PREM 19/1090

Industrial action in the NHS

NHS Workers Pay (except Nurses)

PART 2.

NATIONAL HEALTH

July 1979

Part 1 ~~January 1980~~

Part 2 September 1982

PREM 19/1090

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~10.9.82~~		~~10.2.83~~					
~~22.9.82~~		~~25.2.83~~					
~~29.9.82~~		~~4.3.83~~					
~~30.9.82~~		~~12.4.83~~					
~~1.10.82~~		~~15.4.83~~					
~~5.10.82~~		~~9.5.83~~					
~~7.10.82~~		~~29.6.83~~					
~~8.10.82~~		~~5.7.83~~					
~~14.10.82~~		~~7.7.83~~					
~~15.10.82~~		~~18.7.83~~					
~~21.10.82~~		~~12.8.83~~					
~~28.10.82~~		~~18.8.83~~					
~~3.11.82~~		24.11.83					
~~4.11.82~~		PT ENDS					
~~5.11.82~~							
~~8.11.82~~							
~~9.11.82~~							
~~11.11.82~~							
~~18.11.82~~							
~~25.11.82~~							
~~30.11.82~~							
~~26.1.83~~							

PART 2 ends:-

DB to DHSS 24.11.83

PART 3 begins:-

DHSS to AT 13.3.84

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(PSP)(83) 3rd Meeting, only item	07/07/1983
E(PSP)(83) 11	29/06/1983
E(PSP)(83) 2nd Meeting, only item	12/04/1983
E(PSP)(83) 6	23/03/1983
PSP(O)(83) 7	25/02/1983
PSP(O)(83) 5	26/01/1983
CC(82) 53rd Meeting, item 4	16/12/1982
E(PSP)(82) 24	26/11/1982
CC(82) 50th Meeting, item 4	25/11/1982
CC(82) 49th Meeting, item 4	18/11/1982
CC(82) 48th Meeting, item 4	11/11/1982
CC(82) 47th Meeting, item 4 Limited Circulation Annex	04/11/1982
CC(82) 45th Meeting, item 5	28/10/1982
CC(82) 44th Meeting, item 4	21/10/1982
CC(82) 43rd Meeting, item 4	14/10/1982
CC(82) 42nd Meeting, item 4 Limited Circulation Annex	30/09/1982
CC(82) 42nd Meeting, item 4	30/09/1982
CC(82) 41st Meeting, item 3 Limited Circulation Annex	09/09/1982
CC(82) 41st Meeting, item 3	09/09/1982

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 19/4/2013

PREM Records Team

CONFIDENTIAL

cc NO

Treasury Chambers, Parliament Street, SW1P 3AG

Secretary of State for Social Services
DHSS
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

18 August 1983

Dear Secretary of State.

NHS PAY DETERMINATION

In Nigel Lawson's absence I am replying to your letter of 12 August about your discussions with the NHS unions on future pay determination arrangements.

I agree that the outcome recorded in your letter is satisfactory. As you say, we shall need to watch any proposals for the amplification of data relevant to pay negotiations.

I see no harm in a meeting at which the unions can give you their views on the provision for pay in next year's NHS cash limit. On the timing, you will wish to bear in mind that the provision for pay in public expenditure is due to be discussed in Cabinet on 15 September, and I would expect an announcement immediately thereafter. Any representations on the subject would clearly need to be made a little before that if they were not to be obviously futile.

I am copying this letter to the Prime Minister, other members of E(PSP), the Secretary of State for Northern Ireland, Scotland and Wales, and to Sir Robert Armstrong.

Yours Sincerely

PP Lui Kwiecinski
NICHOLAS RIDLEY
seen and approved by the Financial Secretary, signed in his absence on his behalf.

NHS pay Pt 2

010

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

12 August 1983

Dear Chancellor,

E(PSP) at their meeting on 7 July agreed that the Minister for Health should meet the trade unions for a discussion about pay determination arrangements in the NHS for staff groups whose pay has not been referred to a Review Body, and asked me to report to them on the outcome.

Discussions have now taken place, and have progressed satisfactorily. It appears that, in the aftermath of the general election, the trade unions' expectations are considerably more realistic than they were, and that, for example, a pay determination system based solely or mainly on comparability is not seen as attainable.

The main outcome of the discussions so far is that the trade unions have decided that it would be useful for them to have an early meeting with me in order to give me their views as to the global amount in respect of pay which should be included in next year's cash limit for the NHS. They are likely also to have views to express about the pay problems of particular staff groups - which, implicitly or explicitly, will bear on the distribution of the total sum. All this is acceptable, and I could not in any event have rejected a proposal for such a meeting.

There are also been some discussion about the provision for Whitley Councils of the data from the NHS which are relevant to pay negotiations - staff numbers, pay bill, staff recruitment and turnover etc. This is to be pursued further, and the trade unions may have ideas - which we shall scrutinise with care - about the amplification of such data. I think that they may also wish to talk about the handling of national disputes - though here again my impression is that their objectives are relatively modest and that they realise, for example, that unilateral arbitration is not available.

The discussions have been low key, and have attracted almost no public attention. I foresee one or two further meetings after the holidays, probably to a relatively slow timetable. Unless there is a sudden

E.R.

change of climate - and I see no reason to expect it - they seem like to follow the same pattern of quiet discussion of issues which are not calculated to lead to confrontation. I will keep colleagues in touch with developments.

I am sending copies of this letter to the Prime Minister, other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, and to Sir Robert Armstrong.

Yours sincerely,

Colin Phillips

C A H PHILLIPS
Private Secretary
(approved by the Secretary of State and signed on his behalf)

JDG

CONFIDENTIAL

Prime Minister

These were points from Nick Owen.

MCS 18/7

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

M Scholar Esq
Private Secretary
10 Downing Street

18 July 1983

Dear Michael

NATIONAL HEALTH SERVICE PAY DETERMINATION

Thank you for your letter of 5 July.

In the penultimate paragraph, you raise two questions about the attitude of Mr Griffiths and his team. As to the first, Mr Griffiths has made clear from the outset that he assumed that it is for Government to handle the discussions with the trade unions about pay determination arrangements; but that it will be essential for the successful implementation of the recommendations he will be making aimed at improved productivity that the problems over pay should have been satisfactorily disposed of on lines which will avoid any deterioration in industrial relations in the NHS and hopefully will improve them.

As to the second, Mr Griffiths foresees no conflict between his work and possible changes in pay determination arrangements. He does not so far see attraction in the principle of decentralised pay bargaining.

Yours

Steve

STEVE GODBER
Private Secretary

10 JUL 1983

Next theirs
STAN Penn P2

SECRET

FILE

23

RM

B/c: Mr O'Mara

10 DOWNING STREET

From the Private Secretary

13 July, 1983

E(PSP): HMT DHSS D.Emp
LPO Chief Sec
DOE CDL

Dear Margaret,

NATIONAL HEALTH SERVICE PAY DETERMINATION

The Prime Minister was grateful for the Chancellor's minute of 11 July, recording the conclusions of the Ministerial Sub-Committee on Public Sector Pay (E(PSP).

The Prime Minister agrees to E(PSP)'s conclusion that the Minister for Health should shortly meet the trade unions, state the Government's position listed in paragraph 7 (i - viii) of (E(PSP)(83)11), and listen to what the unions have to say, but go no further.

I am sending copies of this letter to the Private Secretaries to the members of E(PSP), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Miss M. O'Mara
HM Treasury

SECRET

22 cc NO

Prime Minister (1)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Agree to the proposal in para 6 (looks fine to me)?

PRIME MINISTER

Yes MT

NATIONAL HEALTH SERVICE PAY DETERMINATION

MCS 12/7

The Ministerial Sub-Committee on Public Sector Pay (E(PSP)) met under my chairmanship on 7 July to discuss the arrangements for determining the pay of staff in the National Health Service (NHS) not currently or prospectively the subject of the recommendations of a Review Body. We had before us the memorandum by the Secretary of State for Social Services (E(PSP)(83)11) and your Private Secretary's letter of 5 July.

2. The Sub-Committee were concerned with two main issues:

i. how far the Government should leave it to the unions to make the running in the discussions;

ii. what should be the substance of the Government's position.

3. On i., the Sub-Committee agreed that an early meeting was now unavoidable, especially as the TUC Health Services Committee had given notice that they intended to raise the matter next week. We considered whether it would be sufficient to go into the meeting purely on the basis that it was up to the unions to make proposals and that the Government should merely react to them. We concluded that it would be tactically disadvantageous for the Government to place itself in the position of having to reject proposals, however unreasonable, which the unions might put forward, without having something to say in reply. While therefore the Government should not itself put forward proposals for a new pay system and should seek to establish what proposals the unions might wish to bring forward, it should also make clear the principles to which it attached importance in pay determination.

4. On ii., the substance of the Government's position, the Sub-Committee endorsed the principles of pay determination set out in paragraph 7(i)-(viii) of

E(PSP)(83)11. They did not, however, approve the Secretary of State's proposal in the final sentence of that paragraph that the Government should "be prepared to join in working out an arrangement under which agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place". The Sub-Committee did not consider that Megaw-type arrangements (which these arrangements would in fact be) would be desirable for the NHS. The Government should neither propose nor accept such arrangements in exploratory talks or at any later stage.

5. The Sub-Committee considered whether it would be advantageous for the Government to raise the possibility of decentralised pay bargaining for the NHS. Several members of the Sub-Committee saw dangers in such a proposal, at least in present circumstances, when local management is not strong and might well succumb to leapfrogging tactics by the unions. We concluded therefore that it would not be prudent for the Government to put forward such a proposal in the forthcoming discussions, although it would be kept in mind for later consideration, in the context of the present efforts to improve productivity.

6. Subject to your views therefore, the Minister for Health will shortly have a meeting with the trade unions on the basis indicated above, ie he will state the Government's position in terms of the principles listed in paragraph 7(i)-(viii) of E(PSP)(83)11, will hear what the unions have to say and will go no further. The Secretary of State for Social Services will then report back to the Sub-Committee.

at flag A

7. The Sub-Committee accept that the trade unions may find little or nothing that is attractive to them in the principles to be stated by the Government and the discussions may result in no change in the existing arrangements. The Government will, however, have complied with its undertaking to hold such discussions.

8. I am sending copies of this minute to the other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, Mr Sparrow and Sir Robert Armstrong.

N.L.

(N.L.)

11 July 1983

NHS Pay Pt 2

12 JUL 1983

SECRET

bc N.O.

20

cc Home Office

10 DOWNING STREET

From the Private Secretary

5 July 1983

Dear Steve,

NATIONAL HEALTH SERVICE PAY DETERMINATION

The Prime Minister has seen your Secretary of State's minute of 29 June covering his memorandum (E(PSP)(83)11) about the determination of pay for National Health Service groups not currently subject to the recommendations of a review body. The Prime Minister's earlier views were set out in my letter of 15 April to the Private Secretary to the Chancellor of the Exchequer.

The Prime Minister has noted that the main thrust of your Secretary of State's paper is that the Government should take the initiative and make proposals. She remains unconvinced that this is either necessary or desirable. The Government's commitment is merely that it would be willing to enter into discussions about improved pay determination arrangements. The Government is not committed to making proposals for the non-nursing groups. Indeed it has not yet been demonstrated that there would be advantage to the Government in changing the present bargaining arrangements for these groups or that there is any alternative to the present arrangements which would not involve serious difficulties.

The Prime Minister therefore remains of the view that the unions should be left to make the running. She considers that this would be in accordance both with the undertakings given to the trade unions at the end of last year's NHS dispute and with the reference to NHS pay in the Election Manifesto.

The Prime Minister also remains of the view that the Government should neither offer nor agree to proposals for a Megaw-type system for non-nursing groups, including any arrangements (paragraph 7 of your Secretary of State's paper) under which agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place.

