

PREM 19/3689

Confidential Filing

Public Service Redundancy Terms.

ECONOMIC POLICY

OCTOBER 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
21.10.81							
23.10.81							
31.10.81							
4.11.81							
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21.10.82							
2.11.82							
4.12.92							
PREM 19/3689							
CLOSED							

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(82) 17 th Meeting	19/10/1982
H(82) 45	13/10/1982
H(82) 1 st Meeting	19/01/1982
H(82) 2	13/01/1982
H(81) 34 th Meeting	22/12/1981
H(81) 77	16/12/1981
H(81) 28 th Meeting	09/11/1991
H(81) 67	23/10/1981
H(81) 63	19/10/1981

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed J. Gray

Date 12/8/2017

PREM Records Team

PART OCTOBER 1981 ends:-

PS/CBL to PS/SS Emp 4.12.92

PART _____ begins:-



Chancellor of the Duchy of Lancaster
Minister of Public Service and Science

Kb 5341

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone: 071-270 0400

David Russell Esq
Private Secretary
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

4 December 1992

Dear David,

PUBLIC SECTOR REDUNDANCIES - PROPOSED REACTIVATION OF INTER-DEPARTMENTAL GROUP

The Chancellor of the Duchy of Lancaster has seen the recent minutes to the Prime Minister from your Secretary of State and from the Chief Secretary.

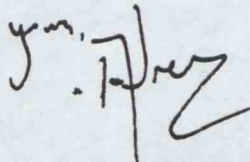
Irrespective of the outcome of Mr Portillo's minute of 30 November, which queries the exact remit of any interdepartmental group, we would like at this stage to register this Department's interest in being involved in such an exercise. Both the co-ordination of responsive action, and the presentation of large scale public sector redundancies are of concern to the Chancellor of the Duchy because:

- he has responsibility for policies in the Civil Service - particularly market testing - which may have redundancy implications;
- this Department retains responsibility for the Government's role as "good employer" for the Civil Service, which comes under particular scrutiny when redundancies occur;
- The Chancellor of the Duchy has, primarily through the Citizen's Charter Unit, some responsibility for presenting the Government's policies throughout the public sector: for instance last week our Ministers opened and wound-up a debate on Management of the Public Service. Given the nature of that debate, it would have been helpful if we could have been aware rather earlier of the impending redundancies from BR, which were announced just before.

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For these reasons I hope that our interest in membership of the group can be registered, and that we can be kept in touch with subsequent developments. Once we have a clearer idea of what is envisaged, we can make any necessary decisions on representation in order best to support our Ministers.

I am copying this letter to the Private Secretaries of Cabinet Ministers and to Melanie Leech.

A handwritten signature in black ink, appearing to read 'J. Cahn', with a stylized flourish at the end.

ANDREW CAHN
Principal Private Secretary

CONFIDENTIAL



FROM: CHIEF SECRETARY
DATE: 30 NOVEMBER 1992

PRIME MINISTER

PUBLIC SECTOR REDUNDANCIES

Gillian Shephard's minute of ²⁵~~23~~ November proposes the reactivation of an official interdepartmental group to coordinate action in response to large scale public sector redundancies and to help manage the presentation of our response.

2. I think it important to draw a distinction between these two objectives, and to be clear that we are not considering a mechanism to bid for and distribute extra provision. Our measures to ameliorate the effects of coal closures were specifically agreed as a one-off response in exceptional circumstances. In future all the departments involved must operate within the limits of the recent PES settlements.

3. That being so, the role of any central group would have to be limited to managing the allocation of existing resources and improving co-ordination on the ground. And in that case I am not sure why its remit should be confined to the public sector, and particularly redundancies "which flow directly from our own decisions as employers" (which in any case would exclude coal).

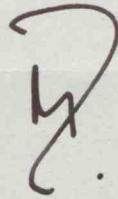
4. The case for a narrower focus is of course much clearer when we look at presentation of the case for large redundancies which can be laid directly at our door, although I would not want it to appear that we favoured in some way those made redundant from the

CONFIDENTIAL

public sector above (and therefore, implicitly, at the expense of) those affected by a large private enterprise closure.

5. So although, in principle, I see the attractions in what Gillian proposes, I should like to see a more detailed proposal before offering my support.

6. I am copying this minute to other members of the Cabinet and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'M. Portillo', with a large loop at the top and a trailing flourish.

MICHAEL PORTILLO

CONFIDENTIAL



Secretary of State
for Employment

21/11/92
Cabinet Office
advising.

PRIME MINISTER

PUBLIC SECTOR REDUNDANCIES

I am concerned that we are failing to handle our approach as a Government to large public sector redundancies, particularly those which flow directly from our own decisions as employers. Too often our action appears to be un-coordinated, too little and too late.

In practice there is much that we can do. Our experience with coal is an example of how, using the TECs to develop approaches at the local level, we can produce quick and effective action plans to help local communities to cope with large-scale redundancies. The Employment Service and TECs are particularly well-placed to respond to the needs of individual families affected and can gear themselves up to act rapidly. Other Departments, too, notably DTI can respond within their existing programme.

And yet we are not co-ordinating our action nor presenting it well. We did not seem prepared for the closure at Portland. Even where the public reaction does not hit national headlines, local perception of the Government's effectiveness in responding is very important.

I suggest that we re-establish the inter-departmental group of officials which used to help co-ordinate our response to large public sector redundancies. My Department led such an interdepartmental group in the past but the group lapsed in 1987. The aim of the group would be to bring together the Departments which can contribute to the Government's response at a local level, to co-ordinate the action that can be taken and to help manage the presentation of the Government's response. Departments responsible for decisions on the redundancies would need to be involved too.

I am copying this minute to Cabinet colleagues and Sir Robin Butler.

hi.

GS
23 November 1992

CONFIDENTIAL

ANNEX C
WORKFAREAttachment to Tsy to MF 28/8/92
Contingency planning

This note considers the pros and cons of workfare with particular reference to the "rate-for-the-job" scheme proposed by Ralph Howell MP.

2. Workfare schemes are designed to ensure that only those genuinely seeking a job receive benefit: the unemployed are required to undertake some sort of work or, in some versions training, organised and subsidised by government before they become eligible for income support.

3. The main advantages of workfare are claimed to be:

(i) benefit savings, stemming mainly from a possible reduction in the unemployment count as fraudulent claimants and those unwilling to work are weeded out;

(ii) re-establishment of the work ethic among the long-term unemployed;

(iii) general downward pressure on wages, since participants typically receive benefit or benefit plus an allowance;

(iv) the intrinsic value of the work carried out.

4. The main disadvantages relate to practicality, costs and labour market effects.

Practicality

5. The introduction of any scheme under which entitlement to benefit was removed would require controversial primary legislation. It could prove difficult in practice to apply workfare tests to those receiving contributory unemployment benefit as distinct from income support. Countries which operate workfare tend to confine it to those who have exhausted their right to contributory benefit, those who have already been through a government training programme, or those whose ability or

willingness to search for a job has declined. In the UK the corresponding groups would be people unemployed for more than a year.

Cost

6. If eligibility for benefit depended on participation in a scheme, individuals would occupy places until they found an alternative job. So unless the scheme were very limited in scope (and that could raise problems of equity), a large number of places would be needed.

7. Voluntary bodies would be unable to generate enough projects and unwilling to take on "conscripts". Many local authorities would no doubt feel the same. The Government would therefore have to provide most of the places itself. (It is assumed that private sector involvement would be highly unlikely in practice, given trade union opposition to cheap labour; or undesirable, given the risk of employers substituting workfare participants for conventional recruits, thereby increasing the inflow into unemployment and preventing any net reduction in the count).

8. Workfare programmes are typically associated with infrastructure programmes - eg road repair and environmental improvements - organised (or inspired) by government. The main costs are supervisors' wages, tools and equipment and any premium payment above benefit entitlement (eg to cover travelling expenses). Measurable financial flowbacks are unlikely - except perhaps for income tax/VAT paid by supervisors. The direct PSBR effect is therefore likely to be much the same as the increase in public expenditure.

9. There could also be costly knock-on effects (as the Californian experience has demonstrated). Under current arrangements, lone parents and others on income support caring for young children are excluded from the "actively seeking work" test. Unless they were similarly excluded under workfare, the Government would have to pay for childcare provision.

Labour market effects

10. Participation in a workfare scheme is bound to make job-search more difficult, if only because individuals will not have the time to make applications and attend interviews. In certain circumstances employers could find it harder to fill vacancies at prevailing wage rates, leading to inflationary pressure despite unchanged unemployment. However, this is unlikely to be a problem at current levels of unemployment. The overall effect on the labour market is more likely to be deflationary. There would be downward pressure on wages insofar as workfare jobs competed with pre-existing paid jobs.

The Ralph Howell option

11. Mr Howell has proposed a scheme under which:

- all unemployed people should be offered a "real" job (as opposed to the project based employment provided under current training and employment measures). Examples are care of the elderly, and work in local authorities and hospitals;
- unemployment benefit and income support would be withdrawn. The unemployed could choose whether or not to work but would receive no support when not in work;
- full time adult participants would receive a tax free wage of £100 a week.

12. Mr Howell claims that such a scheme would cost less than the present system of unemployment benefits. The Department of Employment believe he is wrong on three main grounds;

- (i) his estimate of 2 million participants is too low because he overstates the deterrent effect of the scheme. Mr Howell thinks that about one-third of the unemployed would "disappear" rather than take-up a place. He apparently fails to acknowledge the changes to the benefit system in recent

years aimed at improving pressures and incentives to work (see paragraph 15);

(ii) the cost of administration and raw materials is likely to be higher than Mr Howell's estimate of £1,000 per person per year. The corresponding figure for Employment Action is £2,800. On this basis, the gross cost of a scheme for 2 million people (including wages) would be £16 billion rather than the claimed £12.4 billion;

(iii) benefit saving would be much lower than estimated. Mr Howell's figure of £20 billion a year mistakenly includes benefits paid to those in work and income support (most of which goes to people not registered as unemployed). The true figure is probably around £7.5 billion.

