-activated. In both cases further "catching-up" awards are to be expected, or have already been agreed. Usually these will fall in the 1980/81 wage round. But in some important cases (LA manuals) they will take force in this round.
- (3) Phase 4 negotiations have not yet been completed;
- (4) we have specifically endorsed or offered to improve on what Labour have agreed.

These categories are necessarily a little grey at the edges.

3. Most settlements and claims fall into two distinct parts: a specific pay award; and a claim or agreement about a method of bargaining. It is clearly vital to separate these issues at all times; and often likely that we should adopt different attitudes to each aspect in the case of any particular query.

PARTICULAR CASES

4. We recommend that our attitude to particular cases should be as follows:

- (1) Endorse the phase 4 element of all specific pay awards already concluded; though without automatic approval in some cases for associated commitments entered into now for the next pay-round.
- (2) Re-endorse all existing Tory commitments for the next pay round such as the Armed Forces and Police. In these cases it so happens that we are committed both to specific figures and a system of bargaining.

- (3) Affirm our commitment to well-established bargaining systems in broad terms, but subject to certain reservations (e.g. Pay Research for Non-Industrial Civil Servants). Some reservations would be specific, e.g. doubts about treatment of job security, pensions contributions, others would be general; for example the Government's mismanagement of the new comparability claims and suspension of normal bargaining during Phases 1 to 3 has put in jeopardy the basis of all well-established public sector bargaining arrangements
- (4) Avoid endorsing new bargaining procedures, but indicate we will look positively at them in as far as they conform to, or can be changed to match our general principles (discussed below). Stress our ignorance of what the new systems involve (Clegg's Standing Commission, and the arrangements for nurses and industrial civil servants) since none have yet reported and not even their terms of reference are published.
- (5) Sound a few general notes of warning where appropriate. For example
 - there is "no extra money available";
 - many public sector workers have done better than private sector employees, comparing their relative positions in 1978/9 with where they stood in any year before 1974;
 - of the 18 major public sector settlements, we have studied, no fewer than fifteen now involve formal or de facto comparability, as a result of a chaotic and inconsistent morass of concessions made in recent months by an irresponsible and panicky Government. Moreover yet more groups (BBC, NFFC) threaten to join the band of the privileged;
 - in return for their numerous and fundamental concessions on individual claims and on the bargaining system Labour have not obtained or even sought anything (e.g. No-strike agreement);
 - in sum, the situation is now so chaotic after all these concessions that even the operations of some well-established public sector bargaining procedures may well turn out in time to have been jeopardised.
5. The general principles to which we might suggest public sector bargaining should conform are set out in an annex.

MATTERS FOR DECISION

6. (a) Is the approach to specific cases outlined in paragraph 4 acceptable?
- (b) How in general terms should our position now be developed and presented?
- (c) What further work and information is now required?

7. In developing our position in public there are more methods available than usual. In addition to speeches, statements and open letters, we can put material out in Daily Notes, and Questions of Policy, consider circulating supplementary background briefing to candidates in the same format as "Political Statistics" and the new "Speaker's Notes" or raise issues at daily election Press Conferences. Furthermore we might have time to prepare standard letters for the Leader and Shadows directly responsible to meet the most troublesome queries likely to be encountered in the campaign.

ANNEX

GENERAL PRINCIPLES WHICH PUBLIC SECTOR BARGAINING SHOULD RESPECT

1. The overall level of the nation's pay rises should ideally not exceed the growth in real production, and must at all times be compatible with targets for the money supply which steadily reduce inflation.
2. Public Sector pay bargaining must be conducted within the limits of money available to Government which are set principally by taxes and rates, and peoples' ability and willingness to pay them.
3. Public sector pay bargaining must therefore fit in with the cash limit system. That is here to stay as it is essential for controlling public spending. And it is the concrete expression of (1) and (2).
4. Individual settlements must also be both in line with realities of the market place; and accepted as just by those affected.
5. Pay bargaining should, in corresponding to realities of the market place, reflect in particular manning and productivity, job security, pension rights, and other benefits, and the balance of supply and demand for the skills in question including, where appropriate, variations between regions. Comparisons with private sector pay levels which respect these principles could well be acceptable outside the traditional areas.
6. To avoid the many inconsistencies encountered at present, ways must and can be found in consultation with the unions involved, of reconciling established bargaining procedures and, to the extent we find them acceptable, some of those recently proposed or set up, with the cash limits system (3), and with the basic principles of the market place (5).
7. To be just, and be seen as just, both negotiators on both sides of the table and employees in the public sector, need to be in full possession of the relevant facts about pay, efficiency and terms of employment, both in the public sector and in related occupations and industries outside it. But it is equally vital that the other three quarters of the population who do not work in the public sector should not feel or have grounds for feeling that public servants are being overpaid.
8. We fully recognise we cannot expect to have a high-class "public service" on the cheap.