The Prime Minister has enquired whether Mr. Roy Griffiths and his team have taken a view on whether improvements in

/ productivity

productivity would be facilitated by "more stable" pay determination arrangments. She has enquired, too, whether new national pay arrangements would rule out, or would sit uneasily with, alternative organisational structures which Mr. Griffiths might recommend involving, possibly, decentralised pay bargaining.

I am sending copies of this letter to the Private Secretaries to other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health, to Mr. Sparrow (CPRS), and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

S.A. Godber, Esq.,
Department of Health and Social Security.

Prime Minister

MR SCHOLAR

4 July 1983

cc Mr Mount

NATIONAL HEALTH SERVICE PAY DETERMINATION

Mr Fowler has, as requested, circulated his negotiating brief for discussion in E(PSP) on 7 July, prior to discussions with the NHS trade unions on pay determination arrangements.

Mr Fowler is firmly of the belief that it is a political imperative to take the initiative in the discussions which were promised, rather than simply play a straight bat to proposals which unions may make. He therefore urges a "substantive discussion" with the unions before the Summer Recess.

Mr Fowler proposes to put forward some essential principles (in paragraph 7) which the Government will insist upon. These are excellent: they rule out "guided collective bargaining", unilateral access to arbitration; they recognise market forces and the need for differentials.

Unfortunately, Mr Fowler does not seem to commit himself to these principles, since in the next breath he announces himself prepared to join in working out an arrangement under which "agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place". This corresponds very closely to guided collective bargaining ie negotiations based on agreed data, which Mr Fowler had already claimed to be ruling out of court.

Mr Fowler appears to be willing to concede exactly what the unions ask for - a Megaw-type arrangement which defines the negotiating boundaries - in the interest of appearing positive.

In order to condition the discussion in E(PSP) I would suggest that, if the Prime Minister agrees, you minute Mr Fowler's office endorsing the principles set out in Mr Fowler's paper, making the observation that:

1) the kind of arrangement which Mr Fowler proposes to enter into with the unions looks indistinguishable from guided collective bargaining which, quite rightly, Mr Fowler rules out as a matter of principle;

2) in view of the similarities between the Megaw proposals for the Civil Service and the proposals envisaged for the NHS by Mr Fowler, we ought to tread water on the latter until we have a clearer idea of the advantages or otherwise of the Megaw arrangements.

The note might also enquire whether Mr Roy Griffiths and his team, which is investigating ways of improving efficiency in the NHS, have a view on whether improvements in productivity would be facilitated by "more stable" pay determination arrangements; would national pay arrangements rule out, or sit uneasily with, alternative organisational structures which Mr Griffiths might recommend for the NHS involving, possibly, decentralised pay bargaining?

NICHOLAS OWEN

NHS Pay Pt 2

Note - what does Nick Owen's point at Flag C on consulting G. Fletcher mean?

Prime Minister

(1)

18

I consulted Peter Gregson about the DHSS paper you saw over the weekend on NHS ancillaries etc pay. He shares my concern. Agree I write as at Flag A?

Yes

MCS 4/7

SECRET

Flag B

P.01058

MR SCHOLAR

*So do the Policy Unit - please see Nick Owen's note (Flag C)

We spoke this morning on the telephone about the Secretary of State for Social Services's memorandum (E(PSP)(83)11) about pay arrangements for the non-nursing groups in the NHS and its inconsistency with the Prime Minister's views as recorded in your letter to the Private Secretary of the then Chancellor of the Exchequer (copied to Mr Fowler's office and other E(PSP) members) of 15 April.

2. You also referred to the apparent discrepancy between the statement in paragraph 7(iii) of the Secretary of State's memorandum that "guided collective bargaining" would be ruled out in discussions with the unions and the statement in the final sentence of paragraph 7 that he would be prepared to join in working out "an arrangement under which agreed factual material would be collected and analysed to define the range in which pay negotiations would take place".

3. The explanation is that the Secretary of State for Social Services has always been against "guided collective bargaining", ie a system (favoured by the TUC in respect of the NHS) which involves the production of material which is relevant to the pay negotiations but does not formally constrain them in any way. The Secretary of State has however (contrary to the views of most of his colleagues) tended to favour "constrained collective bargaining", ie a system in which the range within which settlements may be negotiated is limited, as under the "inter-quartile" system proposed by Megaw for the non-industrial civil service.

??

4. Mr Fowler's memorandum therefore not only goes against the Prime Minister's view that it should be left to the trade unions to make the running, but also against her view that a Megaw-type system for the non-nursing groups should be ruled out. We had thought that Mr Fowler had accepted this latter point when he wrote to the then Chancellor on 29 April (copied to the Prime Minister) saying: "there will obviously be no question of offering a Megaw-type system to the trade unions". His officials now say that those words on 29 April had a very limited meaning, ie that he did not contemplate officials proposing a Megaw-type system in their initial explanatory discussions with the unions and that he intended in due course to revive the proposal for a Megaw-type system, as he has now done.

SECRET

5. The history of this correspondence reinforces the case for the Prime Minister's re-stating her views in advance of the E(PSP) meeting on Thursday 27 July. If she agrees, you might like to write on the lines of the attached draft.

PLG

P L GREGSON

4 July 1983

GR/ Pl type Amts.

SECRET

A

DRAFT MINUTE FOR PS/PRIME MINISTER TO SEND TO PS/SECRETARY OF STATE FOR SOCIAL SERVICES

MCS 5/7

NATIONAL HEALTH SERVICE PAY DETERMINATION

The Prime Minister has seen your Secretary of State's minute of 29 June covering his memorandum (E(PSP)(83)11) about the determination of pay for National Health Service groups not currently subject to the recommendations of a review body. The Prime Minister's earlier views were set out in my letter of 15 April to the Private Secretary to the Chancellor of the Exchequer.

2. The Prime Minister has noted that the main thrust of your Secretary of State's paper is that the Government should take the initiative and make proposals. She remains unconvinced that this is either necessary or desirable. The Government's commitment is merely that it would be willing to enter into discussions about improved pay determination arrangements. The Government is not committed to making proposals for the non-nursing groups. Indeed it has not yet been demonstrated that there would be advantage to the Government in changing the present bargaining arrangements for these groups or that there is any alternative to the present arrangements which would not involve serious difficulties.

3. The Prime Minister therefore remains of the view that the unions should be left to make the running. She considers that this would be in accordance both with the undertakings given to the trade unions at the end of last year's NHS dispute and with the reference to NHS pay in the Election Manifesto.

SECRET

4. The Prime Minister also remains of the view that the Government should neither offer nor agree to proposals for a Megaw-type system for non-nursing groups, including any arrangements (paragraph 7 of your Secretary of State's paper) under which agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place.

5. I am sending copies of this letter to the Private Secretaries to other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health and to Mr Sparrow (CPRS) and Richard Hatfield (Cabinet Office).

5. The Prime Minister has ~~also~~ enquired whether Mr Ray Griffiths and his team have taken a view on whether improvements in productivity would be facilitated by "more stable" pay determination arrangements. She has ~~and~~ enquired, too, whether new national pay arrangements would rule out, or would sit uneasily with, alternative organisational structures which Mr Griffiths might recommend involving, possibly, decentralised pay bargaining.

copy (1)

SECRET

NBPM MS 30/6

CCDO 16

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson
Chancellor of the Exchequer
Treasury Chambers
Great George Street
London SW1

29th June 1983

Dear Nigel.

You may find it useful to have some background to the paper attached on pay determination arrangements in the NHS which I have just circulated to E(PSP).

As my paper explains, we are committed to holding discussions with the trade unions, and E(PSP) considered before the election what the Government's stance should be in such discussions. I was asked to provide, as a basis for further consideration, a note indicating what the negotiating brief might be for the Government's representatives in any talks with the TUC.

That was rather more than two months ago. Since then, the political imperatives have become much more pressing. I believe that, if we are to avert a public row and a charge that we have not fulfilled our undertaking to enter into discussions, we must within the next couple of weeks make a start on discussions.

I indicate in the latter part of the paper what I envisage our general stance in the discussions should be. I doubt whether it would be appropriate to go into further detail at present. There are several reasons for this:

1. It will not be necessary for the initial meeting. If the trade unions declined to proceed on the basis proposed, the discussions would come to an end - but the political imperative of publicly establishing the reasonableness of the Governments' attitude would have been secured.

2. If on the other hand the discussions continued, detailed matters would be likely to arise which cannot be completely foreseen now and on which I should need to seek the views of colleagues as matters proceeded.

3. I believe that we must regard the political need to make a very early move as the overriding consideration at this stage.

SECRET

E.R.

In view of the urgency, I hope it will be possible to have an early meeting of E(PSP).

I am sending copies of this letter to the Prime Minister, the other members of E(PSP), and other Health Ministers and Sir Robert Armstrong.

Yours ever
Norman

NORMAN FOWLER

4.10

CONFIDENTIAL

cc NO

2

Prime Minister

To note.

MCS 10/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

9 May 1983

The Rt. Hon. Norman Fowler MP
Secretary of State for Social Services

Dear Norman

PAY ARRANGEMENTS FOR NON-NURSING GROUPS IN THE NHS

Thank you for your letter of 29 April 1983 about the probable request from the TUC Health Services Committee for a meeting with officials to explore the Government's commitment to enter into discussions about improved pay arrangements for NHS groups whose pay is not the subject of recommendations by a review body.

I am glad that we are all now agreed that, as recorded in the letter from the Prime Minister's Private Secretary of 15 April, there is no question of offering a Megaw-type system to the non-nursing groups. I note also that you regard the forthcoming discussions with the trade unions as primarily an opportunity to get some indication of their thinking and of what their main objectives are. This is, as you say, in line with the Prime Minister's proposed approach to the discussions, namely that the trade unions should be left to make most of the running.

Nevertheless I think that it would be useful, in order to avoid any misunderstandings which could cause difficulty later, for officials to be given a clear "line to take", approved by Ministers, in answer to possible questions from the trade unions about the Government's attitude to improved pay determination arrangements for these groups. I would assume that this would reflect the Prime Minister's view, expressed in the letter of 15 April, that the Government attaches importance to market factors and the need to reduce unit costs in the NHS.

I suggest therefore that you might like to write round to E(PSP) colleagues setting out the proposed "line to take". If, as I would hope, we can clear that in correspondence, I would see no need for a meeting of E(PSP).

I am sending copies of this letter to the Prime Minister, to the members of E(PSP), and to John Sparrow and Sir Robert Armstrong.

Yours

GEOFFREY HOWE

NATIONAL HEALTH : Industrial action in the NHS : PLZ.

PF

CC NO

2

Prime Minister

MCS 5/5

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
LONDON
SW1

29 April 1983

Dear Geoffrey.

At the end of their discussion on 12 April about Pay Determination Arrangements in the National Health Service, E(PSP) invited me to circulate a paper setting out the negotiating brief which might be used for discussions with the Trade Unions. Subsequently the Prime Minister's Private Secretary wrote to yours saying that the Prime Minister was opposed to the proposal that a MEGAW type system should be offered to non-nursing groups.

Since then, I have learned that the TUC Health Services Committee is about to write to my Department asking for a meeting with officials to explore possible ways of taking further the Government's commitment, after the conclusion of the two-year settlements, to enter into discussions about the improved pay determination arrangements for groups of staff whose pay is not the subject of recommendations by a review body. It is not surprising that the TUC should have decided to take this step, because they will no doubt have in mind the need to make progress soon if, as they hope, new arrangements are to be ready in time for the 1984 pay settlements.