13. It seems clear that the public expenditure and direct PSBR cost of Howell-type scheme would be very high even if, as he suggests, existing training and employment measure were abolished. Indirect flowbacks (eg from the value of marketable output) could be offset by deadweight, substitution and displacement effects.

14. Broad-brush estimates suggest that the net cost per person removed from the unemployed count by a Howell-type scheme would be around £4850 a year. This compares with around £3400 for the existing Employment Action (EA) programme. The difference largely reflects the fact that the EA allowances (benefit plus £10) is, on average, much less than the Howell wage.

15. Moreover, the payment of the rate-for-the-job, rather than benefit or benefit-plus, would tend to establish a de facto minimum wage (£100 a week would be above the current weekly earnings of about 5 per cent of full time workers).

Other pressures and incentives to seek work

16. Workforce proposals reflect a perception that existing incentives to seek work and measure to deter benefit abuse are inadequate. But much has been done on these fronts in recent

years. Claimants for UB must demonstrate that they are actively seeking work; attend for an interview 13 weeks after making a claim; attend a compulsory Restart interviews every 6 months; and undertake a Restart course after 2 years if other offers of help have been refused.

17. The Secretary of State for Employment is about to propose an extension of Restart (with compulsory, detailed assessments after 12 months of unemployment) and an expansion of associated job-search measures. DE and DSS are exploring the scope for further tightening of benefit sanctions in this context.

Conclusions

18. The analysis above suggests that:

- since the public sector would be the main provider of workfare places, additional public expenditure costs are inevitable;
- the PSBR cost is unlikely to be significantly lower than the public expenditure costs. Tax flowbacks would be limited and deadweight/displacement could lead to second-round costs;
- there could be adverse labour market effects;
- the Howell proposal would be more expensive (and less cost-effective) than conventional, benefit plus employment schemes and, possibly, more harmful in labour market terms;
- measures are already in place to encourage job-search, deter fraudulent claims and improve incentives to work.

[Omits intrinsic value / replacement costs of the workfare spend.]

SF



Econ Pol

*Mr Huxtable (Low
President's office)*

*JV
BT*

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Prime Minister 2

T Flesher Esq
Private Secretary
10 Downing Street
LONDON
SW1

WH

2 November 1982 *2/11*

mf

Dear Sir,

REDUNDANCY COMPENSATION FOR AFE TEACHERS

I am writing to let you know that my Secretary of State plans to announce on 4 November a change in the redundancy compensation arrangements for teachers in advanced further education as agreed in H Committee on 19 October (H(82)17th Meeting). I attach a copy of the draft Parliamentary announcement.

*Yours ever,
Inogen Wilde*

MRS I WILDE
Private Secretary

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Econ 21

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PRIME MINISTER

H MINUTES: REDUNDANCY COMPENSATION FOR TEACHERS

At the H Committee on 19 October (minutes attached) the Committee decided to accept Sir Keith Joseph's proposals that improved redundancy terms should be made available for teachers in advanced further education in order to produce the high proportion of redundancies required. They did not think, however, that such terms should be available for school teachers or for non-teaching staff.

IT

mt

21 October 1982

PRIME MINISTER

REDUNDANCY COMPENSATION FOR TEACHERS

Attached is an H paper by Sir Keith Joseph, proposing considerably improved redundancy terms for teachers which would apply to those in maintained further education, voluntary colleges and schools. The cost would be some £10 million, compared with £3-£4 million, on present statutory terms to be contained within the education cash limit. Sir Keith considers that the scale of redundancies which will be required up until 1984/85 is greater than could be achieved on present terms. In particular he argues that new terms are needed for lecturers in advanced further education where some 1,000 redundancies (about 4 per cent) will be needed by 1984/85.

Colleagues have expressed reservations about the knock-on effects of the proposals. In Sir Keith's view, the risks are reduced by the fact that the provision will be discretionary and for a three-year period only. He would, however, be willing to consider excluding school teachers if colleagues so wished.

14 October 1982

File

255

23 March 1982

ACADEMIC TENURE

Thank you for your letter of 22 March, about the Answer which your Secretary of State intends to give today.

The Prime Minister was grateful to be forewarned of this.

M. A. PATTISON

Mrs. Imogen Wilde,
Department of Education and Science.

R



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

W Rickett Esq
Private Secretary
10 Downing Street
LONDON SW1

22 March 1982

Dear Willie,

ACADEMIC TENURE

Further to our correspondence earlier this year, I am writing to let you know that my Secretary of State will be making a statement tomorrow about academic tenure. He had hoped for a spontaneous occasion to commend the CVCP proposals but since a suitable one has not arisen and time is passing he has decided to make a statement by means of an arranged PQ. A copy of the text is attached.

The final sentence of the draft takes the form it does because in some cases universities will be committed by contract or statutes to offer a permanent appointment on the present basis on completion of a satisfactory period of probation. Here change is dependent on amendment of the statutes themselves, which will take time.

Yours ever,
Jmoyen

MRS I WILDE
Private Secretary

To ask the Secretary of State for Education and Science if he has seen the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession and if he will make a statement.

SIR KEITH JOSEPH

I have seen the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession in the universities. The CVCP have, very responsibly, recognised that institutions that are significantly dependent on the annual voting of public funds by Parliament for their support must be able to respond flexibly to changes in the level of that support, and that it is inconsistent with this need for flexibility that academic and related staff should be appointed until retirement age on terms which protect them against dismissal for reasons of redundancy or financial exigency. I welcome the CVCP's initiative in putting forward proposals designed to achieve the necessary flexibility without inhibiting academic freedom in teaching and research. These proposals are now for individual universities to consider. I hope that this consideration will lead them to bring forward in due course, where necessary, proposals for appropriate amendments to their charters and statutes. I hope also that from now on, in making appointments of new academic staff, they will do this as far as possible consistently with the long-term arrangement which they propose to adopt.



From PA DSG
bc AD

10 DOWNING STREET

From the Private Secretary

22 February 1982

Dear Imogen

Thank you for your letter of 16 February about academic tenure. The Prime Minister has now seen this. She is content with your Secretary of State's approach. She was pleased to hear that he will be saying publicly that he does not believe universities should make any new permanent appointments on the present basis. I know that you will keep us in touch with developments.

W. F. S. RICKETT

Mrs. Imogen Wilde,
Department of Education and Science.

17 February 1982

Econ. Policy

cc Mr Walters

MR RICKETT

ACADEMIC TENURE

1. I find the letter of 16 February from Sir Keith's office quite reassuring. It would be worthwhile asking to be kept informed of the proposed terms on which new tenured appointments (after 8 years) should contain provision for termination.

2. If the Prime Minister is satisfied with this latest letter, you could say that she is pleased to note that Sir Keith proposes to say publicly that he does not believe universities should make any new permanent appointments on the present basis.



ANDREW DUGUID



Prime Minister

This is quite reassuring.

WM
17/2

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE's Office

16 February 1982

W F S Rickett Esq
10 Downing Street
London SW1

MS

Dear Willie,

Thank you for your letter of 5 February about academic tenure.

As you will have seen in the press over the weekend the CVCP have now concluded their review of tenure. They will be advising universities that in future tenure should not be granted until after a much longer period (perhaps eight years instead of three) and that the terms of new tenured appointments should contain provision for them to be terminated for reasons of redundancy or financial exigency. Details of what is proposed will be available later this week but on present reports (and a letter he has had from the CVCP Chairman which confirms them) the Secretary of State regards this outcome as encouraging. Subject to scrutiny of the proposals when they are available the Secretary of State will want to take an early opportunity to welcome them publicly and to encourage individual universities to set about initiating any necessary amendments to their Charters or Statutes. What amendments are necessary will vary from university to university in the light of existing provisions, but we shall hope to develop a common approach as far as possible. We have yet to see how serious will be the opposition of the AUT or what form it will take.

On the question of appointments made before any changes are implemented a letter from the Chairman of the University Grants Committee to all Vice-Chancellors and Principals earlier this month giving details of the redundancy compensation arrangements endorsed by the Government concluded as follows:

"Last year the Public Accounts Committee expressed the view that a greater measure of flexibility was desirable in future contractual arrangements for academic staff. (Tenth Report for the Session 1980/81). The Treasury Minute in response stated that the Department of Education and Science and the University Grants Committee noted this and that the Committee was considering what advice should be given to the universities. Last September the Committee of Vice-Chancellors and Principals announced that it was exploring alternative contractual arrangements for universities

to consider in the light of their own Charter and Statutes. It is clearly advisable for universities to be cautious for the time being about the contractual arrangements they enter into when making appointments of academic staff."

Given this warning, the fact that it has been made quite clear that the existing redundancy compensation arrangements are available only until 1984, and the prima facie satisfactory outcome of the CVCP review the Secretary of State does not intend to take any specific initiative immediately, but when he comments publicly on the CVCP recommendations he will say that he does not believe universities should make any new permanent appointments on the present basis.

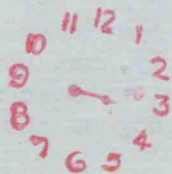
The Secretary of State hopes the Prime Minister is content with this approach. He will of course keep her in touch with developments.

