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PRIME MINISTER

Future of the Standing Commission on Pay Comparability
(E (79) 49)

BACKGROUND

E Committee last considered the future of the Clegg Commission on 11th September, just after it had produced its first (and so far only) reports on the Public Service Manuals and University Technicians. It was then agreed:-

- (i) that the Commission should complete its work on existing references (including teachers and nurses);
- (ii) that the Government should submit its general evidence to the Commission (now done);
- (iii) that E should consider again the longer-term future of the Commission - hence the present meeting - on the basis of a further paper by the Chancellor. In addition, and associated with this remit, the Committee asked for a paper on the treatment of job security etc. in comparability studies, and on the treatment of index-linked pensions. The first point is dealt with in this paper. The second is the subject of a related paper by the Lord President which we have placed on the same Agenda. The Chancellor had considered circulating a personal paper of his own about the index-linked pensions, but has decided against this. That does not necessarily mean that he agrees with the Lord President's proposals (on which I have sent you a separate brief) and he may indeed wish to oppose them in Committee.

2. The Chancellor's paper, which has been extensively re-written since the work done by officials, deals with the long term future, the membership, candidates for future references, form of future references, and the broad

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questions of efficiency, job security and labour market factors. In considering these, it may help to remember that the Commission is at present carrying out studies on teachers (an interim report is likely to be available in January 1980 and a full report in the summer) and on nurses (a full report likely at the turn of the year). The final stages of its recommendations on local authority manuals and NHS ancillaries and ambulance men, and university technicians, are only just coming into payment. But because they are backdated to last winter, the next round is just about due. So far it has been assumed that Clegg will play no part in up-dating his last-round recommendations for inflation. A number of other candidates have been suggested: notably local authority APTC grades (who were, in the end, the subject of a separate in-house joint study by the employers and the unions, which has yet to report). Other groups currently under 'comparability' examination include the Civil Service industrials (next July) and non-industrials (next April). In addition, there are the three groups covered by the review bodies: the top salaries group; armed forces; and doctors and dentists. All of these were the subject of reports within the last twelve months, and are due to be up-dated next Spring.

HANDLING

3. Once the Chancellor has introduced his paper, I think the best course would be to go through the different headings as quickly as possible. A number of Ministers will wish to speak to each item: I have shown these in brackets at the head of each entry:-

- (i) Long Term Future of the Commission. (Employment; Industry; and Client Ministers - Social Services, Education, Environment)
The Chancellor is much more sceptical than were officials in the working group report which was originally submitted to him. He sets out three arguments against any long-term commitment. Against this, other Ministers will argue that some form of standing machinery (as with the existing review bodies) ensures continuing expertise; provides a measure of consistency of

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treatment; avoids the special pleading associated with review bodies concerned with one client group (e.g. the doctors and dentists); and avoids the panic recommendations of the typical 'Wilberforce-type' study (the May Committee report on the prison services, due this week, is the first time anyone can remember such a body failing to deliver the solution sought by the employees). However, the Committee may well settle for it if the Chancellor's proposal closes no options.

- (ii) Membership. (Employment; Industry; Lord President).

I think you could dispose of this briefly, by inviting the Secretary of State for Employment (who is responsible for the Clegg Commission) to consult his colleagues and bring forward proposals to you separately. Any Ministers who have suggestions to make might be invited to pass them on to the Secretary of State.

- (iii) Candidates for Future References. (Education; Social Services; Environment; etc.)

The Chancellor proposes soundings of the local authority and NHS management sides, to see whether they want to use the possibility of a future reference to Clegg as an element in their current negotiations. Clegg himself recognised that the speed with which his first studies were undertaken left a lot of gaps and a full new review would inevitably take a good deal of time to carry out. It follows that this year's settlements must inevitably be largely 'up-dating', and Cabinet has already laid down the amount to be allowed in the Rate Support Grant negotiations, which will condition the amount available for the key manuals' group. But a reference to Clegg to provide the basis for next year's negotiations might help to buy off trouble - or prevent excessively high settlements - this winter. Initial soundings at this stage might therefore be a sensible precaution.