It is clear that the TUC's request cannot be turned down, and until the discussions they seek have taken place I propose, with your permission, to regard the remit from E(PSP) as a piece of uncompleted business which will have to be taken up later. This fits in well with the letter from the Prime Minister's Private Secretary, because there will obviously be no question of offering a MEGAW type system to the Trade Unions. The discussions with officials will as far as my Department is concerned be low-key, exploratory and entirely without commitment. I regard them primarily as an opportunity to get some indication of the TUC's thinking - whether they do really want an agreement with this Government and, if so, what their main objectives are.

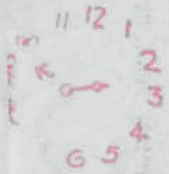
E.R.

I will keep you and our colleagues informed about progress.

I am sending copies of this letter to the recipients of copies of your minute of 13 April and to the Prime Minister.

NORMAN FOWLER

1983



FILE SW

bc: Owen
cc: D/Emp DHSS
CDL D/Env.
CS-HMT LPO
SO NIO
+ those listed WO

10 DOWNING STREET

From the Private Secretary

15 April, 1983

Pay Arrangements for Non-nursing Groups in the NHS

The Prime Minister was grateful for the Chancellor's minute of 13 April recording the discussion at E(PSP) about pay determination arrangements for workers in the National Health Service.

The Prime Minister is opposed to the proposal that a Megaw-type system should be offered to non-nursing groups. She considers that the Government should agree to discussions with the trade unions, as it is committed to do, but should thereafter leave the trade unions to make most of the running. The Prime Minister believes that the unions may press for some form of data collection to establish the basis for a system of pay comparisons, and that the Government could in response say it attaches more importance to other matters, such as market factors and the need to reduce unit costs in the NHS. Mrs. Thatcher considers that there is no reason why talks on these lines should not be considered as having taken place in good faith and in fulfilment of the Government's commitment, even if they lead to a situation in which both sides agreed to differ.

I am sending copies of this letter to the Private Secretaries to other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health and to Mr. Sparrow (CPRS) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss Margaret O'Mara,
H.M. Treasury

SW

10 DOWNING STREET

Prime Minister

You saw this last night.

May I write as at X

in para 6 of Mr Gregson's minute?

MCS 14/4

CC/NO

(1)

CONFIDENTIAL

Prime Minister
Please see the Chancellor's minute (attached).
An unusually uninhibited minute from Mr Gregson!
Agree to X in para 6?
Yes
MCS

P.0997

MR SCHOLAR

PAY ARRANGEMENTS FOR NON-NURSING GROUPS IN THE NHS

The Prime Minister will shortly be receiving a minute from the Chancellor of the Exchequer reporting on yesterday's discussion in the Ministerial Sub-Committee on Public Service Pay (E(PSP)(83)2nd Meeting) of a proposal by the Secretary of State for Social Services that the Government should offer a Megaw type system of "constrained collective bargaining" to the non-nursing groups in the NHS. In your letter of 25 March to the Chancellor's Private Secretary you said that the Prime Minister would be grateful for an opportunity to consider E(PSP)'s conclusions. In fact E(PSP) will be returning to the matter at a further meeting because there is a sharp division of view. The Chancellor, Chief Secretary, and the Secretaries of State for Education and Science, Employment and the Environment are all opposed to the Secretary of State for Social Services's proposal; he was supported by the other Health Ministers (the Secretary of State for Wales and junior Ministers from the Scottish and Northern Ireland Offices) and, albeit without much enthusiasm, by the Lord President.

2. The Chancellor will of necessity be reporting the balance of argument in an objective way, while indicating that he, like the majority, is opposed to the proposal. The Prime Minister may find it useful to have this less inhibited account of the arguments against it.

3. This issue has arisen because the Government made a commitment, recorded in the exchange of letters when the NHS dispute was settled, that it "would be willing to enter into discussions about improved pay determination arrangements for groups of staff whose pay is not the subject of recommendations by a review body". The Prime Minister may recall that the Government had, until recently, a commitment only to search for an improved pay system for the nurses, dating from 1980. The possibility that the Government might be prepared to discuss new pay arrangements for the non-nursing groups was mentioned for the first time,

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without any prior collective endorsement, in a radio interview by the Minister for Health some time last autumn. When the Prime Minister and others queried this its significance was played down and we were told that the Minister for Health had stated no more than was already the case, ie that the Government was of course always ready to talk to the unions about any ideas they might have for improving their pay arrangements. At the end of the dispute the formula about the Government's being willing to enter into discussions was incorporated in the exchange of letters, with collective endorsement, but on the basis that this was merely repeating what had already been said by the Minister for Health. We are now told that because of this commitment the Government must not only launch discussions about a new pay system for the non-nursing groups but should also put forward positive proposals for a new system and that this should be a Megaw type system of constrained collective bargaining.

4. The main arguments against agreeing to this are as follows:

i. There is little evidence as yet that the NHS unions are actively pressing for new pay arrangements. Indeed the Minister for Health told E(PSP) that he was sure that they would prefer to keep free collective bargaining. Such modest pressure as there is appears to be coming from Mr Jacques of the TUC who is thought to want to establish that systems based on comparability should be the main determinant of pay throughout the public services.

ii. From the Government's point of view there is no clear advantage in moving away from the present arrangements of free collective bargaining constrained by a cash limit. The nurses (not only trained nurses but students and auxiliaries) are being hived off under the new review body on the clear understanding that they will not take industrial action. This is bound to decrease further the industrial muscle of the non-nursing groups, already weakened by last year's unsuccessful action. It would therefore seem perverse for the Government to choose this moment to move away from free collective bargaining. The Secretary of State for Social Services is now saying that the existence of a review body for the nursing groups will give rise to intolerable pressures unless the non-nursing groups are given some new arrangements. He did not say this when seeking the

agreement of colleagues to the review body for the nurses and it does not seem plausible. The Government has now firmly established that it intends to give different and preferential treatment to the nursing groups.

iii. Even if the Government were to find it desirable to concede some change in the pay arrangements for the non-nursing groups, the option of proposing a Megaw type system would be particularly unattractive. The Government has no alternative but to explore its feasibility for the non-industrial Civil Service since it was recommended by a Committee set up by the Government and was designed as a compromise between the Government's wish to place more emphasis on market factors and affordability and the old Civil Service pay research system which rested on automatic pay comparisons. It is a much more dubious proposition to volunteer this for the NHS where there was no previous standing system of pay research based on comparability, especially as it will be a long time before we know either the Government will be able to negotiate an acceptable arrangement with the Civil Service unions and an even longer time before we know whether a Megaw type system will work out satisfactorily in practice.

5. The course of action favoured by most members of E(PSP) therefore seems greatly preferable. The Government should agree to discussions in fulfilment of its commitment but should leave it to the trade unions to make most of the running. The unions are likely to press for some form of data collection to establish comparability. The Government will then say that it attaches much more importance to other factors such as market factors and the need to reduce unit costs in the NHS and will deploy the case for considering data on these and other matters of concern to management. Eventually both sides may well agree to differ and to leave the matter on the basis that in future pay negotiations either side will continue to deploy whatever arguments and data it thinks fit. There is no reason why talks on these lines, if skilfully conducted, should not be seen as having taken place in good faith and in fulfilment of the Government's commitment.

6. Since there is to be further work and another meeting of E(PSP), the Prime Minister does not need to intervene at this stage if she does not wish to do so. If however she shares the view of the majority of E(PSP) that there are strong arguments against the Secretary of State for Social Services's proposal, she may well feel that there would be advantage in saying so now, in ruling out firmly the option of offering a Megaw type system to the non-nursing groups, and in steering the future work on the brief for the talks with the unions in the direction of the responsive approach outlined in the preceding paragraph. There is the danger that if the option of offering a Megaw type system for the non-nursing groups is allowed to have further currency it will sooner or later appear in the newspapers and the talks with the trades unions will then become much more difficult to handle.

PLG

P L GREGSON

13 April 1983

cc NO

Prime Minister

MCS 13/4

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

PAY DETERMINATION ARRANGEMENTS IN THE NATIONAL HEALTH SERVICE

The Ministerial Sub-Committee on Public Service Pay (E(PSP) met under my chairmanship on 12 April to discuss the memorandum by the Secretary of State for Social Services (E(PSP)(83)6 on pay determination arrangements for workers in the National Health Service (NHS). Your Private Secretary's letter of 20 March said that you would wish for an opportunity to consider E(PSO)'s conclusions on this matter before any public announcement was made.

2. The Secretary of State for Social Services argued that as part of the settlement of the 1982 pay dispute in the NHS the Government had indicated that it would be willing to enter into discussions about improved pay determination arrangements for groups of staff other than those whose pay was the subject of recommendations by a review body (doctors, dentists and nurses). He was under pressure from the Trades Union Congress and others to fulfil that commitment. Moreover, it was in the Government's own interest to change current pay arrangements in the NHS. With effect from April 1984 the pay of about half the staff of the NHS would be determined on the basis of recommendations from review bodies. Unless something was done about the other half, their pay would effectively be determined by cash limits, which were increasingly coming to be regarded as a pay norm.

why?

/The resulting

The resulting tensions would be unsustainable. The main options for change were constrained collective bargaining, of the type recommended by the Megaw Committee for the non-industrial civil service; guided collective bargaining, under which agreed data would be collected and analysed so as to provide a background (but no more) for collective bargaining; and to seek to negotiate an arbitration agreement providing for access by agreement to some agreed form of arbitration. The trade unions would probably press strongly for guided collective bargaining (which they would see as likely to provide comparability material which they could use as a floor for pay claims). He favoured constrained collective bargaining, which would, among other things, show that the Government was taking a consistent approach to the civil service and the NHS.

3. In discussion, it was common ground that the Government was committed to being willing to discuss possible changes with the NHS trade unions; and that it must approach any such discussions in good faith. This did not, of course, mean that the Government must be determined to reach an agreement at any price. But the Government should not put forward proposals which it regarded as being without merit or adopt deliberate wrecking tactics.

4. Views were divided, however, on what this meant in practice. Some members of the Sub-Committee supported the Secretary of State's proposals. They considered that the Government must be prepared to put forward its own proposals for change; and that, of the various possibilities which had been identified, constrained collective bargaining was the best.

5. Other members took the view that there was no clear advantage to the Government in proposing substantial changes in current NHS pay negotiating arrangements. It was far from certain that

/we should be

we should be able to negotiate acceptable arrangements based on Megaw for the non-industrial civil service. It would therefore be dangerous in itself to offer similar arrangements to the NHS: and to do so would increase the risk of reinstating pay arrangements based on comparability more widely in the public services. Even if changes eventually had to be made, they might well take the form of detailed improvements rather than the erection of complete new structures. The Government was committed to being willing to enter into discussions, not to launching them. It would be better to allow the trade unions to make the running, if they wished, and in particular to ask them what concessions they would be willing to make, in such matters as acceptance of the relevance of market factors and affordability and avoidance of industrial action, as part of any new pay arrangements. We should then be able to judge better the chances of making progress. We should also avoid the risk, which would be inherent in our making the running, of gradually coming to be regarded as committed to making changes, whether we regard them as desirable or not. I must say that, on the basis of the arguments as they emerged in discussion, I tend to share these views.

6. The division of view was too sharp to make agreement possible at the meeting on 12 April. The Sub-Committee therefore accepted an offer from the Secretary of State for Social Services to circulate, as the basis for a further discussion, a paper setting out the negotiating brief which he and the Minister for Health proposed to use in discussion with the trade unions. It would also explain how a system of constrained collective bargaining would help in practice to avoid industrial action in the National Health Service and to reduce unit labour costs. This would allow the Sub-Committee to assess in more concrete terms the advantages and disadvantages of the course which he was recommending. The preparation of this paper was on the clear understanding that it was without prejudice to the eventual resolution of the difference of view which had emerged in discussion.