Yours ever,

Imogen Wilde

MRS I WILDE
Private Secretary

116 FEB 1982





10 DOWNING STREET

From the Private Secretary

5 February 1982

The Prime Minister has seen your letter of 29 January to Mike Pattison about redundancy compensation in the universities. She is pleased to note that your Secretary of State gives the termination of academic tenure a high priority.

But the Prime Minister has asked me to say that she is not convinced that all universities will necessarily be taking their own interim measures to avoid entering new commitments. There must be strong pressures within universities to maintain tenure and to ensure that new appointees are given similar terms to those already employed. The fact that the Government has agreed to the scheme may encourage the universities to think that it could be done again. The Prime Minister thinks it would be highly desirable for your Secretary of State to ensure that the Committee of Vice Chancellors and Principals is in no doubt about the Government's attitude to tenure. The most effective way of motivating the Committee would, in her view, be to make it quite clear that the Government will not be willing to finance future redundancy costs.

One approach which the Prime Minister understands has been adopted in the United States - which may repay further study - is to offer staff a choice between tenured positions with nominal pay frozen, and limited contracts at rather better rates. She doubts whether those conducting the review will consider such drastic solutions unless they are suggested.

I am copying this letter to David Wright (Cabinet Office).

W. F. S. RICKETT

Mrs. Imogen Wilde,
Department of Education and Science.

Prime Minister 1

3 February 1982

MR RICKETT ✓

Agree that I should write
to Sir Keith Joseph's office as et A?

cc Mr. Walters

ACADEMIC TENURE

WR
3/2

Yes not

1. It seems unfortunate to me that Sir Keith did not make it clear when he agreed to the new redundancy scheme that it was on condition that no further tenured contracts should be entered into.
2. This letter shows DES are content to rely on the Vice Chancellors' having an obvious interest in trying to avoid the obligations that flow from making further tenured appointments. I don't think we can rely on this. There must be enormous pressures within the universities to retain the tenured system, and the fact that Government has bailed them out once may encourage them to think it can be done again.
3. Alan Walters suggests (see note below) that one approach would be for universities to offer different pay rates to those tenured and those accepting limited contracts. It might be worth mentioning this idea to DES, but I think it is even more important to make clear to the Vice Chancellors that Government will not pay compensation in future. That will concentrate their minds.
4. I attach a draft Private Secretary letter for you to send, if the Prime Minister agrees.



ANDREW DUGUID

cm / PL type
WR
5/2

3 February 1982

DRAFT PRIVATE SECRETARY LETTER

to Inogen Wilke

A

The Prime Minister has seen your letter of 29 January to Mike Pattison about redundancy compensation in the universities. She is pleased to note that your Secretary of State gives the termination of academic tenure a high priority.

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wh

Education
AD

For the file

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Andrew Inghis to
suggest a draft reply
to Imogen Wilde's letter.

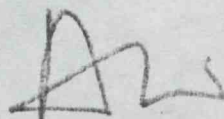
wh 2/2

cc Mr. Hoskyns
Mr. Wolfson
Mr. Pattison
Mr. Rickett

MR. DUGUID

1. The letter from Mrs. Wilde of the Department of Education and Science to Mike Pattison about the tenure issue is yet another Hamlet without the Prince.
2. She discusses tenure and other contractual arrangements without mentioning the salary. The presumption is that one can deal with tenure and its associated issues of academic freedom without dealing with the salary.
3. It is clear to me that if academic freedom is a great prize which many in the academic community value highly, then they should be willing to pay for it. Conversely, if they regard limited, say five year contracts, as fragile, then they could be rewarded accordingly. It is noteworthy that in the United States it is fairly easy to solve a general problem of tenure at a university. You either peg their nominal salaries or indeed you require the faculty to take a cut.
4. I am not sure how much direction, presumably by nods and winks, the Secretary of State is giving to the Committee of Vice Chancellors and Principals. But left to themselves the Committee are unlikely to consider such drastic proposals. They will be concerned with what they can get away with.

2 February 1982



ALAN WALTERS

cc Mr. Hoskyns
Mr. Wolfson
Mr. Pattison

Mr. Richert.

MR. DUGUID

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2 February 1982



ALAN WALTERS



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE 's Office

29 January 1982

M A Pattison Esq
10 Downing Street
London SW1

Dear Mike,

In your letter of 18 January about redundancy compensation in the universities you said that the Prime Minister had asked whether action was in hand to terminate the system of academic tenure in the future.

2 The Secretary of State agrees that change is necessary and gives it a high priority. He is concerned that the making of new appointments on the present basis of tenure should come to an end as soon as possible (although relatively few new appointments are being made and it must be likely in present circumstances that universities that can do so under their existing charters and statutes will be taking their own interim measures to avoid new commitments of this kind). But the Secretary of State is also conscious that universities are autonomous institutions and as employers are responsible for their own contracts of employment. He thinks that the best and almost certainly the quickest way to secure changes is for the universities themselves to propose them. He does not therefore intend to take any action until he has seen the results of the review now being conducted by the Committee of Vice-Chancellors and Principals. The Committee have already announced publicly that they are convinced that it is desirable for universities to consider changing the terms of new academic appointments. The results of the review should be submitted to the Committee next month. The Secretary of State will study it urgently with a view to as prompt a reaction as practicable. The will to change clearly exists and there is at present no reason to believe that the universities will not achieve a sensible outcome for themselves.

3 The Secretary of State feels that the almost total dependence of universities on the continued voting of public funds is incompatible with the granting of life-time contracts with no provision for what happens if those funds are cut off. But it is not easy to devise contracts which combine a reasonable guarantee of academic freedom (still a real issue) with the facility for the university to terminate the contract for reasons of

AD.
Prime Minister

You might like to see this before Sir Keith comes in.

MAD 1/2

mb

redundancy, course termination or financial exigency; experience in the States suggests that such contracts are likely to lead to disputes and litigation. The question of what should replace tenure, therefore, is by no means simple and there is likely to be room for a variety of different approaches.

4 I hope this letter gives an idea of where things stand at present. Following his discussion with the Prime Minister on 21 January, the Secretary of State will of course keep the Prime Minister informed of developments.

5 I am sending a copy of this letter to David Wright (Cabinet Office).

Yours ever,
Inogen

MRS I WILDE
Private Secretary

1 FEB 1982





DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE 's Office

29 January 1982

M A Pattison Esq
 10 Downing Street
 London SW1

cc 73

Mr. Walters

I still think this approach leaves too much to chance, given that it's the taxpayer who has to pay up.

MSJ.
1/2.

Dear Mike,

In your letter of 18 January about redundancy compensation in the universities you said that the Prime Minister had asked whether action was in hand to terminate the system of academic tenure in the future.

2 The Secretary of State agrees that change is necessary and gives it a high priority. He is concerned that the making of new appointments on the present basis of tenure should come to an end as soon as possible (although relatively few new appointments are being made and it must be likely in present circumstances that universities that can do so under their existing charters and statutes will be taking their own interim measures to avoid new commitments of this kind). But the Secretary of State is also conscious that universities are autonomous institutions and as employers are responsible for their own contracts of employment. He thinks that the best and almost certainly the quickest way to secure changes is for the universities themselves to propose them. He does not therefore intend to take any action until he has seen the results of the review now being conducted by the Committee of Vice-Chancellors and Principals. The Committee have already announced publicly that they are convinced that it is desirable for universities to consider changing the terms of new academic appointments. The results of the review should be submitted to the Committee next month. The Secretary of State will study it urgently with a view to as prompt a reaction as practicable. The will to change clearly exists and there is at present no reason to believe that the universities will not achieve a sensible outcome for themselves.

not if someone else is paying.

3 The Secretary of State feels that the almost total dependence of universities on the continued voting of public funds is incompatible with the granting of life-time contracts with no provision for what happens if those funds are cut off. But it is not easy to devise contracts which combine a reasonable guarantee of academic freedom (still a real issue) with the facility for the university to terminate the contract for reasons of

redundancy, course termination or financial exigency; experience in the States suggests that such contracts are likely to lead to disputes and litigation. The question of what should replace tenure, therefore, is by no means simple and there is likely to be room for a variety of different approaches.

4 I hope this letter gives an idea of where things stand at present. Following his discussion with the Prime Minister on 21 January, the Secretary of State will of course keep the Prime Minister informed of developments.

5 I am sending a copy of this letter to David Wright (Cabinet Office).

Yours ever,
Inogen

MRS I WILDE
Private Secretary

29 January 1982

MR RICKETT

ACADEMIC TENURE

1. I see that in response to Alan Walters' suggestion (18 December 1981) that "we should consider taking immediate action to prevent further appointments being tenured while future contractual arrangements are being worked out", the Prime Minister said "This is very important". You passed this comment on by telephone.
2. Subsequently, when she saw the Secretary of State for Education's H paper (H(82)2 - 13 January) the Prime Minister commented: "What are we doing to terminate the system of tenure from now on?"
3. Mr Pattison addressed this question to the Secretary of State's office on 18 January. So far, no reply has been received.
4. On 25 January, Sir Keith announced the university redundancy compensation scheme. It seems to me unfortunate that he has announced the scheme without making a condition of his agreement the suspension of any further appointments with tenure - at least for the time being. Once we have agreed to the scheme, we may have lost our main bargaining counter with the Vice Chancellors. As far as I know, we cannot oblige them to enter into no new tenure agreements.
5. I may be wrong. We may not be too late. The Vice Chancellors may be taking the right line on this anyway. But there is not much to be done now until we hear from Sir Keith's office.
6. But can I ask that in future where we have made a suggestion, we should be sent a copy of follow-up correspondence? We could then have made the suggestion of linking approval with suspension.
7. More generally, it is Mr Scholar's practice to send us back a note with the Prime Minister's response to one of our minutes. It would have been helpful to get some feedback on her response to Alan's minute. A copy of her inscription is quite sufficient.



