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*R*  
30 May 1979

*Dear Tim*

PRIME MINISTER'S MEETING WITH PROFESSOR CLEGG:  
31 MAY

I attach a brief for the Prime Minister's meeting tomorrow with Professor Clegg. It has been cleared with the Treasury at official level.

I am sending a copy of this letter and its enclosure to Tony Battishill (Treasury) and Martin Vile (Cabinet Office).

*Yours sincerely  
Ian Fair*

I A W FAIR  
Private Secretary

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30 MAY 1970

BRIEF FOR PRIME MINISTER'S MEETING WITH PROFESSOR CLEGG, CHAIRMAN  
OF THE STANDING COMMISSION ON PAY COMPARABILITY: THURSDAY 31 MAY

Objective

1. To impress on Prof. Clegg the Government's view of, and to reach a common understanding on,
  - the limits of the Commission's role
  - wider considerations which the Commission should bear in mind
  - its programme and timetable for reporting
  - its membership, including the question of additional members and Prof. Clegg's own position.

These points are developed in more detail below.

Background

2. The establishment of a Standing Commission on Pay Comparability was announced by the then Prime Minister on 7 March. The six members (listed in Annex A) were appointed by and report to the Prime Minister. Day to day administration is dealt with by the Secretary of State for Employment. The secretariat is provided by the Office of Manpower Economics, established by the DE in 1971 to service the Review Bodies and other independent inquiries. The cost is borne on the DE vote.

3. The Commission has no general terms of reference but its role was described in Mr Callaghan's statement as

"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".

(Hansard, 7 March, Col. 1251ff)

4. Nine groups had been referred to the Commission prior to the Election, viz

- local authority manual workers
- municipal airport manual workers
- NHS ancillary workers
- ambulancemen
- ambulance officers
- university manual workers
- university technicians

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- nurses and midwives
- professions supplementary to medicine

In each of these cases the Commission was asked not only to report on feasibility but also to make substantive recommendations. (For terms of reference see Annex B).

5. The present Government has decided that the Commission should complete its work on these cases and three others where a reference to the Commission has already been agreed by the employers and unions concerned, viz local authority craftsmen, British Waterways Board staff and teachers in schools and (subject to final agreement) further education. This decision was announced in general terms by the Secretary of State for Employment in a Written Answer to Mr Geoffrey Rippon on 24 May (Hansard col 252W).

6. The terms of reference for LA craftsmen and BWB staff will be similar to those for the earlier cases. The terms of reference for teachers (see Annex C), though different in form and in particular importing a reference to the Houghton Report, also require the Commission to make substantive recommendations.

7. The timing of reports, and the staging of recommended increases, are not covered in the terms of reference but are in all cases covered elsewhere in the terms of agreement between the employers and unions concerned. The Commission's programme of work on this basis is summarised in Annex D.

8. The only large public service group not covered by the above programme or some other form of comparability study (PRU for the industrial and non-industrial civil service; Review Bodies for the armed forces, doctors and dentists etc; Edmund Davies for police; etc) are the local authority administrative professional, technical and clerical staff who are reported to be claiming a substantial immediate increase plus a reference to the Commission. Their settlement is due by 1 July and negotiations are expected to start shortly. If the proposed reference is agreed by the local authority employers and by the Government the Commission might report by about mid-1980.

9. There are a large number of smaller groups of public service workers who will claim pay increases in line with awards to one or other of the major groups already under investigation unless and until reference to the Commission in their own case shows that continuation of such traditional links is not justified because the work is not comparable.

10. The Government proposes to submit general evidence to the Commission. The draft is currently being revised by the Treasury. The Government also has the opportunity of influencing the evidence submitted by the employers in those cases, eg NHS and teachers but not local authorities, where it is represented on the employers' body.

Points to make

11. The Commission's role: The present Government is not convinced that comparability should be the sole criterion in determining pay in the public services. Nevertheless insofar as it has a role to play it is important that it should be done properly, follow consistent principles and avoid the leap-frogging results of earlier ad hoc bodies.