/7. At this stage,

7. At this stage, then, the Sub-Committee has taken no decision on the matters discussed in E(PSP)(83)6 and will discuss them further on the basis I have described. I shall, of course, continue to keep you informed.

8. I am sending copies of this minute to the members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health, Mr Sparrow, and Sir Robert Armstrong.

G.H.
13 April 1983

cc DHSS

HL

bcc Peter Gregson

10 DOWNING STREET

From the Private Secretary

25 March 1983

Pay determination arrangements in the National Health Service

The Prime Minister has seen a copy of the Secretary of State for Health and Social Services's paper E(PSP)(83)6 on improved pay determination arrangements in the National Health Service.

The Prime Minister would be grateful for an opportunity to consider E(PSP)'s conclusions on this matter before any public announcement is made.

I am sending a copy of this letter to David Clark (Department of Health and Social Security), and to Peter Gregson.

M. C. SCHOLAR

Miss Margaret O'Mara,
H.M. Treasury.

CONFIDENTIAL

Prime Minister

Shall I ask that you be consulted, as recommended at X? MCS 24/3

MR SCHOLAR

24 March 1983

cc Mr Mount

As please

PAY DETERMINATION ARRANGEMENTS IN THE NATIONAL HEALTH SERVICE

in last night's folder MCS 24/3

Norman Fowler has submitted a paper - E(PSP)(83)6 - on this subject setting out three possible approaches which the Government might adopt in the discussions which were promised to the NHS trade unions on 'improved pay determination arrangements'.

It is unfortunate that Mr Fowler has got himself into this position. He eventually achieved, after all, a good settlement with the non-professional NHS groups without such machinery; and the options proposed - constrained collective bargaining, guided collective bargaining, arbitration agreement - to greater or lesser degrees satisfy the TUC's 'aspirations'. The option which Mr Fowler prefers - constrained collective bargaining - is probably the least dangerous of the three but as the paper acknowledges, its attraction to the unions is that it would establish a lower limit to pay increases. This lower limit may well turn out to be above the level consistent with the management considerations mentioned at the foot of para 3 - recruitment and retention of staff, the general economic situation, availability of resources. It would of course set a 'firm upper limit' but what the paper does not say is that this would - following the point above - almost certainly be excessive.

i.e. a Megaw-type system

Mr Fowler wishes to open discussions with the TUC as soon as possible, presumably with a view to proposing his preferred option, rather than leaving it for the TUC to make the running, despite the fact that it will be the TUC, rather than the Government, which has more to gain from any machinery. In these circumstances I would suggest that, if the Prime Minister agrees, you might write to Mr Fowler's Private Office, registering the Prime Minister's surprise that Mr Fowler has got himself into this position; that she is not at all convinced that we should be as forthcoming with proposals; and that she expects to have an opportunity to consider E(PSP)'s conclusions before anything is said publicly.

no point in this: we know how it happened. MCS

X X

NICHOLAS OWEN

CONFIDENTIAL

MR MOUNT

cc Mr Scholar

NHS PAY

PSP(O) had a second go this morning at new pay arrangements for the NHS groups who will not be covered by the new Review Body. We considered DHSS proposals for collective bargaining based on agreed data collection, but I will not trouble you with the details because even the DHSS accepted that there were overwhelming objections. So, despite the universal condemnation of the system which they encountered two weeks ago, the DHSS are likely to propose to Mr Fowler that he puts to his colleagues the suggestion of a Megaw type system of "constrained collective bargaining" for these groups.

There continues to be an almost total divergence of view between the DHSS and other departments. They feel under an obligation to honour Mr Fowler's commitment to new pay arrangements; we feel that this commitment was given without authority, is a commitment only to discussion, and refers to "arrangements" rather than "systems". I have suggested that if they feel obliged to embark upon such discussions, they should combine their proposals to objectives we ourselves wish to pursue - a procedure agreement, a clarification of relationship between cash limits and the negotiations, the need for agreement of recruitment and retention data, and the need for a unilateral undertaking by the unions not to strike. There is a good deal of support for this, which would not of course lead to any new pay arrangements but would at least give the DHSS something harmless to talk about. Mr Fowler will probably put a paper to E(PSP) after I have left, but you and Michael Scholar may wish to bear these points in mind when it all comes to the Prime Minister. There is absolutely no need at all for us to make yet more concessions to the NHS about pay determination arrangements.

4 March 1983

010

CONFIDENTIAL

NCA Health

MR MOUNT

cc Mr Scholar

PAY DETERMINATION ARRANGEMENTS FOR NHS WORKERS OTHER THAN NURSES

PSP(O) had its first discussion yesterday of the DHSS proposals for long-term pay arrangements for NHS ancillaries. You will recall that Mr Fowler made a commitment to enter into discussions about improved pay determination arrangements for those who will not be covered by the Review Bodies; the DHSS Paper proposed a system of "constrained collective bargaining" analogous to the Megaw system.

The Paper received short shrift. The Treasury pointed out that they were very doubtful whether a Megaw system could be negotiated with the Civil Service unions, and there were still many uncertainties about how it would work if they did. To establish a Megaw type system for another group of public service workers would therefore be premature. Those representing other groups of public service employees also objected to singling out the ancillaries in this way. I argued that improved pay determination arrangements did not imply a whole new system, and that we should be addressing ourselves to what was wrong with the present system. That seemed to me to come down to a question of the relationship between cash limits and pay out-turn and the effect on manpower. We had an extensive discussion of the cash limit process, with which I need not trouble you. The Department of Employment supported me, and suggested that the only improvement needed - apart from clearing up the cash limits confusion - was an arbitration agreement, providing for access only by consent. Peter Gregson concluded that there was not support for the system proposed by DHSS, that we should stick with a system of collective bargaining but consider minor improvements such as the Group had identified. But, knowing Mr Fowler, I doubt if we have heard the last of this. We must now wait and see what he puts to his colleagues on E(PSP).

N.

10 February 1983

P(US) Sub

NATIONAL HEALTH

10 DOWNING STREET

From the Private Secretary

30 November, 1982

Long Term Pay Arrangements in the National Health Service

The Prime Minister has seen the monitoring report on public service pay, circulated under cover of E(PSP)(82)24, which recorded that your Secretary of State would be putting proposals to colleagues in due course on the details of the proposed review body for nurses, etc. and on possible long term arrangements for other NHS groups.

The Prime Minister is most concerned that Ministers should have considered the Secretary of State's proposals carefully before they are put to the professional groups and the trades unions, since some aspects, such as precisely which groups might be within the terms of reference of the proposed new review body, are likely to raise considerable difficulties. The Prime Minister recalls that at its meeting on 4 November the Cabinet invited the Secretary of State to put proposals urgently on these questions to the Ministerial Sub-Committee on Public Service Pay. She recognises that the Secretary of State may not wish to do so until it is clear that the pay offers have been accepted. I understand that the consultations on this ought to be completed by 14-15 December. Decisions on the proposals to be put forward as a basis for consultation may, however, be required soon after that, and before Ministers can take these decisions, their implications will need to have been fully explored.

The Prime Minister would therefore like the Secretary of State to arrange for his proposals to be discussed by the Official Committee on Public Service Pay in the very near future. Some aspects of these proposals will clearly be particularly sensitive, and I shall therefore be getting in touch with the Chairman of the Official Committee to ensure that arrangements are made, as has been done in the past, for the papers to be given a specially restricted circulation.

/I am

I am sending copies of this letter to John Kerr (Treasury), Barnaby Shaw (Employment) and Sir Robert Armstrong.

M. C. SCHOLAR

D. J. Clark, Esq.,
Department of Health and Social Security

SECRET

Prime Minister

There is clearly a risk of a pre-Christmas rush at these decisions. Against that is the risk of a leak. Agree I write as Mr Gregson suggests?

MCS 29/11

P.0900

MR SCHOLAR

Yes

LONG TERM PAY ARRANGEMENTS FOR THE NATIONAL HEALTH SERVICE

No doubt you will be putting to the Prime Minister the monitoring report which was circulated to the Ministerial Sub-Committee on Public Service Pay on Friday evening. As you will see, it records that the Secretary of State for Social Services will be putting proposals to the Sub-Committee in due course on the details of the proposed review body for nurses and certain related groups and also on both the handling of the Government's offer to the other NHS groups to hold discussions on possible long-term pay arrangements and on broadly what sort of arrangements the Government might find acceptable.

2. At its meeting on 4 November (CC(82)47th Conclusions, Minute 4) the Cabinet invited the Secretary of State for Social Services to put proposals on the nurses' review body urgently to E(PSP). However, I understand that his present intention is not to do so until the results are known of the consultations on the pay offer which are now being undertaken by the trades unions and professional bodies. These will be completed by 14/15 December. He is particularly concerned that the outcome of these consultations could be seriously prejudiced by any leak of the Government's detailed proposals for the new review body. Meanwhile he is unwilling to allow his officials to discuss the problems with other departments.

3. There are certainly areas where leaks could prove very damaging. For example, the question of whether the terms of reference of the review body should include nursing auxiliaries (who comprise some 25 per cent of total nursing manpower) is a matter of considerable contention between the Royal College of Nursing and the trades unions; another likely area of major difficulty is the fact that the Government does not intend that the review body should begin by recommending substantial "catching up" increases, which so far has been referred to only very obliquely in public. The timetable for collective discussion of these issues will therefore require careful consideration.

SECRET

4. On the other hand, the Government will no doubt be expected to initiate consultations on the details of the review body very soon after a pay settlement is concluded in mid-December. In doing so it will be expected to make clear its views on the most contentious issues; indeed, it can hardly avoid doing so. Yet the Government's proposals on these points will have to be carefully prepared. There is a risk that the Secretary of State for Social Services may seek quick decisions on these matters just before or just after Christmas, when there has been no opportunity to examine their implications properly.

5. The best approach might therefore be for the Official Committee on Public Service Pay, which I chair, to consider these questions at an early date. To minimise the risks of leaks we would ensure that papers were circulated only to those who really need to see them, as we have done in the case of police pay. A discussion of this sort at official level would at least ensure that Ministers could be comprehensively briefed if the Secretary of State were to seek decisions from them at short notice.

6. Subject to the Prime Minister's views, I attach the draft of a letter for you to send to the Department of Health and Social Security suggesting this way of proceeding.

PLG

P L GREGSON

29 November 1982

M type

DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR D CLARK, DHSS

LONG TERM PAY ARRANGEMENTS IN THE NATIONAL HEALTH SERVICE

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The Prime Minister is most concerned that Ministers should have considered the Secretary of State's proposals carefully before they are put to the professional groups and the trades unions, since some aspects, such as precisely which groups might be within the terms of reference of the proposed new review body, are likely to raise considerable difficulties. The Prime Minister recalls that at its meeting on 4 November the Cabinet invited the Secretary of State to put proposals urgently on these questions to the Ministerial Sub-Committee on Public Service Pay. She recognises that the Secretary of State may not wish to do so until it is clear that the pay offers have been accepted. I understand that the consultations on this ought to be completed by 14-15 December. Decisions on the proposals to be put forward as a basis for consultation may however be required soon after that, and before Ministers can take these decisions, their implications will need to have been fully explored.

The Prime Minister would therefore like the Secretary of State to arrange for his proposals to be discussed by the Official Committee on Public Service Pay in the very near future. Some aspects of these proposals will clearly be particularly sensitive, and I shall therefore be getting in touch with the Chairman of the Official Committee to ensure that arrangements are made, as has been done in the past, for the papers to be given a specially restricted circulation.

I am sending copies of this letter to John Kerr (Treasury), Barnaby Shaw (Employment) and Sir Robert Armstrong.