ANDREW DUGUID



✓ CAO

VMP

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

M A Pattison Esq
Private Secretary
10 Downing Street
London SW1

27 January 1982

Dear Mike,

Thank you for your letter of 25 January conveying the Prime Minister's comments on the arranged Question and Answer announcing the arrangements for university redundancy compensation.

A copy of the Answer as issued on Monday was enclosed with my letter of 25 January. You will have seen that we were able to provide a fuller definition of "tenure". But we could not describe the levels of compensation proposed as "legally necessary" and after some thought came back to "appropriate". For the great majority of academics the courts would be likely to award compensation significantly in excess of what is here proposed, but what the courts might award would vary in the light of individual circumstances, including their assessment of the opportunity for the individual to mitigate his loss and, in particular, his chances of re-employment. The levels of compensation here proposed represent an offer to all academics, regardless of such individual circumstances or of the terms of individual contracts. It is hoped they will be regarded as fair and reasonable, or at least attractive enough to dissuade those with tenure from going to court. But they are not intended to represent the levels that might be awarded by the courts for those with tenure, while for the minority whose contracts are weaker these levels of compensation are dictated solely by the policy considerations examined by H Committee.

*Yours ever,
Moyen*

MRS I WILDE
Private Secretary

3/11/ As you will see, we have taken
on board the first of the
Prime Minister's suggested
amendments. The second,
however, was not accurate.



With the Private Secretary's Compliments
and we have left the sentence
as it stood.

Inogen Wilde

DEPARTMENT OF EDUCATION AND SCIENCE

Elizabeth House
York Road
London SE1 7PH

Telephone 01-928 9222

✓ MFD

CONFIDENTIAL



Scan Pd

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE'S Office

25 January 1982

M Pattison Esq
Private Secretary
10 Downing Street
London SW1

Dear Mike,

REDUNDANCY COMPENSATION - UNIVERSITIES

... Further to my letter of 21 January, I enclose a copy of the final version of the announcement on university redundancy compensation which is to be made today. The text incorporates amendments to the earlier version suggested by the Treasury as well as a definition of tenure as suggested by the Prime Minister. A copy of the details of the scheme to be placed in the Library of each House is also enclosed.
...

We shall be issuing a Press Notice later today which will give the text of the announcement as well as the enclosed details of the scheme.

A copy of this letter and its enclosures goes to recipients of my letter of 21 January.

Yours ever,

Inogen

MRS I WILDE
Private Secretary

CONFIDENTIAL

REDUNDANCY COMPENSATION - UNIVERSITIES

MR GAREL JONES (WATFORD)

To ask the Secretary of State for Education and Science if he has completed his consideration of the guidelines for the compensation of redundant university academic staff proposed by the Committee of Vice-Chancellors and Principals.

SIR KEITH JOSEPH

I have considered the guidelines formulated by the Committee of Vice-Chancellors and Principals for the compensation of university academic and related staff who are made redundant as a consequence of the lower level of funding which the Government has proposed for the universities. It is estimated that the universities will need to reduce their academic staff by something over 5000 (about 1 in 6) over the next two years; a significant proportion of this reduction can only be achieved by redundancy or early retirement. However, the great majority of academic and related staff have tenure, ie are appointed until retirement age on terms which protect them against dismissal for reasons of redundancy or financial exigency. More generous compensation than would otherwise be available is therefore appropriate. In these exceptional circumstances I am prepared to agree that for academic and related staff whose service is terminated on or before 30 September 1984 the cost of compensation on the terms proposed by the CVCP (with two modifications) should be eligible for reimbursement from the funds to be allocated to the universities for restructuring on the recommendation of the University Grants Committee. The modifications are that compensation for staff aged 50 and over will be eligible for reimbursement only up to the maximum that individuals would be eligible for under the existing premature retirement compensation arrangements for members of the Universities Superannuation Scheme and that pensions will be indexed only from age 55 as at present, in line with the provisions of the Pensions (Increase) Act 1971.

Details of the levels of compensation involved have been placed in the Library.

COMPENSATION FOR REDUNDANT UNIVERSITY ACADEMIC AND RELATED STAFF

Following are the details of the arrangements for the compensation of redundant academic and related university staff announced by the Secretary of State for Education and Science on 25 January 1982.

1 Redundant academic and related staff aged 50 or more in membership of the Universities Superannuation Scheme (USS) will be compensated in accordance with the existing premature retirement compensation scheme. That provides for the granting of notional additional years of service or "Scheme Years", with annual pension and lump sums being paid immediately on retirement on the basis of the aggregate of the actual years of pensionable service plus the Scheme Years granted. The provisions of the Pensions (Increase) Act 1971 apply to annual pension payments from age 55 onwards. The number of Scheme Years which may be granted depends on the length of past and prospective service, but cannot be more than ten in any circumstances. The arrangements will provide for universities to grant the maximum number of Scheme Years permissible within those limits. Similar compensation arrangements will be made for the small minority (some 4% of staff) who remain in membership of the Federated Superannuation Scheme for Universities (FSSU).

2 Redundant staff under the age of 50 will be compensated by an immediate lump sum severance payment, being one month's pensionable pay for each year of reckonable service plus one month's pensionable pay for each year of reckonable service after the later of the 30th birthday or completion of 5 years' reckonable service. The superannuation benefits accrued at the date of redundancy will become payable at normal retirement age.

CONFIDENTIAL



File
car'd

10 DOWNING STREET

From the Private Secretary

25 January 1982

Thank you for your letter of 21 January, with which you enclosed a copy of the Arranged Question and Answer through which your Secretary of State is to announce the proposals on university redundancy compensation.

As I told you on the telephone earlier, the Prime Minister has suggested that two amendments might usefully be made. She believes that the word "tenured" (3rd sentence) needs a brief definition for the general public. She would also prefer a phrase like "legally necessary" instead of "appropriate" in the following sentence.

M. A. PATTISON

Mrs. Imogen Wilde,
Department of Education and Science.

CONFIDENTIAL

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CONFIDENTIAL



Prime Minister
You had a quick
look at this
earlier.

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE'S Office

Content?

21 January 1982

MP 21/1

M Pattison Esq
Private Secretary
10 Downing Street
London SW1

See notes

over page mb

Dear Mike

... I enclose a copy of the text of the proposed announcement on university redundancy compensation which my Secretary of State has today sent to the Lord President and others concerned for agreement. He hopes that the text can be cleared in the course of today in view of his departure for the States early tomorrow morning.

I am sending a copy of this letter and its enclosure to Stephen Boys Smith, David Edmonds, Muir Russell, John Craig, David Clark, Terry Mathews and Adrian Carter and David Heyhoe.

Yours ever

Inogen

MRS I WILDE
Private Secretary

CONFIDENTIAL

REDUNDANCY COMPENSATION - UNIVERSITIES

DRAFT INSPIRED PQ FOR 22 JANUARY 1982

To ask the Secretary of State for Education and Science if he has completed his consideration of the guidelines for the compensation of redundant university academic staff proposed by the Committee of Vice-Chancellors and Principals.

SIR KEITH JOSEPH

I have considered the guidelines formulated by the Committee of Vice-Chancellors and Principals for the compensation of university academic and related staff who are made redundant as a consequence of the lower level of funding which the Government has proposed for the universities. It is estimated that the universities will need to reduce their academic staff by something over 5000 (about 1 in 6) over the next two years; a significant proportion of this reduction can only be achieved by redundancy or early retirement. However, the majority of academic and related staff have tenured posts ^(that is jobs until retirement - 65?) with terms of appointment which protect them against dismissal for reasons of redundancy or financial exigency. More generous legally necessary compensation than would otherwise be available is therefore appropriate. In these exceptional circumstances I am prepared to agree that for academic and related staff whose service terminates on or before 30 September 1984 the cost of compensation on the scale proposed by the CVCP with one modification should be eligible for specific reimbursement from the funds to be allocated to the universities for restructuring on the recommendation of the University Grants Committee. The modification is that compensation for the 50-54 age group will be eligible for reimbursement only up to the maximum at present available under the existing premature retirement compensation arrangements for members of the Universities Superannuation Scheme. Details of the levels of compensation involved have been placed in the Library.

Please explain to the public.

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21 JAN 1982

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return
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CONFIDENTIAL

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CCO

ccard

10 DOWNING STREET

From the Private Secretary

18 January 1982

The Prime Minister has seen the paper circulated to H Committee by your Secretary of State on redundancy compensation in the universities. She has asked whether action is in hand to terminate the system of "tenure" in the future.

~~BR~~
/

I am sending a copy of this letter to David Wright (Cabinet Office).

MAP

Mrs. Imogen Wilde,
Department of Education and Science.

CONFIDENTIAL

UNIVERSITY FINANCE AND THE EXTRA £50 MILLION

LINE TO TAKE

MP 22/11
no

The Government's expenditure plans involve a significant reduction in the level of funding for universities by 1984-85. This inevitably means the reorganisation, closure or amalgamation of some courses and departments and a general tightening up of operations which will lead to some staff redundancies. Although redundancy payments will be the major element in the cost of restructuring it is open to the UGC to consider whether in one or two cases a slightly longer period is needed for a university to reach the lower level of funding now proposed in an efficient orderly manner, and to use the restructuring money for that purpose.