12. Professor Clegg is likely to go along with this. He has already expressed the view that after the first run of cases the Commission should not be asked to make substantive recommendations, but confine itself to presenting factual analyses, eg of comparable rates for comparable jobs, as a basis for subsequent negotiation in which other factors can be taken into account.

13. Wider considerations to be taken into account: Given that the Commission is charged with making substantive recommendations in the cases now before it, it needs to have regard to wider considerations, such as

- the repercussions of its awards on other groups; which is particularly important in the reports due in August at the beginning of the next round of negotiations
- the cost of awards and effect on public expenditure, given the agreed staging in each case
- the scope for improving efficiency, particularly where analogues are taken from highly efficient firms.

14. Professor Clegg is no doubt well aware of these considerations but may stress that his room for manoeuvre will be limited by the extent of under-payment or over-payment indicated by the surveys of comparators now being carried out, and by the need to carry at least

a convincing majority of his Commissioners with him, and to maintain the acceptability of the Commission to all concerned. The unions will point to statistical evidence that pay in central and local government fell substantially behind that of the private sector under the policies of the previous Administration, but that begs the question whether the relationship was right to start with. It is the Commission's job to determine on the basis of direct job comparisons when possible what is the correct relationship in current circumstances.

15. The Prime Minister might stress the importance of the Commission emphasising in its reports that its awards represent a catching-up exercise and afford no justification for consequential claims in the private sector. Moreover it needs to be emphasised that where there is a wide range of pay for comparable work in the private sector there may be a variety of reasons for this, including the relative profitability of different undertakings.

16. Programme and timetable: The Prime Minister may wish to question Professor Clegg

- will the Commission be able to report on its first batch of references by 1 August as planned? (The CBI have urged that the Commission should be given an extension of time if necessary, but this could re-open the industrial troubles of last winter).
- When will the report or reports on nurses and midwives, together with professions supplementary to medicine, be ready? (Current target date is end-1979 with back-dating of first stage to 1 August).
- How does the Commission propose to tackle the study for teachers, in the absence of private sector comparators (independent schools fix their salaries by reference to the state system, and not vice versa)? (Professor Clegg recognises that this will be a difficult study, particularly in view of the important differences in other terms and conditions of employment for teachers compared with other jobs. The most promising line of approach might be analysis of the factors, such as skill, responsibility etc. required)

- How would the Commission view a reference of local authority white collar staff? (The Prime Minister will want to make clear that this is a proposal to which the Government are by no means committed)
  
  - If the Commission remains in being, what of its longer term programme? Should priority be given to up-dating earlier studies for the main groups or examining some of the smaller groups currently linked to them? (The Prime Minister will want to make clear that the Government is reserving its position on the Commission's future at this stage).
17. Membership: The Prime Minister might say that she does not propose to make any changes in membership, or additions, until the Government has reviewed the Commission's future in the light of the results of its immediate programme, including importantly the extent to which other groups are persuaded by the Commission's arguments to accept any increases as a catching-up exercise and no basis for their own claims.
18. As regards Professor Clegg's own position, the Prime Minister might say that she understands that there was some question mark over his availability after the turn of the year but that he has since indicated a willingness to serve beyond that. She might suggest that they discuss this matter again nearer the time when the Government had had an opportunity to review the future of the Commission generally.

Concluding the meeting

19. The Prime Minister might emphasise again the importance that the Government attaches to the work of the Commission generally, and in particular the first batch of reports due by 1 August. The Government will be reviewing the future of the Commission in the light of the reception accorded to these reports, particularly the extent to which they provide a basis for settling pay in the public services in a way which commands acceptance not just in the public services themselves, but also from other groups as not affording a basis for leap-frogging claims, and from the tax payer as justifying the public

expenditure involved. In particular it will be necessary to meet the argument that pay in the public services should not be fixed by reference to the levels set by the most efficient and productive enterprises in the private sector without a comparable level of efficiency in the public services.

Department of Employment

May 1979



STANDING COMMISSION ON COMPARABILITY

Chairman: Professor Hugh A CLEGG MA, Professor of Industrial Relations at Warwick University, since October 1967. Age 58. Former member of the Council of the Advisory, Conciliation and Arbitration Service.