O10

Prat. Health
Prime Minister

(2)

Mrs 15/11

PRIME MINISTER

NHS PAY

Following 6 days of talks I am pleased to report that the Health Services Committee of the TUC has, in their own words, "unanimously concluded that [our] proposals represent the maximum that could be secured through negotiation". The Committee does not have authority to reach a settlement - this requires consultation within each union - and they will now set about this process. It may take several weeks.

Our expectation is that although the unions may not be unanimous in accepting our proposals - NUPE in particular is likely to dissent - the Committee will in due course accept on behalf of all the unions. It has been made clear to them that the Government will not authorise Management Sides to make revised offers unless and until they confirm that they are ready to resume negotiations in the Whitley Councils within our financial framework and to recommend a resumption of normal working. Our proposal was explicitly "without prejudice".

This is very considerable progress. I will continue to keep you and other colleagues informed of developments. Meanwhile it is important during the next few weeks that we should do what we can to promote an atmosphere that will be conducive to acceptance of our proposals. It will be best to keep comment to the minimum and addressed so far as possible to the public benefit of an early settlement.

I am sending copies of this minute to Cabinet colleagues and to Sir Robert Armstrong.

12 November 1982

N F

Nat Health.

PRIME MINISTER

NHS DISPUTE: PROGRESS REPORT

Norman Fowler's Private Secretary tells me that the 4½ per cent was duly made at the Nurses and Midwives Whitley Council this afternoon. The Staff Side have taken it away for consultation.

The talks with the TUC and affiliated unions adjourned and will resume again tomorrow at 2 p.m. Tomorrow afternoon is likely to be the crunch time when the extra 4½ per cent will be deployed. Mr. Fowler is at the moment thinking of announcing the 4½ per cent for ancillaries, not to the House but to the press. I suggested that they think again about this.

MCS.

MT

9 November 1982

National Health Service (Pay Dispute)

3.30 pm

The Secretary of State for Social Services (Mr. Norman Fowler): With permission, I should like to make a statement about the pay dispute in the National Health Service.

As I have reported to the House, revised proposals on Health Service pay were put to all the staff organisations on 16 September as a basis for discussion. They envisaged discussions about improved pay determination arrangements for all non-medical National Health Service staff groups, together with a two-year pay agreement to cover the period until 31 March 1984. I proposed that the financial basis of the two-year agreement should be the offer for this year of 7½ per cent. to nurses and midwives and professions allied to medicine and 6 to 6½ per cent. for other groups, together with an additional 4 per cent. for next year. The proposals made it clear that there could be no more money for this year.

As a result of this initiative, there have been lengthy exploratory discussions with the professional organisations representing nurses, midwives and health visitors. There have also been discussions with representatives of the professions allied to medicine. I am glad to say that in the past few days talks have been taking place with the Health Service unions affiliated to the TUC.

Following the Government's consideration of the outcome of the discussions with the professional nursing bodies and the TUC health services committee, I have authorised the management sides of the Whitley councils which negotiate the pay of nurses and midwives, and of the professions allied to medicine, to make revised pay offers covering the period until 31 March 1984. The financial resources that I have made available to them are on the general basis envisaged in the proposals put forward on 16 September, but the Government have agreed that, in formulating appropriate pay offers, these management sides may proceed on the basis that the money available for 1983-84 will be increased to allow average pay increases for that year of 4½ per cent. The distribution of the pay offers within the cash limits set by Government is for negotiation within the Whitley councils.

If this revised pay offer is accepted the Government believe that better permanent pay arrangements should be established for nurses and other professions. As the House is aware, the Government are firmly committed to seeking improvements in the arrangements for determining nurses' pay. We put forward proposals as a basis of discussion as long ago as August 1980. Talks began in March this year, but the discussions have not shown the progress that we would want.

We should remember that we are dealing here with a group of dedicated and skilled staff who do not take strike action, because of the consequences of such action on patients. The Government believe that it is time that we settled upon more satisfactory arrangements. We have, therefore, decided to propose the establishment of a review body, which will have the task of making recommendations to Government about the pay of nurses, midwives and health visitors. We propose that it should have the further remit of making recommendations about the pay of the professions allied to medicine, such as physiotherapists and radiographers.

I shall shortly be launching consultations relating to the composition, terms of reference, coverage and method of work of the new review body. Like other review bodies, it would, in looking at levels of pay, need to take account of all relevant factors, including, for example, economic and financial considerations and service needs. It is intended that its first report should relate to the period beginning 1 April 1984, at the end of the two-year pay agreement now proposed.

I believe that this decision will give the professions concerned a much better basis for determining their pay and that it will be warmly welcomed by them. The Government regard their position as wholly exceptional. There can be no general extension of the review body principle to other staff groups.

This is an important step forward for the nurses and the other professional groups and, therefore, for the Health Service. The proposals that we have made offer a fair settlement for pay over two years, followed by the establishment of a review body. They provide an opportunity for stability in the National Health Service to make the service improvements that we all want and to recover from the damaging effect of the industrial action which has taken place this year.

On the pay of other Health Service staff, discussions with the health services committee are continuing. The aim must be to secure a resumption of negotiations in the relevant Whitley councils. That is the way forward and the proposals that I have announced today are a significant step in that direction.

Mrs. Gwyneth Dunwoody (Crewe): The whole House will welcome the Secretary of State's conversion to the principle of the Clegg commission, but it is clear that the offer of a review body is to be restricted to the nurses, midwives and health visitors Whitley council. Does the right hon. Gentleman intend to renege on the offer that he made earlier this year to other NHS workers of suitable machinery for negotiating their pay?

Are negotiations continuing with the TUC health services committee? Is it the right hon. Gentleman's intention to continue to try to divide one Health Service worker from another? Is it not clear that the negotiations could have been resumed much earlier and that it is only because the right hon. Gentleman has been prepared to go back to ACAS that there have been any grounds for negotiation?

Surely the Government will now accept that the actions of Ministers and their direct assaults upon groups of Health Service workers have been nothing but counter-productive since the beginning of the dispute and that if they had been prepared to take the advice of the Opposition and return to negotiations there would have been a much earlier end to this unhappy affair.

Mr. Fowler: That was a typically churlish and unworthy response from the hon. Lady. I remind her that one of the most disreputable actions of the Opposition has been to support industrial action throughout the dispute.

Let me make it absolutely clear that, contrary to what the hon. Lady appears to think, the review body is not in any sense based on the Clegg commission. That commission was based solely on comparability and was wholly inflationary, and no one was better off in the end. If the hon. Lady wants confirmation of that, I suggest that she asks the nurses for their views on the Clegg commission. They certainly do not want it.

screening clinic at the Royal Marsden hospital? Will she make it her business to see the report and give an undertaking to ensure that the comparatively small amount of money—about £100,000 per annum—that is needed to keep the clinic going will be provided, so that many women can be cured of breast cancer and so that even more can be relieved of anxiety?

The Prime Minister: I am not privy to the conversations between my hon. and learned Friend the Minister for Health and the hon. Member for Wolverhampton, North-East (Mrs. Short). I know of the problem of that hospital and it is under consideration at the Department of Health and Social Security.

Q3. **Dr. Mawhinney** asked the Prime Minister if she will list her official engagements for 9 November.

The Prime Minister: I refer my hon. Friend to the reply I gave some moments ago.

Dr. Mawhinney: Has my right hon. Friend seen the report in today's edition of *The Times*, saying that members of the National and Local Government Officers Association are threatening mass resignations against the union's hard-line unilateral nuclear disarmament policy? Does that not once again confirm the fact that the British people want their Government to work vigorously for world peace, but on the basis of multilateral disarmament?

The Prime Minister: I wholly agree with my hon. Friend. One-sided disarmament by this country would be an extremely dangerous step. It would imperil peace and jeopardise the freedom and justice that are essential to our way of life. This Government will never enter into one-sided disarmament. They require disarmament to be multilateral, as that is the only way of gaining peace and security.

Mr. Stoddart: In the light of the American vote in the United Nations on the Falkland Islands, and of the CIA's gun-running activities with the IRA, does the right hon. Lady really consider the United States of America to be so reliable an ally that we should have cruise missiles in Britain from the end of 1983? Will she not now cancel the programme?

The Prime Minister: I understand that there is no truth in the assertions about the CIA and the gun-running activities. With regard to the United States vote on the United Nations resolution, I have made clear my views and disappointment at the action that they took, but it would be a mistake to fail to recognise that the United States is the final guarantor of peace and freedom and justice on our Continent of Europe. That peace and freedom and justice is safeguarded by the NATO alliance as a whole.

Later——

Mr. Allen McKay (Penistone): On a point of order, Mr. Speaker. I listened carefully to the Prime Minister's reply to the question of my right hon. Friend the Member for Ebbw Vale (Mr. Foot) about pensioners. Is it right that the Prime Minister should——

Mr. Speaker: Order. The hon. Gentleman knows that he must not involve me in arguments between the two sides of the House on matters of policy.

[Mr. Mike Thomas]

the extent to which he is to blame for not sending the matter to arbitration before all the bitterness and argument occurred? Does he appreciate that if he had done that on the basis of the first offer the settlement would have been no different from the one that he has now obtained?

Mr. Fowler: The hon. Gentleman at least welcomes the review body. With regard to his comments about a "divide and rule" policy, I remind him that the offer of 16 September was carefully worked out and was made specifically not only to the professional organisations but to the Health Service unions as well. It was to avoid exactly that kind of charge that the offer was made .

Sir William Clark (Croydon, South): May I congratulate my right hon. Friend on the resumption of talks in the dispute? Does he agree that the Clegg commission had damaging effects on the economy? Will he give an assurance that the new review body will not become like that commission so that the Government of the day lose their flexibility in paying the wages of the public sector?

Mr. Fowler: I assure my hon. Friend that the new review body will certainly not be like the Clegg commission—first, because the Government have no intention that it should be so, and secondly, because the nurses themselves would not want it to be that way. As I have said, I think that the comparison is with the doctors and dentists review body. The Government have lost no flexibility there. The DDRB is regarded as fair and Government policy has in no way suffered as a result.

Mr. Doug Hoyle (Warrington): Will the Secretary of State accept some responsibility for the prolonged dispute? Does he accept that it has been largely due to the small-minded and parsimonious way in which he has handled matters when he could have gone to arbitration at any time? Will he also clarify the Government's intentions? If the review body comes up with a recommendation that is not acceptable to the Government, will the Government accept it and not stand in the way? That is what we want to know.

Mr. Fowler: We should not be setting up the review body if our purpose were to ignore its findings. That is clear. Obviously, we must reserve the right not to accept recommendations in response to compelling national reasons. That is the normal position with review bodies and the assurance that my hon. Friend the hon. Member for Croydon, South (Sir W. Clark) sought. I am not prepared to take lectures from the hon. Gentleman on industrial action when over the last month he has supported industrial action, and many of his colleagues have appeared on the picket line.

Mr. Anthony Nelson (Chichester): Does the Minister accept that there will be widespread recognition of the restraint and the responsibility that he has shown in these negotiations, as any excessive wage offer can only be at the expense of medical facilities for patients? Will my right hon. Friend clarify one aspect of his statement? I understood him to say that the cash limit would be revised to accommodate the increased offer. If this is the case, can he give an undertaking that all local health authorities will be underwritten in any extra marginal costs that they may have to meet in paying these extra wages, or will they have to make futher economies to accommodate this incremental increase?

Mr. Fowler: Yes, I assure my hon. Friend that no further increases will be made for this year, and I have made that clear. Next year the amount is allowed for in the public expenditure figures that we have put forward. Therefore we shall not be requiring a contribution from the health authorities.

Mr. Ioan Evans (Aberdare): Is the Secretary of State happy with offering only 6 per cent. to Health Service workers, some of whom have a take-home pay that is less than £2,500, while his Government offer judges on over £40,000 a year an 18 per cent. increase? Is the Government's policy to be generous to the well-off while being mean and Scrooge-like to the low paid?