NOTES FOR SUPPLEMENTARIES

1. The restructuring money will also be available for other costs of a transitional nature, arising from the reorganisation or transfer of work between departments, part-time teaching to ensure that students can finish their courses and in some cases the need to ensure that, despite the overall reduced level of funding, universities are able to undertake work in important new areas.
2. My rt hon Friend has been considering the proposals from various bodies about how the same savings might be achieved over a longer period of rundown which made it possible to avoid redundancies through a greater use of natural wastage. The calculations involved in these proposals are complex, and the answer is the product of many assumptions and uncertainties, not least about what redundancies cost, and what they will save. My rt hon Friend's view is that in general the present rate of contraction of the university system must be maintained, but he would be content for the UGC to decide to mitigate the rate of rundown at individual institutions if that was their judgement of the best use of the resources available.
3. The £50 million is for the 1982-83 financial year. It is in addition to the £20 million which the UGC have available for the 1981-82 academic year and to any resources they can make available from their 1982-83 academic year recurrent grant settlement, which my rt hon Friend also announced on 21 December. A further sum for restructuring will be made available for the 1983-84 financial year. This will take account in particular of the UGC's view of the situation in the light of the plans from individual universities which they will be receiving in January.

4. The proposals of the CVCP (Committee of Vice-Chancellors and Principals) for a redundancy scheme for university academic staff were submitted to the Department by the UGC on 4 November. The proposals are being considered by my rt hon Friend, who is fully seized of the urgency of the situation and will respond to the UGC as soon as possible.

FHE 1
22.12.81

BACKGROUND NOTE

1. Today's "The Times" (22 December) contains an accurate report of Sir Keith Joseph's description of the meaning of "restructuring" and the use of the £50 million.
2. The CVCP redundancy proposals are being discussed by H Committee at noon today.

FHE 1
22.12.81

University dismay on redundancy cash

By Diana Geddes, Education Correspondent

The universities reacted with dismay to yesterday's announcement that the Government will give universities an "extra" £50m next year to help to pay for redundancies and new development, but will not alter the size or time scale of the planned cuts.

Mr Geoffrey Caston, secretary general of the Committee of Vice-Chancellors and Principals, described the announcement as a "slap in the face for the universities".

He said: "It is a sadly inadequate response to the widespread public indignation which has greeted the Government's policy since it was first announced nine months ago, and which remains stubbornly unchanged.

"It reveals the Government's dismal persistence in its policy of running down the higher education system, with all its pernicious consequences, not least in terms of lost opportunities for school-leavers and others."

The £50m fell far short of what was needed to cover the cost of compensating staff who would have to be made redundant over the next financial year, and staff cuts would have to be even more severe than those contemplated if inflation of university costs was higher than the 5.5 per cent allowed by the Government, he added.

Sir Keith Joseph, Secretary of State for Education and Science, announced in the Commons yesterday that the universities' grant for the academic year 1982-83 would be £1,137m, including £100m to compensate them for reduced income from fees after the Government's deci-

sion to halve the level of home student tuition fees.

That figure is a cash limit and assumes that pay rises will be kept to 4 per cent and price increases to 9 per cent, giving a combined figure for inflation over the year of 5.5 per cent. On that assumption the universities' grant next year represents a cut in real terms in respect of home students of about 3 per cent, as originally planned.

However, in addition to that, the Government has decided to allocate £50m in the financial year 1982-83 to be used by the University Grants Committee for restructuring, including the cost of redundancies, Sir Keith said. A further additional amount for restructuring in 1983-84 would be announced later.

At a press conference Sir Keith explained that "restructuring" meant contraction in some areas and new developments in others. However, the Government was leaving it to the UGC to decide how to distribute the extra money, which was in addition to the £20m in each of the next three years that had been earmarked for restructuring by the UGC.

The Government had completely ruled out a general extension of the cuts for universities, he added, though there might be a "very small number" of institutions in which a particular situation might lead the UGC to decide to prolong the period of adjustment.

He would decide soon whether to approve in whole or in part the proposed redundancy scheme for university teachers put forward by the Committee of Vice-Chancellors and Principals.



Econ Pol

10 DOWNING STREET

Note for the Record

I have passed these comments
to Peter Shaw (DES) and to
David Hilary (Cabinet Office).

The Lord Chancellor will be
reporting the conclusions of
H, since the Home Secretary
will not be present.

Wh

2/12

Prime Minister

If you agree with these comments, I will pass them on to the Home Secretary's office and ask them to arrange for him to report the conclusions of H to you. H considers this paper on Tuesday 22 December.

PRIME MINISTER

REDUNDANCY COMPENSATION IN UNIVERSITIES

18/12

Yes - First call to K.J. early on Monday. Point is it very important not

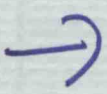
1. At the present juncture, there is a convincing argument for accepting the scheme proposed by Education and Science. It looks likely to be the least costly of the alternatives which are considered feasible.

2. There is an alternative. I would prefer to see no increase in the salary of academic teachers for the next three years. This would give rise to salaries in the region of 15% below what they would otherwise be on a "normal" expectation. The Secretary of State suggests that one in six is the needed reduction and my proposal would give rise to at least that in the total wage bill of universities. There would in consequence be a number of university staff who would voluntarily leave or retire early. However, I quite see that this sort of "American" solution would be breaking fresh ground here.

3. If we do adopt the recommended scheme, there is still a strong case for minimising the redundancies by freezing academic pay this year.

4. You may think it worthwhile complaining that this matter has not been considered earlier. We have seen it coming for at least three years. It is, for example, alarming to read from the Attorney General's letter that there has been apparently no study of university statutes to determine the feasibility of requiring universities to enter into contracts which can be terminated by redundancy.

5. Meanwhile, it is still the case that many universities are still making appointments, especially at the professorial level, with full tenure. (The exception is the University of Buckingham which only appoints on a terminable contract basis.) I think we should consider taking immediate action to prevent further appointments being tenured while future contractual arrangements are being worked out. I suspect that it will take a long time for the Committee of Vice Chancellors and Principals to arrive at an agreed view of future contractual arrangements. And I suspect also that it is unlikely as such to be accepted by this Government as a long term basis for university appointments.



ALAN WALTERS



Prime Minister (2) 3/12

MUS 18/12

QUEEN ANNE'S GATE LONDON SW1H 9AT

17 December 1981

MS.

Dear Keith

Thank you for sending me a copy of your letter of 11 December to Barney Hayhoe about the proposed redundancy compensation terms for university teachers. This has of course now been supplemented by your memorandum H(81)77.

As I shall not be able to be present when this is discussed in 'H' I should like to record that I have a special interest in the Vice-Chancellors' proposals regarding the indexation of pensions from the date of retirement. Many policemen and firemen qualify for the immediate payment of an ordinary pension well before age 55 but, like all public servants, they get no index-linking before that age. From time to time representations are made for the payment of pensions increase from the date of retirement where the pension comes into payment at an earlier age, but these representations are rejected because of their inconsistency with present practice as embodied in legislation. I am glad therefore that you intend to resist the concession sought for university staff in the 50-54 age group. To give way would be bound to lead to pressure from the police and fire interests and if, in the end, a concession had to be made, the burden would fall on the local authority employers.

I am copying this to the Prime Minister, other members of H Committee and Sir Robert Armstrong.

John
Watkin

The Rt. Hon. Sir Keith Joseph, Bt. MP.

118 DEC 1981

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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn 3201

6 November 1981

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education & Science
Elizabeth House
York Road
SE1

Dear Keith,

DISMISSAL OF UNIVERSITY ACADEMIC STAFF

I wrote to Mark Carlisle on 8 September. I have since considered the papers in detail, in consultation with John Mummery of Treasury Counsel. My Department will send John Mummery's Opinions under separate cover to your Department's Legal Adviser, since they contain much detailed material which does not need to be summarised here.

As I explained in my letter to Mark Carlisle, my advice is necessarily limited to the situation at Warwick University. Though I do so with regret, I have to endorse the conclusion reached by both John Mummery and Alexander Irvine QC that current academic staff at Warwick enjoy the contractual benefit of life tenure (ie until compulsory retirement age) under the terms of their appointments. The overwhelming likelihood is that the Courts would hold that their contracts cannot be lawfully terminated except for the reasons specified in the University Statutes and by following the prescribed procedures (which are not applicable in these circumstances). To dismiss such staff as redundant during the currency of their contracts will give rise to substantial claims for damages against the University.

The only argument raised by John Mummery which offers any ray of hope is the argument that the Courts might imply into the relevant

/contracts



ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn

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contracts a term that appointments were conditional upon the availability of sufficient grant funds and/or students to sustain them. Whilst I see the attractiveness of this from our point of view (you would no doubt say as a matter of policy that this was only sensible), I consider that the University by the express terms of its contracts has made it very difficult for the Courts to draw any such implication. I rate the chances of succeeding in this argument as no higher than 25% and it is highly unlikely to succeed on appeal to the House of Lords.

The amount of damages which would be awarded to an academic with life tenure who had been wrongfully dismissed would to a large extent depend upon the particular facts of his case. I know this proposition makes it more difficult for you to assess the financial implications, but the most I can do at this stage is to endorse the general principles set out in John Mummery's Opinion. There may be some ground for saying that the detailed figures given in the Annexes are too high (in particular, the duty of the academic to seek to mitigate his loss must not be discounted), but this must be a matter for further detailed investigation by your officials.

I do not think that the ingenious point taken within your Department that the University visitor and not the Courts may have exclusive jurisdiction in this area will in fact help you. In the first place, the legal position is not clear and I am by no means as well persuaded as John Mummery appears to be that the visitor does have exclusive jurisdiction; secondly, and more important, any determination by the visitor as to a financial award for wrongful dismissal would not be more favourable to the employer than would

/an



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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

- 3 -

an award of the Courts. I therefore endorse John Mummery's conclusion that this is not a point which the University(ies) should be encouraged to take.