Members:

Sir William RYLAND, CB, formerly Chairman of the Post Office Corporation. Age 65.

Mr Peter D GIBSON, Director of Personnel and Administration at BP Oil Limited until 30 December 1978. Age 58. A former member of the Petroleum Industry Training Board.

Mr C H ('Harry') URWIN, Deputy General Secretary of the TGWU since 1969 and a member of the TUC General Council. Age 64. A member of the Manpower Services Commission. Formerly a member of the Council of the Advisory, Conciliation and Arbitration Service; the Central Arbitration Tribunal and National Enterprise Board.

Sir Leslie WILLIAMS, CBE, Former General Secretary of the Society of Civil and Public Servants. Secretary-General of the Staff Side of the Civil Service Whitley Council from 1966-1973. Age 65. Member of the Armed Forces Review Body.

Professor Joan E MITCHELL, Professor of Political Economy at the University of Nottingham. Formerly an Economist at the Board of Trade, 1947-1950, and a Research Officer for the Labour Party, 1950-1952. A member of the Committee to Review the Functioning of Financial Institutions (Sir Harold Wilson's Committee) and of the East Midlands Economic Planning Council.

Salaries

Chairman: £18,510 pa pro rata for time worked (currently 3 days a week)

Members: £1,100 pa for up to one day a week

Appointments run until 8 March 1982 but can be terminated subject to 3 months notice on either side.

TERMS OF REFERENCE TO THE STANDING COMMISSION  
OF LOCAL AUTHORITY MANUALS

(Those for other groups referred before the Election  
were similar)

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, ambulancemen 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 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 recommendation.

TERMS OF REFERENCE TO THE STANDING COMMISSION: TEACHERS

The Government, at the request of both sides of the Burnham Primary and Secondary Committee, invite the Standing Commission on Pay Comparability to undertake, in the light of their terms and conditions of employment, a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society including all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

The conclusions of the Standing Commission should be conveyed to the Burnham Primary and Secondary Committee.

CURRENT POSITION ON COMPARABILITYGroups already referred to the Standing Commission on Pay Comparability

	Numbers involved	Annual Settlement Date		Comment
Local Authority Manuals	1 million	4 Nov.	)	
NHS Ancillaries	212,750	13 Dec.	)	
Ambulancemen	16,600	1 Jan	)	Report promised by Aug 1.
University Manuals	11,400	1 Nov	)	Have received £1 on account
			)	Agreed staging of awards
			)	1st Payment 1 Aug 1979
			)	2nd " 1 Apr 1980
Municipal Airport Manuals	1,500	1 Jan		Linked to LA Manuals
				£1 on account
				Staging 1 Aug 1979
				1 Apr 1980
Ambulance Officers	3,300	1 Feb		Linked to Ambulancemen
				£1 on account for lowest grades
				Staging 1 Aug 1979
				1 Apr 1980
University Technicians	15,200	1 Oct		Report promised 1 Aug 1979
				Staging 1 Aug 1979
				1 Apr 1980
Nurses and Midwives	484,000	1 Apr		Report should be ready around end
				1979
				£2-£2.50 on account
				Staging 1 Aug 1979
				1 Apr 1980
Professions Supplementary to Medicine	25,200	1 Apr		Linked with nurses
				£1 on account
				Staging 1 Aug 1979
				1 Apr 1980

Groups for whom comparability study has been agreed - not yet referred

	Number involved	Annual settlement date	Comment
L A Craftsmen E & W	100,000	4 Nov	Electricians and Building Trade Operatives only have settled.  Position on Engineers outstanding. £1 on account Staging Nov 1979 Apr 1980
(Scottish Craftsmen	18,900	Various dates	
British Waterways Board Non-manuals	794	8 Sept	Staging 1 Sept 1979 8 Sept 1980 None on account
School-teachers E & W	500,000	1 Apr	Report expected by June 1980. £6 per month on account staging 1 Jan 1980 1 Sept 1980
FE Teachers E & W	78,000	1 Apr	Linked with school-teachers E & W
Scottish School & FE Teachers	61,000	1 Apr	