Mr. Fowler: Our policy is to seek to be fair within the Health Service resources to all those working in it. With regard to the TUC Health Service unions, I repeat that negotiations are continuing.

Mr. Peter Bottomley (Woolwich, West): Will my right hon. Friend accept my good wishes for the settlement of the whole of the dispute? Does he also accept that if the 4½ per cent. is accepted by NHS workers for the following year, other groups who are higher paid should accept that or less, so that the noises made to the lower paid have some meaning? Will my right hon. Friend add his voice to mine in talking the Prime Minister into trying to get an increase in child benefit so that the lower paid with family responsibilities can accept continuing low pay settlements?

Mr. Fowler: I hear what my hon. Friend says about child benefit. However, he will know that decisions on that are made at the time of the Budget.

Mr. William Hamilton (Fife, Central): Is the Minister aware that, even if these figures are acceptable, the nurses and other skilled and dedicated people, as he described them, will have suffered a considerable reduction in their standard of living over the years? Will the Minister give an assurance that if, as is likely, the rate of inflation increases beyond the 5 per cent. anticipated by the Government at the beginning of next year, that 4½ per cent. will be increased pari passu?

Mr. Fowler: The hon. Gentleman is wrong in the premise that he uses. If he takes the staff nurse as an example of what this 7½ per cent. and 4½ per cent. will mean taken together, there will be an increase of between £12·33 and £15 a week. That is what it means, and that cannot, in any fair sense, be described as a cut.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Is my right hon. Friend aware that a peaceful settlement will be widely welcomed? However, is it not true that one of the reasons why he did not offer the Health Service more before was that it was rightly said that the country could not afford to pay more? If we have a review body, how will it arrive at a different formula as to what the country can afford? If the settlement is to mean anything, the review body has to know what that means.

Mr. Fowler: The review body will arrive at a formula in the same way as the doctors and dentists review body in the light of the evidence and the ground covered. We shall be able to give it evidence of the national economic

Talks are continuing with the TUC and the Health Service unions. I suggest that the whole House would want them to be successful. In relation to the hon. Lady's question about the longer term, the offer stands that we made on 16 September to have talks on the long-term arrangements for others in the Health Service. The talks will involve factors such as comparability, recruitment and retention of staff and what the nation can afford.

Finally, I remind the hon. Lady that the Government offers were put forward on 16 September and we have been having talks and negotiations with the professional organisations since then. Those offers are the basis of what is now coming forward. There is no truth in the hon. Lady's comments about the Government having gone to ACAS. The Government did not go to ACAS. The Health Service unions went to ACAS and as a result of that the talks continued. I stress, however, that the talks and the offer date from 16 September.

Mr. John Peyton (Yeovil): Does my right hon. Friend agree that the term "review body" is not one to set the heart racing or cause great enthusiasm? Does he agree that, historically, such bodies have been the repositories for difficult decisions that other people do not want to take rather than successful solvers of any problems?

Mr. Fowler: No, I do not agree with that—certainly in view of the experience of the doctors and dentists review body, which is the nearest comparison. The new review body recognises the special position of nurses and other professional groups who do not take industrial action and on whom we have relied heavily in the past six months. The professions have always wanted better permanent arrangements and the review body will ensure that they have them. The fact that these groups do not take industrial action has now been adequately recognised.

Mr. Clement Freud (Isle of Ely): Would it be convenient for the Secretary of State to give the House a guideline as to how long an industrial dispute must go on before the position is wholly exceptional?

Mr. Fowler: That is a rather foolish question. If the hon. Gentleman takes the trouble to study these matters, he will see that my offer was made on 16 September.

Mrs. Jill Knight (Birmingham, Edgbaston): Is my right hon. Friend aware that many people in the House and outside wish to congratulate him on his firmness, his realism and his patience, and particularly on his determination to ensure that the differentials between the pay of nurses and other Health Service workers are maintained, especially as they are always careful not to make their patients suffer in the pursuit of more money? Will my right hon. Friend also never fail to recognise that there are substantial savings to be made within the Health Service which could lead to more money being available for the deserving sections of it?

Mr. Fowler: I am grateful to my hon. Friend. The differential of 1½ per cent. for nurses has been preserved and it is absolutely correct that that should be so. I am sure that many people in the nursing profession will greatly welcome this step. It is precisely what they have been fighting for year after year and it is right that we should recognise that.

Mr. Freud: Why has it taken you so long?

Mr. Fowler: I announced some weeks ago that we intended to take action on manpower and I shall have more to say about the manpower management inquiry in the next few weeks.

Several Hon. Members *rose*——

Mr. Speaker: Order. I propose to allow questions on this statement to run until 4 pm and then to take the second statement.

Mr. Reg Race (Wood Green): Will the Secretary of State clarify the position for the nurses and the professions supplementary to medicine? If the proposed review body makes a recommendation that the Government do not like, will the Government implement the award or will they retain a power of veto? Is he aware that offering an additional ½ per cent. to the one million Health Service workers next year is an insult that will not solve the problem of low pay and will deeply shock many Health Service workers who believe that they do a decent job for the community?

Mr. Fowler: There is no truth in the hon. Gentleman's charge. The offer means that there is now more than £660 million on the table for the nurses and other professional groups. That shows the Government's commitment to the nursing profession.

Mrs. Sheila Faith (Belper): Is my right hon. Friend aware that the current issue of the magazine *Marxism Today,* shows a picture of two pretty nurses with the caption, "The New Shock Troops"? Will he hasten the setting up of the review body so that nurses are not put in this reprehensible position in the future?

Mr. Fowler: We shall do our best to make progress in setting up the review body. We intend to make the consultation process as short as possible so that the review body can be established as early as possible in 1983 and can present its first report in time for the 1984 settlement.

Mr. Bob Cryer (Keithley): Why has it taken the Government so long to conclude that the Clegg commission or something like it has some role to play? Is it not typical of the Government's intransigent, hard-hearted attitude that the Royal College of Nursing, for example, has been closer to strike action than ever before in its history, and that only the tolerance and good will of the unions has saved the day? Does the Secretary of State agree that his statement that the unions and not the Government went to ACAS shows the willingness of the trade union movement at all times to enter into meaningful negotiations?

Mr. Fowler: That is an interesting rewriting of history, but it bears little relation to the facts. We made proposals for long-term arrangements as long ago as August 1980 and we have been having talks since March this year. There has been no delay by the Government. We have tried to make progress. As no progress was possible, we have taken this initiative, which I believe will be widely welcomed.

Mr. Mike Thomas (Newcastle upon Tyne, East): Although we welcome the review body, do we take it that there is now no question but that the Government will strong-arm the rest of the Health Service workers into submission in pursuance of his "divide and rule" policy? Is the right hon. Gentleman aware that he must still face the question why the industrial action was necessary and

and financial position, on NHS resources, recruitment and any changes in terms of services. Therefore, it will be done in the same way as the DDRB.

Mr. John Maxton (Glasgow, Cathcart): If the Minister believes that the establishment of a review body will improve industrial relations in the NHS for nurses and professional bodies, why does he not extend that belief to the other workers in the NHS who should equally be covered by the review body? Secondly, does the right hon. Gentleman agree that the best thing that he could do for industrial relations in the NHS would be to get rid of his provocative friend, the Under-Secretary of State, who has made so many outspoken remarks about the Health Service workers and caused further problems in this dispute?

Mr. Fowler: The hon. Gentleman is calling for the resignation of the wrong person. *[Laughter.]* I have absolute confidence in the Minister for Health, to whom I think the hon. Gentleman was referring. The review body is intended to recognise the fact that nurses and the other professional bodies do not take industrial action. We rely upon their commitment and we wish to devise a fair means by which their pay is determined.

Mr. Geoffrey Dickens (Huddersfield, West): Will my right hon. Friend reaffirm that this Government, unlike all previous Governments, are determined that there shall be a proper wage structure throughout the nursing profession which reflects the fact that nurses and midwives do not strike and give their dedication to the nation?

Mr. Fowler: That is what we are trying to do in setting up the review body. It is something that many of those inside the nursing profession have pressed for and wanted over many years. It will be recognised and welcomed by the nursing profession, and will be seen as a step forward.

Mr. Kenneth Marks (Manchester, Gorton): The Minister seems to think that the Health Service workers enjoy striking, but they do not. What offer would he make to them in return for no-strike pledges?

Mr. Fowler: If the unions wish to give that pledge, we are willing to talk on the point. Talks are continuing. I pay tribute to all staff who have not taken strike action. That includes managers and ancillary workers as well as nurses. That is why it is so surprising and reprehensible that the Labour Party has not at any time in the dispute condemned industrial action.

Mr. Michael English (Nottingham, West): Why do the Government think that the Health Service differs from other services of the State? Why do we need another pay quango? We already have the top salaries review body, which deals with civil servants other than in the Health Service, judges and army officers. Why can it not deal with top people in the Health Service, such as regional officers? We already have a Health Service quango for doctors and dentists. Why cannot that body deal with the rest of the Health Service? Why can we not have one system of pay in the Health Service as we have for all three Armed Services?

Mr. Fowler: The response of the official Opposition was to welcome the setting up of the review body. The hon. Gentleman appears to be going on a course of his own. The comparison, which I think that the hon. Gentleman has missed, is the most obvious one between the doctors and dentists review body. The link there is something that we shall be examining in the consultations.

Mr. Leslie Spriggs (St Helens): Is the right hon. Gentleman aware that the answer that he has given today to my right hon. and hon. Friends, that he is prepared to talk and talk again, is useless until he puts some real money on the table?

Mr. Fowler: There is over £1,100 million on the table already. I am not sure what the hon. Gentleman's definition of real money is.

Mr. Robert Parry (Liverpool, Scotland Exchange): The offer to the ancillary workers is a miserable offer to the lowest-paid workers in the NHS. Is the Secretary of State aware that I have the wage slip of a NUPE member, who is a caretaker in a health centre in Liverpool which shows that after five and a half days' work on split duties, this person takes home less than £40 a week? Is this not disgraceful, when the judges and the generals received an increase of between 18 and 19 per cent.?

Mr. Fowler: The ancillary workers' pay is one matter being negotiated.

Mr. D. N. Campbell-Savours (Workington): This November, will not 350,000 Health Service workers be earning a gross wage lower than the eligibility level for family income supplement? Will the Minister give an undertaking that, whatever final arrangements are made, that number will be substantially reduced, and in the statement that he finally makes on the dispute will he tell us how many Health Service employees still remain below that level of eligibility?

Mr. Fowler: I will certainly do the latter. In his first question the hon. Gentleman was using the April figures before the increase. The situation is not as he states.

Mr. Stanley Cohen (Leeds, South-East): Have not successive Governments, and particularly this one, traded on the dedication and commitment of the nurses and ancillary staff in the hospital service? Will the Minister assure us that the review body's recommendation will be implemented?

Mr. Fowler: The purpose of the review body is to ensure that no one trades on the loyalty of the nursing profession. We are trying to find a fair way to determine their pay so that there is no question of industrial muscle being used.

Mrs. Dunwoody: Will the Secretary of State now give an unequivocal undertaking that he will regard the review body's finding as binding in the same way as this Government regarded the findings of machinery set up to determine police pay?

Mr. Fowler: We cannot give such an undertaking. We must reserve the right, if there are compelling national reasons, not to accept the findings. That is the normal situation with review bodies.

13.

NAT. HEALTH.

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

John Kerr Esq
Private Secretary to
The Chancellor of the Exchequer

8 November 1982

Dear John

STATEMENT ON NHS PAY

I enclose a draft of the statement which my Secretary of State is proposing to make to the House tomorrow.