All I can say in relation to other Universities is that some guidance (now perhaps somewhat dated) can be found in an article in the Autumn 1971 issue of the University Quarterly which your Department has drawn to my attention. The conclusions drawn in that article may well be right (except that I would not wish to express a view about any University described in the article as category 3 without seeing the documents relating to that University).

Finally, I should add that I favour future appointments being made subject to termination by the employing University for reasons of redundancy. I am told that the Committee of Vice Chancellors and Principals are already giving consideration to the contractual arrangements for the future with this end in view, and this I welcome. If there are any University Charters and Statutes under which it is said that this cannot be done, we should have a look at them. I certainly consider that it can be done for future appointments at Warwick.

Yours etc.

Michael



with compliments

MINISTER OF STATE *(Commons)*

H.M. TREASURY

**CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ**

Telephone 01-273 5563/4086

CONFIDENTIAL



cc. AD
JV.
Prime Minister (2)

MUS 18/12

H M Treasury, Old Admiralty Building, Whitehall, London SW1A 2AZ

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

15 December 1981

Sir Keith,

UNIVERSITY REDUNDANCIES

Thank you for your letter of 11 December about redundancy terms for university staff. I recognise the urgency but in view of H Committee's earlier interest and the wider implications of your proposals, I think it would be helpful if they could be considered further in Committee.

The proposals put to you by the CVCP are, as you say, an advance on the redundancy terms for mobile civil servants which are in fact the best terms available in the public service (though they are very rarely used for staff under 50). To offer the universities an improvement on them would cause us major difficulties elsewhere. Even your intention to modify the CVCP's proposals, to confine them at least within the limits of the best public service practice may be too generous bearing in mind that others will then expect the same terms, not least the teachers.

As I understand it, the case for adopting "best public service practice" rests primarily on the academic tenure enjoyed by some dons. I believe that argument needs further examination before we can accept it as an adequate defence against the demands from other services which your proposals could provoke. I would, I think, find it helpful to know the extent and diversity of the arrangements for academic tenure, its legal standing and what this implies in practice. It would also be useful if you could set out, in comparison with the cost of your own proposals (and the possible repercussion to teaching), the cost implications of not having an agreed scheme of the kind you propose (ie if compensation were to be determined by a series of Court Decisions). This comparison would, I think, help to bring out the merits of the two approaches.

CONFIDENTIAL



In view of these more general comments I have not dealt in detail with the proposals. I agree, however, that it would be inappropriate to offer further enhancements of service to those in the age range 50 to 54. And our colleagues would, I am sure, agree that pensions increase should not be paid before age 55.

I am sending copies of this letter to the Prime Minister, other members of H Committee and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Barney Hayhoe', written in dark ink.

BARNEY HAYHOE

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'16 DEC 1981



10 DOWNING STREET

Mr ~~Angus~~ ^{Angus}

We spoke about the attached.

Have the Policy Unit any
comments to make before

I put it into the weekend
box?

It will consider this on
22 December. Should we

ask the Home Secretary
to report the conclusions
to the Prime Minister?

WR
12/12

CONFIDENTIAL



AD
JV

Prime Minister

(2)

Then to MCS

Mus 18/12

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Barney Hayhoe Esq MP
Minister of State (Commons)
Treasury
Old Admiralty Building
Whitehall
London SW1A 2AZ

11 December 1981

Dear Barney.

H Committee agreed on 9 November that I should enter into discussion, without commitment, with local authority and university interests to promote urgent review of the management problems involved in the rapid contraction of their teacher forces and of possible solutions, including their educational consequences and costs. The problems are most pressing on the university front, where the publication of the Vice-Chancellors' proposals calls for an early Government response, if a free-for-all is to be avoided with individual universities deciding on their own arrangements; quite possibly leading to many redundant dons being compensated by the courts at levels far above the terms available to any other redundant public servant, and the danger of the random bankruptcy of some universities. University tenure and the relative autonomy of universities mean that inaction is not a real option. The debate will sharpen following the publication on 7 December of the First Report from the Education, Science and Arts Committee. I must quickly give the universities our response to the Vice-Chancellors' proposals, which the University Grants Committee sent me with their general endorsement in early November.

2. There are two aspects to the proposals. First, the public expenditure implications: my officials are in touch separately with the Treasury about this, and there is now a prospect of meeting the cost, at least in part, through an adjustment within my agreed programme. Secondly, there are questions concerning the appropriateness of the Vice-Chancellors' proposals, their compatibility with other public service arrangements, and the contribution they might make to a solution of the difficulty. This letter is only concerned with these second issues, on which I am afraid our officials have been unable to find agreement.

3. The Vice-Chancellors claim that their scheme is no more generous than the terms available to civil servants of Executive Officer rank and above. Officials have considered whether that claim is justified. My understanding is that it is justified except in two respects. First, the Vice-Chancellors

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propose to allow the granting of additional notional years of service beyond the limits of their present (voluntary) premature retirement compensation scheme (PRCS) to academic staff in the age range 50 to 54 inclusive, and to offer indexation from the date of retirement instead of from the 55th birthday. So far they have offered no adequate justification for these features and I am myself doubtful whether they should be conceded. Secondly, the scheme is more generous than the civil service terms for those aged 55 or more in that enhancement is not limited to the number of years of prospective employment up to the 60th birthday. However, that provision already exists in the universities' present PRCS arrangements, and I could hardly object to its continuation. I conclude that, except for the 50-54 age group, the Vice-Chancellors' scheme is no more generous than best public service practice; if the 50-54 part of it were kept in line with existing PRCS terms, we would have no basis for rejecting their proposals on grounds of comparison with terms available elsewhere.

4. Your officials contend that the civil service terms are not an appropriate comparator. I understand that the argument is that those terms are hardly ever used and that the expenditure implications of their existence are accordingly minimal. I wholly resist this argument, for the terms do exist and are presumably used when no other option is available: in the university world the need is pressing and no better option exists. I am pressing the universities very hard to contract fast in the interest of securing public expenditure reductions, and you know that some of our supporters are uneasy about the dangers. I do not see how I could defend a refusal to give the universities the essential management facility which the Government gives itself in respect of the lesser contraction of the civil service with its more convenient age profile and far greater interchangeability between staff.

5. It may also be said that it would be wrong for Government to concur in terms for university teachers which, even though they would not exceed existing terms for certain other public servants, would be better than the arrangements that the local authorities are likely to wish to apply to school and further education teachers under the age of 50. I do perceive a genuine difficulty here, but the hard facts are that the dons generally have tenure and the others do not, and that the universities are constitutionally free to decide the matter for themselves. Universities are understandably reluctant to declare redundancies without a scheme, but without redundancies they will face the prospect of damaging decisions in the courts and the danger of insolvency. I believe we must seek to moderate the worst effects by promoting a reasonable scheme in concert with Vice-Chancellors. Only with a Government-endorsed scheme is there reasonable prospect of good progress. Without a scheme, we will not be able to bring about the lasting savings in expenditure on the university system which we seek or to secure a tighter and more effective staffing pattern. I am ready to defend better arrangements for dons than for other teachers in such terms.

6. I seek your and colleagues' agreement to my telling the University Grants Committee that, subject to bringing the 50-54 year olds' terms inside the limits of best public service practice, the Government regards the Vice-Chancellors' terms as appropriate in the circumstances. In view of the urgency from the universities' point of view, I should give this response before Christmas.

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7. Copies of this letter go to The Prime Minister, other members of H Committee and to Sir Robert Armstrong.

Your exel -

Keir

CONFIDENTIAL



11 DEC 1981

From the Private Secretary

Ken PD
P.O.



Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 4400

MU
Chancellor of the Duchy of Lancaster

4 November 1981

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

Mr Wolfson

As requested.

Dear Michael,

PUBLIC SERVICE REDUNDANCIES TERMS

MUS 4/11

You wrote to me on 21 October asking about taxation of these payments and for a comparison of public service and private sector terms. John Anderson wrote from the Department of Employment on 29 October covering the private sector and I sent you a copy yesterday of the note from Inland Revenue from Mr Driscoll. *-below*

I now attach two pages which try to make some sensible comparisons between the extremely complex redundancies terms of the private sector and the public services.

I am sending copies of this and the attachments to Peter Jenkins (HMC) and John Anderson (Employment).

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

REDUNDANCY COMPENSATION TERMS

1. Staff Under Age 50

In the public services compensation is normally in the form of a lump sum. The maximum amount is $24\frac{1}{2}$ weeks' pay in local government and teaching (the statutory scheme benefit without the pay limit of £130 a week), 66 weeks' pay in the NHS and 104 weeks' for non-mobile civil servants. Mobile civil servants aged 40 or more who are made redundant would receive immediate pensions and lump sums (with service enhanced by up to $6\frac{2}{3}$ years) plus a lump sum of 6 months' pay. However, such cases are exceptional and those terms are almost never offered. The Armed Forces provide immediate pensions and lump sums from age 30 plus a special capital payment of up to $1\frac{1}{2}$ years' pay.

In the private sector the practice of the large employers (but not usually the small ones) is to pay lump sum compensation in excess of the statutory scheme benefit. Schemes vary widely according to the occupational needs. A Department of Employment sample of 9 permanent schemes run by good private employers indicates maximum lump sums ranging from 52 to 120 weeks' pay. It is more common in the private sector to have ad hoc arrangements to meet particular redundancy situations where union strength and the employers' capacity to pay are the main determining factors. For example, at the extreme top end the "Times" has been willing to pay lump sums of up to £20,000 to warehousemen.