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- (iv) Form of Future References. (Chancellor; sponsor Ministers)
The Chancellor recommends that in general (not in every case) Clegg should be asked to establish the facts and leave the negotiators to settle the exact deal on the basis of this neutral data base. This is broadly similar to the pay research process, but leaves open the possibility of using Clegg as an arbitrator or umpire in particular cases, if all concerned see advantage in doing so. I doubt if anyone will disagree.
- (v) Efficiency, Job Security, etc: non-Civil Service groups.
(Environment, Education, Social Services).
The proposal here is that the line taken in the Government evidence to Clegg should be followed up case by case with the individual employers and in future references to the Commission. No further action is called for at this stage. You might, however, take this opportunity to remind the Secretary of State for the Environment to keep the Committee in touch with developments in the local authority manuals negotiations; and ask the Secretary of State for Social Services to bring forward proposals for the National Health Service cash limits (which will effectively put a ceiling on the pay negotiations for the ancillaries' group) in December or early January, as agreed by the Committee at its previous meeting.
- (vi) Non-industrial Civil Service: Job Security. (Lord President; Employment; Industry; other Ministers with large Civil Service staffs).
The proposal is to make use of the present PRU Board to impose some 'wider judgment' on the factual evidence produced by the PRU itself. Last year's pay research reports indicated that job security is no greater in the Civil Service than among the analogues. One difficulty here is that many of the analogues are themselves within the public sector. Another is that the

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analogues in the private sector are, on the whole, larger employers with a reputation for looking after their staff and avoiding unnecessary redundancies. Most Ministers felt, subjectively, that this evidence produced the wrong result. On the other hand, there is clearly likely to be some involuntary redundancy in the Civil Service in the next year or two, as a result of the present staff cuts exercise; so job security may be less than in the past. Somebody has to take the responsibility for weighing these various factors together. If PRU cannot produce any objective evidence, the PRU Board, particularly if augmented, might be the best group (I attach at Annex a note of its membership). The Board will have to work fast if it is to consider these points in time for the settlement due in Spring 1980.

(vii) Non-industrial Civil Service: Labour Market Factors.

The real problem here may be not so much the theological objections of the Priestley Commission as the fact that the Civil Service is organised in classes and grades which are Service-wide. The Chancellor proposes putting these factors into second place, and concentrating on job security this year, while mounting a few pilot studies. I do not think the Lord President will object to this; other Ministers (notably the Secretary of State for Industry) may want to go much faster. You will remember that a separate exercise is already in hand at official level on the scope for decentralised pay negotiations in the public sector. Some of the ideas emerging in this study may be relevant here - e.g. for an attempt to be made to collect PRU data on a regional basis - but there is clearly a need for more information if policy is to be soundly based. The best course may be to accept the Chancellor's proposal for interim studies, and to link these to the forthcoming report

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of the official group on decentralisation. Indeed, that group could be asked to oversee the new studies so that the various strands can be coherently brought together.

(viii) Efficiency. (Employment; Industry; Lord President)

The Chancellor makes no firm recommendations. The present negotiating system makes a clear distinction between efficiency and pay research. The CSD line, which is based on many years experience, is that the Government will find itself paying for improved efficiency if it introduces this as a factor into pay bargaining. At present, the CSD reckons to get improvements in working practices quite separately and for free i. e. without having to 'buy them out' as in much of the private sector. The traditional pattern has been that the Civil Service unions will on the whole co-operate with the introduction of new working methods.

CONCLUSIONS

4. You might follow the checklist in paragraph 14 of the Chancellor's paper:-

- (a) The Committee might agree to keep the Clegg Commission available for new references, developing it pragmatically and without full commitment to its long term future or to the principle of comparability.
- (b) You might ask the Secretary of State for Employment, in consultation with interested colleagues, to submit proposals to you for strengthening the Commission.
- (c) The Secretary of State for the Environment and the Secretary of State for Social Services (consulting Scotland and Wales as necessary) might sound out the managements of NHS and local authorities about future references of the manuals and ancillaries groups).
- (d) The Committee might agree that future references should normally, but not invariably, be in the form of request for findings as a basis for negotiation, rather than specific and binding awards.

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- (e) Government evidence should be followed up with Professor Clegg as recommended in paragraph 11.
- (f) The Lord President should arrange for the Pay Research Unit Board, perhaps suitably augmented, to conduct a study of comparative job security in the non-industrial Civil Service in time for this year's pay research settlement.
- (g) The Lord President should arrange for the CSD to make pilot studies of labour-market factors in selected areas in consultation with other Departments as necessary (and using the existing official group on decentralising pay bargaining in the public services as the co-ordinating instrument).
- (h) (Not in the original list) the Secretary of State for the Environment and the Secretary of State for Social Services to be invited to report on the local authority manual workers' pay negotiations, and on the prospects for the NHS ancillaries and ambulancemen settlements, and (in consultation with the Chancellor) to make recommendations for the NHS cash limits, in December.

ReA

(Robert Armstrong)

29th October 1979