I should make two points by way of a gloss. First, on the review body, the statement deliberately avoids going into the kind of detail which will be the subject of later consultation. Secondly, the terms of the statement generally, and in particular the final paragraph, may need to be revised in the light of the talks currently taking place between DHSS officials and the TUC Health Services Committee.

I should be grateful for any comments on the draft by 10.00 am tomorrow.

I am copying this letter and enclosure to Michael Scholar (No 10), the Private Secretaries to other members of E(PSP), Muir Russell (Scottish Office), Adam Peat (Welsh Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Sir Robert Armstrong's office).

Yours ever,

David

D J CLARK
Private Secretary

ENC

With permission, Mr Speaker, I should like to make a statement about the pay dispute in the National Health Service.

On 16 September I put forward revised proposals to all the staff organisations as a basis of discussion. They envisaged discussions about improved pay determination arrangements for all NHS staff groups, together with a two-year pay agreement to cover the period until the new arrangements could come into effect on 1 April 1984. I proposed that the financial basis of the two-year agreement should be the 6 per cent and 7½ per cent pay increases already offered for this year, together with an additional 4 per cent for next year.

As a result of this initiative, there have been lengthy exploratory discussions with the professional organisations representing nurses, midwives and health visitors. There have also been discussions with representatives of the professions allied to medicine.

Following the Government's consideration of the outcome of these exploratory discussions, I have authorised the Management Sides of the Whitley Councils which negotiate the pay of nurses and midwives, and of the professions allied to medicine, to make revised pay offers covering the period until 31 March 1984. The financial resources which I have made available to them are on the general basis envisaged in the proposals put forward on 16 September, but the Government has agreed that, in formulating appropriate pay offers, these Management Sides may proceed on the basis that the pay factor for 1983/84 may be enhanced by a half per cent to 4½ per cent.

I announced yesterday that the increased financial provision which the Government is making for the National Health Service in England in 1983/84 includes £40 million to continue into that year the Government's contribution to the cost of our June pay offer. In addition, we are making available this year an additional £10 million to health authorities in England to help them with the important task of maintaining their capital stock. This extra allocation will, amongst other things, help to avoid resources for the protection of the capital stock being diverted towards the contribution required from health authorities to the cost of the pay offers we have made to NHS staff.

I turn now to the question of improved methods of pay determination. As the House will be aware, the government is firmly committed to seeking improvements in the arrangements for determining nurses' pay. As long ago as August 1980 proposals were put by the Government as a basis of discussion to both Sides of the Nurses and Midwives Whitley Council by the then Minister for Health, the hon Member for Reading South. Talks began in March this year. These discussions have shown that there is little prospect of agreement being reached on a satisfactory procedure.

In the light of these discussions and of those with the professional nursing organisations, and bearing in mind the desirability of making rapid progress, the government has decided to proceed with the establishment of a review body, which will have the task of making recommendations about the pay of nurses, midwives and health visitors. We propose that it should have the further remit of making recommendations about thepay of the professions allied to medicine such as physiotherapists and radiographers, the determination of whose pay has historically been related to that of nurses.

I shall shortly be launching consultations with the interests concerned about proposals relating to the composition, terms of reference, coverage and method of functioning of the new review body. It is intended that its first report should relate to the period beginning 1 April 1984, following the expiry of the two-year pay agreement now proposed.

I believe that this decision will give the professions concerned the satisfactory basis for determining their pay which has hitherto so conspicuously been lacking, and that it will be warmly welcomed by them. It gives recognition to their special position, and in particular to the obligation which rests on them to abstain from industrial action because of its potentially disastrous consequences for patients. The government regards their position as wholly exceptional, and does not envisage extension of the review body principle to other staff groups who do not enjoy it already.

As regards the trade unions affiliated to the TUC, I have always indicated that I should welcome discussions, and have hoped that they would engage in exploratory talks similar to those which have taken place with the professional nursing organisations. Until very recently, they have not been prepared to do this. I therefore welcomed the recent talks between the TUC Health Services Committee and the Advisory Conciliation and Arbitration Service, following which there have this week been exploratory discussions between representatives of the Committee and officials of my Department. I shall now consider urgently the outcome of these discussions, and the House will not expect me to say anything more at this critical stage.

SECRET

12

SUBJECT

File

bc J Vereker

10 DOWNING STREET

From the Private Secretary

8 November 1982

Dear David,

NHS ANCILLARIES PAY

Your Secretary of State brought the Prime Minister up-to-date this evening with the latest developments in the discussion with the TUC Health Service Unions Committee about NHS pay. The Chancellor of the Exchequer was also present.

Your Secretary of State said that the unions had today accepted in their discussions that no more money was available for 1982/3, and that there could be no erosion of the 1½% differential between what was on offer to their members and to the nurses. The talks were covering, as had the earlier talks with the nurses, a range of issues, but it seemed clear that their success would soon depend on whether the Government was willing to add a further ½% to its 4% pay offer for 1983/4. This would cost about £12 million and would be a fig-leaf for the union leaders. Furthermore, there must be a risk, if the extra ½% were denied to this group of workers, that the agreement reached with the nurses and the other professions might be upset. His recommendation was that the Government should now be prepared to deploy this extra ½%. In discussion it was noted that 4½% for these workers would make it more difficult to hold to the 3½% pay factor for the public services, notwithstanding that the September 16th package had been devised before the Cabinet's conclusion about the 3½% pay factor. The public expenditure plans announced by the Chancellor today allowed for 4½%, on the basis that this was within your Secretary of State's negotiating authority. It would be desirable to secure a no-strike agreement with the unions for an extra ½%; but there seemed very little likelihood of the unions agreeing to this.

The Prime Minister said that it was agreed that your Secretary of State could increase the offer to NHS ancillary workers in respect of 1983/4 to 4½%, on the understanding that this offer was made without prejudice, and that if it were not accepted it would be entirely withdrawn. The Prime Minister said that if the offer were not accepted the negotiations should begin again at 3½%. In presenting the increased offer your Secretary of State should refer to the Inquiry on NHS Manpower which he launched at the Party Conference, so as to get over the message that manpower reductions were necessary, and so as to underline the link between pay and jobs.

I am giving this letter the same restricted circulation as was given to the limited circulation annex to the Cabinet minutes of Thursday 4 November. It is thus copied to John Kerr (HM Treasury), Barnaby Shaw (Employment) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

D.J. Clark, Esq.,
Department of Health and Social Security.

 NATIONAL HEALTH.

MR SCHOLAR

cc Mr Mount

PA

NHS PAY

Mr Fowler has asked to consult the Prime Minister this evening about the handling of the current negotiations with the NHS Unions. And Pat Benner has written around to the Official Group on Pay, including myself, warning that a decision may be needed specifically on whether it is acceptable to go to 4½% for 1983/84 for all NHS staff. The case for that rests chiefly on the fact that some Union leaders, and certainly both Spanswick and Jacques, know that the Government did contemplate the extra ½% for everybody as part of the abortive 16 September deal.

The Policy Unit cannot, of course, offer advice on the day to day handling of negotiations. But should Mr Fowler seek the extra ½% for all NHS staff, ie not just the nurses, the Prime Minister may wish to make the following points:

(i) We must not make yet another small increase in the offer without this time achieving a settlement. The extra ½% should therefore be offered only if Mr Fowler is certain that it will do the trick.

(ii) If the NHS Unions are holding out for even more, we should quite simply refuse. We have the upper hand in this dispute; it is the Unions who are suing for peace; and to go to the equivalent of a 5% pay factor for next year would be enormously damaging to the pay round in the rest of the public services.

I have discussed this with Michael Quinlan, who will be briefing the Chancellor in similar terms.

8 November 1982

DUTY CLERK

Message from Sir Kenneth Stowe (DHSS):

DHSS Press Office is issuing a short statement by the S/S welcoming the decision of the TUC to resume discussions and welcoming the decision to call off the strike which will enable discussions to take place.

Sir Kenneth said that progress will be reported.

HEALTH SERVICE DISPUTE

STATEMENT BY ACAS

Discussions continued this evening between officials of ACAS and the TUC Health Services Committee.

At the formal request of ACAS, the Health Services Committee agreed to call off the industrial action called for 8 NOvember so as to enable discussions to be resumed. This means that the instructions to their members to take action on 8 November are cancelled and the request to the Transport and General Workers Union is withdrawn.

Discussions will take place between representatives of the TUC affiliated Health Services Committee and DHSS officials early on Monday 8 November. A preparatory meeting between both sides will take place on Sunday 7 November at 1600 hours.

In the event of any problems arising the services of ACAS are available.

5 November 1982

Nat Health

9

Ref. A09974

PRIME MINISTER

Industrial Affairs: National Health Service Dispute

BACKGROUND

The Secretary of State for Social Services will be seeking the Cabinet's agreement to a package of proposals, covering both a two-year pay offer up to 31 March 1984 and permanent pay arrangements thereafter, in respect of the nurses and certain other NHS groups (midwives, health visitors and some of the professions supplementary to medicine). He wants to table these proposals in advance of a meeting of the Management Side of the Nurses and Midwives Whitley Council on 9 November.

2. Subject to any last minute developments and to any private discussion which he may have with you before Cabinet, we understand that the Secretary of State's proposals will be as follows:

On Permanent Pay Arrangements: A review body on the lines agreed by E(PSP) on 1 November and outlined in the Chancellor of the Exchequer's minute to you of 2 November.

On the Pay Offer: 12.3 per cent from 29 August 1982 (or thereabouts) to cover the two years up to 31 March 1984 (this would be equivalent to an offer of 7½ per cent from 1 April 1982 and 4½ per cent from 1 April 1983).

So far as the other NHS groups are concerned, the Secretary of State's present intention is not to make a new offer but to await developments. Over the last two days the TUC Health Services Committee has been exploring through ACAS the basis on which negotiations might be reopened.

MAIN ISSUES

3. The main issues before the Cabinet are likely to be:

i. Whether to offer a review body to the nurses and related groups.

ii. Whether to make an early pay offer to the nurses and related groups.

iii. The shape and presentation of any pay offer.

4. On i. those members of the Cabinet who are also members of E(PSP) have already had an opportunity to consider the proposal for a review body and are prepared to accept it. For the rest of the Cabinet it will, however, be a new proposal on which they will not have seen any papers. On ii. and iii. E(PSP) has not so far reached any conclusions; we understand that the Secretary of State for Employment has considerable misgivings about the proposals.

Review Body

5. The main arguments for and against a review body for the nurses and related groups are set out briefly in the Chancellor's minute of 2 November and at greater length in E(PSP)(82) 22. The key question is how far the Government feels that it has to go in the light of its commitments to the nurses (see Annex B of E(PSP)(82) 22) and in the interests of lessening friction over nurses pay in the future. A minimal response would be to offer only modest improvements on the existing free collective bargaining arrangements, ie systematic data collection and/or arbitration by agreement. But if Ministers consider that this response would be inadequate, the choice lies between two main options: constrained collective bargaining on Megaw lines or a review body.

6. The main disadvantages of the Megaw option are that the Government would have the awkward task of negotiating simultaneously with the nurses and with the Civil Service about similar proposals; that there are some particular practical problems about applying to the nurses the technique of factoral comparisons favoured by Megaw; and that the negotiations with the nurses about a Megaw-type system would be protracted and difficult.