There is considerable diversity of practice in the nationalised industries. In some the younger staff receive only the statutory scheme benefit but there are additions for older staff which can produce a maximum lump sum of up to 75 weeks' pay for NCB staff. Maximum lump sums in British Steel and British Shipbuilders are somewhat lower but both provide continuing payments in addition which are reduced by other income. In Steel these can reach 90% of pay for up to $1\frac{1}{2}$ years and in Shipbuilders the maximum is £50 a week for up to 2 years. NCB staff over 35 have their pension scheme benefits paid from age 50.

2. Staff Aged 50 and Over

The normal practice in the public services is to pay immediate pensions and associated lump sums with service enhancement (up to $6\frac{2}{3}$ extra years for mobile civil servants and up to 10 years in teaching, local government and the NHS). Mobile civil servants receive in addition a compensation lump sum of 6 months' pay, giving them benefits broadly equivalent in value to those of the other services. Non-mobile civil servants receive lump sum benefits of up to 2 years' pay but those aged 55 have the option to take an immediate pension and lump sum instead based on actual service.

In the private sector the lump sum benefits explained earlier are again relevant. There is no centralised record of the benefits paid from pension schemes but some employers pay the accrued benefits immediately to those within 10 years of the normal retiring age. It is not known to what extent lump sum compensation would be paid in addition.

Immediate pensions and associated lump sums are payable in some of the nationalised industries together with compensation lump sums which can attain a maximum of about $2\frac{1}{2}$ years' pay. Mineworkers aged 55 and over receive two-thirds of pay for the first 5 years followed by the equivalent of unemployment pay until age 65 and an immediate enhanced pension. A lump sum compensation payment is also payable for which the maximum is 81 weeks' pay. In British Steel the weekly supplement of 90% of pay (less other income) can continue for up to $2\frac{1}{2}$ years while the weekly payments of £50 a week in British Shipbuilders can continue for 2 years.

1891 NOV 4



CONQUEROR

Mr Scholar

C - Michael Scholar

John Anderson - No 10 - D.6m

B 3711



CHANCELLOR OF THE DUCHY OF LANCASTER
 C 17
 - 3 NOV 1981
 FILING INSTRUCTIONS
 FILE No.

INLAND REVENUE
POLICY DIVISION
SOMERSET HOUSE

2 November 1981

MR J BUCKLEY
OFFICE OF THE CHANCELLOR OF THE DUCHY OF LANCASTER


CHANCELLOR OF THE DUCHY OF LANCASTER
 Mr Hart
 PS - Min of State
 PS - Perm Sec
 PS - Secy of State
 LP (B) ✓
 Mr Le Cheminant
 Mr Pearce
 Mr Davie
 Mr Gilmore

Dear Jim,

PUBLIC SERVICE REDUNDANCY TERMS

In their letter to you of 21 October, No. 10 ask for a note on the taxation dimension of these payments. I attach a brief summary of the position in law and practice which you may find useful.

I am copying this to Messrs Judd and Jenkins at the Treasury.


P J A DRISCOLL

THE TAXATION OF REDUNDANCY PAYMENTS

1. All the emoluments of an office or employment are taxable in full, and lump sums paid on the termination of an office or employment which are paid either -

- a. under the terms of a contract of service; or
- b. simply in accordance with an expectation that such a sum will be received,

are emoluments.

2. Since 1960 special legislation has provided that payments made in connection with the termination of an office or employment and which are not otherwise chargeable to tax (eg as emoluments under paragraph 1) are taxable insofar as they exceed a certain limit (since 6 April 1981, £25,000). Special rules apply to the excess (see 5 below).

3. By Section 412 of the Taxes Act 1970, statutory redundancy payments are not taxable in full but only under the special legislation referred to in paragraph 2. (By concession, non-statutory redundancy payments which have the true quality of redundancy payments are treated in the same way.) No distinction is made between payments made voluntarily and these made under or in anticipation of a court order.

4. The £25,000 limit ensures that most industrial redundancy payments are received free of tax, and it is unlikely that many public service employees would qualify for payments in excess of £25,000 - although it has been estimated in some quarters that certain university teachers with tenure could be entitled to as much as £50,000 or even £80,000.

Taxing the Excess

5. If an individual receives more than £25,000 his liability on the lump sum is limited to an amount which is equal to half the difference between his tax bill excluding

the excess and what it would have been if the whole of the excess had been taxable as income. For example -

A receives a lump sum of £30,000.

The excess is (£30,000-£25,000) £5000.

His tax bill on his other income is £6100.

His tax bill including the excess would be £8500.

His liability on the £30,000 lump sum is £1200 ($\frac{1}{2}$ x £2400).

NOTE: This is not the same thing as saying that only half the excess is taxable. The slightly cumbersome formula for calculating the tax on the excess is designed to discourage manipulation and tax avoidance.



4 NOV 1981

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WMM
Gen Pd

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon William Whitelaw CH MC MP,
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

31 October 1981

Dear Willie,

REDUNDANCY COMPENSATION

As the meeting of H Committee to discuss H(81)63 and 67 has been further postponed, I wonder if you and other members would be willing to agree in correspondence to what I proposed in paragraph 5 of the latter paper?: namely, that I should now be free to enter into discussions with the local authority and university employer interests - without any commitment, of course, as to the outcome. If I am unable to do this the Government is bound to be embarrassed if I am questioned on the point when I appear before the Select Committee for Education, Science and the Arts on 11 November.

This would not prejudice the discussion of the substance of the matter that we look forward to having in Committee. Further delay in discussions with the employer interests, on the other hand, can only diminish our chances of working out any new arrangements which might help to secure reduced expenditure on staffing in the 1982-83 academic year. There are indications, at least from parts of the university field, of a willingness, and indeed desire, to get ahead with achievement of the redundancies which current policies require. It can hardly be acceptable for the Government to have set institutions the task of shedding staff and then to withhold the assistance which they need to achieve this.

I am copying this letter to other members of H Committee and Sir Robert Armstrong.

WMM

Kerr

CONFIDENTIAL

22 NOV 1964





Mr Wolfson ECom B/L

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

We await an

answer from the

Treasury on the tax

position of men

payments.

29 October 1981 MJS 2/11

Douglas Board Esq
Office of the Chancellor of
the Duchy of Lancaster
Civil Service Department
Whitchall
LONDON SW1A 2A2

Dear Douglas

PUBLIC SERVICE REDUNDANCY TERMS

You copied to me your letter of 22 October to Peter Jenkins at the Treasury about the note which the Prime Minister has requested on how public service redundancy terms compare with those in the private sector.

The maximum payment under the statutory redundancy scheme is currently £3,900 ie the entitlement of a man between the age of 61 and 64 earning £130 a week or more with at least 20 years continuous service. The average redundancy payment made by employers under the statutory scheme is currently £1,193.

The practice of paying more than the statutory minimum is widespread amongst larger employers, but unusual among the smaller employers. Brief details of five public and nine private sector redundancy schemes are attached. (Information about private sector schemes is obtained from published research and in some cases therefore may be slightly out of date). The nine examples given of private sector schemes are thought to be representative of the sort of permanent arrangements which a good employer will enter into. Schemes vary widely in their character; each has been devised to meet the needs of a particular industry or employer. It is common for the statutory payment to be doubled.

More common than the permanent schemes are the ad hoc arrangements negotiated to meet a particular redundancy situation. The amount payable can vary enormously according to circumstances; union strength and the ability of the employer to pay are the main determining factors. For example, The Times at the extreme top end have been willing to pay up to £20,000 to warehousemen.



We do not have comprehensive information in this Department about public service redundancy schemes and the details contained in the memorandum by the Chancellor of the Duchy (H(81)63) are in very general terms. Your officials will be in a better position no doubt to judge how the terms for the public services compare with the kind of private sector schemes outlined in the attached Annex.

I am sending a copy of this letter to Peter Jenkins at the Treasury and Michael Scholar at No 10.

Yours Sincerely

John Anderson

J ANDERSON
Private Secretary

VOLUNTARY STANDING ARRANGEMENTS IN THE PUBLIC SECTOR

National Coal Board

For newworkers aged 55 with over 10 years' service - about two thirds of previous pay for 5 years; then weekly payments equal to unemployment benefit, and pension paid early (with service reckoned to age 60) plus concessionary coal.

For miners aged 50 to 54 a lump sum equal to 1 week's wage per year of service plus 200% of the statutory payment.

For miners aged up to 49 a lump sum based on length of service and age.

British Steel Corporation

Three possible elements:

- (i) a supplement of some 50% of the statutory payment
- (ii) Payment under the Iron and Steel Employees Readaptation Benefits Scheme (ISERES) of 12 months special unemployment benefit for those under 55 who remain unemployed. For unemployed workers over 55 special unemployment benefit for the first 6 months; thereafter 90% of pre-redundancy earnings for 1 year, followed by 80% for 6 months. For workers in new employment, earnings are made up to 90% of previous steel earnings for 1½ - 2½ years depending on age. There is also a training allowance equal to previous take-home pay for up to 1 year, and an early pension option for over 55s.
- (iii) Special ad hoc severance payments may be negotiated between management and unions at individual plants. At Corby this was 48 weeks' pay plus 10 weeks' holiday pay and nine weeks' wages in lieu of notice (average payment £6,700). Similar terms were agreed at Shotton.

British Shiptbuilders

- (1) Lump sum benefits based on age and service in the industry (maximum 25 years) and level of earnings with BS. Maximum lump sum is not more than 104 weeks pay.
- (2) Weekly benefits for a maximum period of 2 years based on service in the industry, level of earnings with BS and level of earnings from any subsequent employment. (Maximum support dependent on recipient remaining unemployed or earning less than £67 per week).

British Rail

One week's pay for each year of service over 15, or after age 45, whichever is greater; plus 40% of statutory payment.

Registered Dock Workers

Lump sum of £1,500 plus £450 per year since last registration, to a maximum of 20 years. Maximum payment £10,500.

VOLUNTARY STANDING ARRANGEMENTS IN THE PRIVATE SECTOR

Associated Portland Cement Manufacturers Ltd

Statutory entitlement plus 110% with no earnings limit. For each year of service over 20, 2% of annual wage. Employees with less than 2 years' service receive 2 weeks' pay.

British Printing Corporation Ltd

One month's salary per year of service, to a maximum of 20 years.

Lloyds of Scottish Finance Ltd

Lump sum of $1\frac{1}{2}$ times statutory entitlement, with a maximum of 78 weeks' pay.

Tate and Lyle Transport Ltd

Two weeks' pay per year of service; maximum is 52 weeks' pay or twice the statutory entitlement.

ICI Ltd

Three weeks' salary per year of service; maximum 27 weeks' pay up to age 34 and 90 weeks' pay between 35 and 60.

Phillips Industries Ltd

A sliding scale of payments based on age and service. Maximum is 3 weeks' pay for each year (between 31 and 40 years' of service).

The Burton Group

$1\frac{1}{2}$ weeks' pay for each year of service up to age 46 thereafter 2 weeks' pay per year. Maximum is 2 years' earnings.

Accles and Pollock Ltd

Early retirement scheme at age 50+. Statutory payment enhanced by £200 for each year of service; maximum 5 years.

Decca

Double the statutory entitlement with a minimum of 1 week per year of service.

Econ Pol /ms

Wm 23/10



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 4400

Chancellor of the Duchy of Lancaster

22 October 1981

Peter Jenkins Esq
Private Secretary
HM Treasury
Parliament Street
LONDON SW1

Dear Jenkins

Michael Scholar copied to you his letter of 21 October to Jim Buckley conveying broadly two questions which had occurred to the Prime Minister on public service redundancy terms. The first of these was whether the redundancy payments were taxable in various circumstances, and the second was how they compared with redundancy terms in the private sector. Could you arrange for a note to be provided on the first point? The second point is, I fear, equally outside our field and I am therefore copying this, together with Michael Scholar's letter, to John Anderson (Department of Employment) in the hope that he will be able to provide a suitable note. I understand H is likely to consider the question of public service redundancy terms on 3 November.

A copy of this letter goes to Michael Scholar (Number 10).

Yours sincerely
Douglas Board

D R H BOARD
Assistant Private Secretary



23 OCT 1981

10 11 12 1 2 3 4 5 6 7 8 9



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Education

6 May 1981

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education
Department of Education & Science
Elizabeth House
York Road
London SE1

WM 1/5
Mr Nicholls - W see
NBPM?
R
45

Mr Mark

UNIVERSITY GRANTS COMMITTEE

Your letter of 1 April to Geoffrey Howe set out the problems associated with academic tenure in pursuing your policy of reshaping the university system.

2 There is clearly a difficulty here in reconciling the need to safeguard academic freedom with the need to avoid excessive protection of lecturers' employment. As you know, I am unhappy with a system of tenure which enables lecturers to have secure employment to the age of 67 and I fully support your efforts to review and change the situation.

3 I understand there is no single standard form of contract between individuals and a higher education institution. I hope, therefore, that before new contracts are signed, the period of probation can be extended and the length of tenure reduced significantly. I would imagine that a fixed period of tenure, say 10 years, would be adequate to preserve academic freedom but would give greater scope for accountability.

4 In the meantime, I appreciate your difficulty but would urge as much pressure as possible be exerted to negotiate realistic redundancy schemes which do not drain the public purse to the substantial extent you contemplate.

5 Copies of this letter go to the Prime Minister, all members of Cabinet, and Sir Robert Armstrong.

Lawson,
Kear



- 6 MAY 1981 -

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

21 October, 1981.

BF

Public Service Redundancy Terms

The Prime Minister has seen the memorandum by the Chancellor of the Duchy on Public Service Redundancy Terms (H(81)63). She would be grateful for a note on the taxation dimension as regards these payments. Are these payments taxable? And taxable in the same way whether or not the redundancy payment is made voluntarily or at the order of a court? The Prime Minister would also be grateful for a brief note on how public service redundancy terms compare with those in the private sector.

I am sending a copy of this letter to Peter Jenkins (HM Treasury).

M. C. SCHOLAR

Jim Buckley, Esq.,
Office of the Chancellor of the Duchy of Lancaster.

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DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON
SW1P 3HE

Prime Minister

*Mr Carlisle warns
of the accuracy
and expense which
lie ahead, as he
aims for a 'smaller
and more selective'
university structure
for the 80's.*

| April 1981

MP

mt

Dear Geoffrey,

Following the publication of the White Paper (Cmd 8175) my officials have been discussing with the University Grants Committee the implications of the proposed $8\frac{1}{2}$ per cent reduction in university grant by 1983-84. With the expected loss of income from overseas students the actual reduction in university funds may be 11 per cent or more. Faced with this prospect I am glad to say that the UGC have recognised the essential need to start reshaping the university system, to produce the smaller and more selective structure which we need for the later eighties. The alternative of trying to maintain the present structure by spreading resources evenly but thinly would inevitably damage the strongest parts of the system to save the weakest, and would not serve the interests of the country which lie in the preservation of excellence.

I am therefore most anxious to encourage the UGC in their resolve. However, it is already plain that this will lead to a substantial number of enforced redundancies among university lecturers. The existing provisions for early retirement will be fully used. As you know I have in addition earmarked £20m for the adaptation of the system, including redundancies, within the 1981-82 grant already announced. The universities will also be expected to draw on their reserves. My aim is to help the UGC achieve the restructuring of the universities in a planned and orderly fashion, to keep the number of redundancies to a manageable level and to meet the cost of those that are necessary from within the universities' own resources or the grant I make available to them.

However my colleagues should be aware that because of the practice of academic tenure (under which many lecturers may have contracts securing employment until they are 67) the level of compensation likely to be awarded by the Courts in the event of termination of contract - and test cases will be inevitable - is likely to be substantial. The Chairman of the UGC has publically said that in his view the level of compensation may well exceed £40,000 in some cases. I shall of

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course encourage the universities to try to negotiate a redundancy scheme with the Association of University Teachers and shall seek a review of present arrangements for academic tenure in which I have the support of the Education, Science and Arts Select Committee in their 5th report. But I thought my colleagues should be aware of this inevitable consequence of the reform of the university system on which the UGC with my support is now embarking. They should also be aware that it will be very difficult to achieve this reform within the resources available to me and that any further reductions in my programme as a whole will make it impossible.

Copies of this letter go to the Prime Minister, all members of Cabinet and Sir Robert Armstrong.

Yours ever

Mark

MARK CARLISLE

-2-
CONFIDENTIAL

11 APR 1981

11 12 1 2 3 4 5
6 7 8 9 10 11 12

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Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

22 April 1981

The Rt Hon Mark Carlisle, QC, MP
Secretary of State for Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

1. ~~MAP~~
2. ~~D~~ to see

MS

22/4

Dear Secretary of State,

UNIVERSITY TEACHERS - REDUNDANCY COMPENSATION

Thank you for sending me a copy of your letter of 1 April to Geoffrey Howe.

When the universities' compensation scheme for compulsory premature retirement was negotiated in 1978, the Association of University Teachers insisted that it should not cover redundancy. Their reasons for this were unclear, but I understand that CSD officials made it plain at the time that the universities could not be allowed better redundancy terms than those for other public servants. I feel sure we must hold to that general principle.

Compensation terms for public servants are highly controversial at present - both publicly and with the unions. Redundancies are likely in several of the public services so that the risk of repercussions is even greater than usual. This means that the Government's financial interest in the new scheme for the universities goes well beyond the direct contribution from your grant. We must, therefore, keep in close touch with the universities on this, and I should like the CSD to be consulted at an early stage on any proposals exceeding the normal public service practice. In particular, we should have to resist any bid from the universities for compensation based on the former "Crombie Code". These were very generous terms and you will remember that we withdrew them from all the public services last year.

I note that you will be seeking a review of the present arrangements for academic tenure. For existing staff with a contractual right to serve until age 67, you might reduce the risk of court action by putting this age into the compensation scheme instead of age 65 as at present.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, other members of the Cabinet and Sir Robert Armstrong.

Yours sincerely,

Buckley
(Private Secretary)

Approved by Lord President
and signed on his behalf.

22 APR 1981



AD

Education



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon The Lord Soames GCMG GCVO CH CBE
 Lord President of the Council
 Civil Service Department
 WHITEHALL
 London SW1A 2AZ

R 115

1 MAY 1981

Dear Christopher,

UNIVERSITY TEACHERS - REDUNDANCY COMPENSATION

Thank you for your letter of 22 April.

In the discussions we are having with the UGC over their proposals for restructuring the university system we shall draw their attention to the repercussive effects of redundancy schemes and emphasise the importance of seeking consistency in the terms available for the public service. As you will be aware, however, the practice of academic tenure (under which many lecturers may have contracts securing employment until they are 67) makes university employment to an extent unique. It may well be difficult to secure a scheme until academic tenure has been tested in the courts and any scheme resulting would be bound to reflect these decisions.

I agree that our two Departments should keep closely in touch on any proposals which emerge but it may be some time before individual universities are ready to move. We are however asking the UGC to take a professional view on the different sorts of contract now used in universities; and as I said in my earlier letter, I shall be calling for a review of the principle of academic tenure.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, other members of the Cabinet and Sir Robert Armstrong.

Yours ever

Mark

MARK CARLISLE

Grey Scale #13



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