7. The main disadvantage of the review body proposal is that it would more than double the number of those whose remuneration was determined by this kind of machinery; the present review bodies cover some 429,000 (TSRB 1,800, DDRB 93,000, AFPRB 334,000), and to this would be added some 518,000 (nurses 482,000, professions supplementary to medicine 36,000). The review body would cover more than half the NHS employees. There are likely to be problems in reconciling the review body's recommendations with cash limits, bearing in mind the difficulty of overriding recommendations in respect of the nurses, and the high proportion represented by pay within the overall NHS cash limit. The recommendations of such a review body are bound to have an

influence on settlements elsewhere in the public services. E(PSP) fully recognised all these difficulties but nevertheless concluded that the review body was the least unattractive option open to the Government. They hoped to mitigate the difficulties by laying down the conditions summarised in paragraph 5 of the Chancellor's minute; in particular the review body was to be precluded from awarding "catching up" increases in respect of any falling behind in nurses pay before 1 April 1984, and would be required to take account of management needs and affordability. If the Cabinet is unwilling to contemplate a review body for the nurses and related groups, it will need to bear in mind that the Secretary of State for Social Services has already allowed this option to be canvassed informally with the nurses, and the matter will be difficult to handle.

Whether To Make An Early Pay Offer to the Nurses

8. E(PSP) were agreed that the offer of a review body to the nurses and related groups should be conditional on acceptance by them of the Government's pay offer. The Secretary of State for Social Services is keen to put the package on the table by the beginning of next week. He is likely to argue that he cannot delay any longer because his informal exchanges with the Royal College of Nursing and the other professional bodies have arrived at the point where agreement can be reached, and the RCN see tactical advantage in getting the proposals to their Council meeting on 11 November rather than to their Industrial Relations Committee. The Secretary of State for Employment is, however, likely to argue that the Government should not be in a hurry to take an initiative and should be looking for a settlement of the NHS dispute as a whole rather than a separate deal with the RCN and the professional bodies. He will probably point to the change in the atmosphere as a result of the miners' ballot, and increasing evidence of trade union concern that the Day of Action on 8 November will be poorly supported. He may, therefore, suggest that the right course would be to rest on the Government's existing offers made on 16 September for a short while longer in the hope of reaching a negotiated settlement with all the NHS groups.

9. The Cabinet will need to know from the Secretary of State for Social Services how his proposal for an early offer to the nurses fits in with his strategy for settling the NHS dispute as a whole. The effect of an agreement on the lines of the Secretary of State's offer would be to detach the nurses and the professions supplementary to medicine (PSM) from the rest of the NHS, not just for this round but more lastingly. The nurses and the professions would presumably welcome the implications of being lined up with the doctors as "review body" groups. A settlement would weaken the short-term position of the TUC-affiliated members in respect of the other groups so far as the current round was concerned; in the longer term it could be divisive in the NHS, and the consequences of that are difficult to foresee.

10. The scope for any further adjustment of the offer to other unions this time would be much reduced: the intention would be, and the effect might well be, that acceptance of a revised offer by the RCN and other professional bodies would in practice force the affiliated unions to come into line. Apart from the exising differential in favour of the nurses and some other groups, the revised offer made to the nurses would presumably apply throughout the NHS, and the unions would have to take it or leave it. Even if they took it, the affiliated unions and the other NHS groups would be able to argue that they had been betrayed by the RCN and this would store up trouble for the future. In that sense a quick settlement for the NHS as a whole would be preferrable; but it may not be attainable. I am not sure that the likelihood that the Day of Action on 8 November will be poorly supported is a good argument for not going ahead as the Secretary of State for Social Services proposes: the combination of a separate settlement for the nurses and the PSM and a poorly supported Day of Action would be a double-barrelled attack on the unions' will to continue the dispute.

11. The Cabinet's view of whether it would be desirable to make an early offer to the nurses and related groups alone is likely to depend crucially on the latest assessment of the attitude of the affiliated unions to reaching a settlement on the kind of basis which the Government can contemplate.

The Offer

12. The existing offers made on 16 September are as follows:

OPTION A: Stage 1 from 1 April 1982 6½ per cent for nurses and PSMs. 5½ per cent for pharmacists and ambulancemen. 5 per cent for other staff.
Stage 2 from 20 January 1983 a further increase of 5 per cent for all staff.

OPTION B: Stage 1 from 1 June 1982 7.5 per cent for nurses and PSMs. 6.5 per cent for ambulancemen and pharmacists. 6 per cent for all staff.
Stage 2 from 3 January 1983 a further increase of 4 per cent for all staff.

13. These offers were constructed on the basis that no more money would be available in respect of 1982-83 than that involved in the Government's offers last June (7½ per cent for the nurses, 6 per cent for the rest from 1 April 1982). The pay offers would, however, cover the two years to 31 March 1984 and the provision for 1983-84 would be 4 per cent.

14. The Secretary of State for Social Services wants to construct a revised offer which would cost the same as the options put forward on 16 September with one marginal improvement: the provision for 1983-84 would be 4½ per cent rather than 4 per cent.

15. The first question for consideration is whether the additional ½ per cent for 1983-84 should be incorporated in a revised offer. It was envisaged in September as a margin for negotiation. The Secretary of State for Social Services appears confident that, in respect of the nurses and related groups, inclusion of the margin in his offer will secure acceptance. E(PSP) was inclined to agree that the extra ½ per cent could be offered.

16. The second question concerns the shape and presentation of the offer. The Secretary of State for Social Services is likely to argue strongly in favour of a single instalment of 12.3 per cent from 29 August 1982 or thereabouts. His argument is that this is what the RCN wants partly because it must look different from previous rejected offers and partly because it is superficially similar to their original claim of 12 per cent for one year from 1 April 1982.

17. The Secretary of State for Employment is likely to argue against this proposal. He considers that 12.3 per cent will be seen publicly as a very high figure and that it will be difficult to get across the message that the settlement covers two years. He is also suspicious that the nurses will not in the end be content to have no pay increase between now and April 1984. Finally he sees it as a major disadvantage that the offer has some superficial resemblance to the original claim.

18. The alternative would be a two-stage offer on similar lines to the proposals of 16 September, but with some revision of the dates and amounts. The Secretary of State for Employment believes, on the basis of the ACAS soundings, that the affiliated unions would prefer a two-stage offer (if so, this is a big change from their previous position). The problem with a two-stage offer is that the second instalment has to be kept low so as to minimise repercussions on the new pay round. This would point to keeping the second instalment at 3½ per cent or 4 per cent, even if this meant that the first instalment had to be around 8½ per cent for the nurses and around 7½ per cent for the rest.

19. If the Cabinet is convinced that the right course is to make an early offer to the nurses and related groups alone, they will probably also wish to be guided by Mr Fowler's judgment about the kind of offer the nurses are most likely to accept. If, however, the Cabinet's preference is for a settlement with all the NHS groups together, this would tend to point to a two-stage settlement, keeping the second instalment as low as possible. Whatever the decision, there will need to be a major presentational effort by the Government to minimise the adverse repercussions on the new pay round.

HANDLING

20. You will wish to invite the Secretary of State for Social Services to put forward his proposals. The Chancellor of the Exchequer will wish to report on E(PSP)'s conclusions about the long-term pay arrangements. The Secretary of State for Employment is likely to be a major contributor on the question of a separate offer for the nurses and the shape and presentation of the offer. The Secretaries of State for Education and Science and for the Environment may comment on the implications for the teachers and local authority employees.

CONCLUSIONS

21. Depending on the discussion, you will wish to reach conclusions on the following matters:

i. Whether a pay review body should be offered to the nurses and related groups and, if not, what alternative approach should be pursued.

ii. Whether an early revised pay offer should be made to the nurses and related groups alone.

iii. What should be the shape of any revised offer (ie level, one instalment or two, and effective date or dates) and how it should be presented.

Lindsay Wilkinson

pp. ROBERT ARMSTRONG

3 November 1982

DEPARTMENT OF EMPLOYMENT

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WITH THE COMPLIMENTS OF
THE PARLIAMENTARY CLERK

Christine Howorth

Nat. Health

PRIME MINISTER'S BRIEFING - 28 OCTOBER 1982

MAJOR INDUSTRIAL DISPUTES

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. The next day of organised action involving unions outside the NHS is the 1 day transport strike on 8 November. The TUC's Transport Industries Committee unanimously endorsed a call by the Health Service unions for such a strike. The NUR and ASLEF are reported to have instructed members to take 'maximum industrial action', leaving local and district committees to decide on the form of action; TGWU members have been urged to support the call for a 24 hour stoppage. TSSA has decided not to call its members out on strike.

2. After the 'Day of Action' on September 22nd and the subsequent 'rolling programme' the TUC's Health Services Committee has announced that a 24-hour strike will also take place in the NHS on 8 November; constituent unions are seeking authority from their members for indefinite strike action. NUPE already has such authority from its annual conference. The TUC affiliated Hospital Consultants and Specialists Association has rejected the call for strike action.

3. The TUC's NHS unions have rejected an offer of a long-term pay deal, but talks continue with the Royal College of Nursing and the smaller Health Service unions.

4. The NHS dispute began after the unions rejected offers ranging from 4% for ancillary workers to 6.4% for nurses (later increased to 5% and 7% and then to 6% and 7½%) and, as part of a co-ordinated campaign in support of a common pay claim of 12.5%, embarked on a series of 1-day strikes (later increased to 3 day and 5 day strikes) with varying kinds of local action. Sporadic local action began on 14 April, with COHSE members introducing a ban on the admission of non-emergency cases. Other local action has included working to rule, overtime bans and non-cooperation with management on plans to re-organise hospitals.

Water Services (E&W)(35,300 manual workers - GMWU, NUPE, TGWU)

5. The unions' call for a national strike in the water industry on 18 October 1982 obtained strong support from their members. Some craftsmen refused to cross picket lines whilst "sympathetic" action was taken in Northern Ireland and Scotland even though workers there are not party to the negotiations in dispute. There has been no indication as to what further action is being planned by the unions.

6. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [The unions later quantified this informally as being in the upper quartile of published earnings figures.] At a meeting on 21 September 1982, when the unions lodged their annual pay claim, they insisted on an early reply from the employers and rejected the suggestion that they wait until the next scheduled meeting on 11 November to discuss the matter further. The employers have declined to meet the unions before then.

7. Press reports in May this year suggested that the GMWU was ready to use industrial action in connection with this claim.

Coal (NUM 200,000)

8. A special delegate conference of the National Union of Mineworkers rejected a pay offer worth from 8.2% to 9.1% on base rates (an average of 7.2% on base rates plus bonus improvements) and instituted an overtime ban from 11th October. The NUM is seeking increases of up to 31% on base rates and other improvements which in total would be equivalent to some 20% of the NCB's revenue. Support for the overtime ban has been widespread. The problems it causes increase with each weekend, when maintenance work needs to be done during normal shifts, instead of on overtime at weekends.

Coal (NUM 200,000) (continued)

9. Members will vote today and tomorrow on a recommendation that the NUM National Executive Committee be given authority to call industrial action, if necessary, in opposition to pit closures and in the pursuit of a satisfactory wage settlement. The result is expected to be announced on Tuesday.

DHSS Birmingham (400 CPSA & SCPS)

10. Six DHSS branches are now closed in the city. The dispute concerns reduced staffing levels and began five weeks ago when staff at Erdington office walked out. The DHSS have opened three emergency centres to deal with claimants affected by the closures.

Social Workers - Birmingham (NALGO)

11. Several thousand council workers took part in strike action on 22 October in support of three social workers who were dismissed for refusing to co-operate in a management survey. 600 social workers and some other council staff have been called out on indefinite strike, but it is not known whether this will disrupt polling arrangements for the Northfield bye-election.

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010

JV

Prime Minister (2)

To note.

MCS 25/10

PRIME MINISTER

I am very concerned at the possible impact on the present NHS pay dispute of decisions which will shortly have to be taken about the pay of some other groups of public service workers. It would be deeply embarrassing, for example, if there was a settlement with the water workers greatly in excess of the 3½ per cent pay factor, or if the local authority employers made their manual workers an offer significantly above that level. The tendency of the National Water Council to concede unjustifiably high pay increases is only too well known. In relation to the local government manual staff there is shortly to be a meeting between Ministers and the employers.

I would strongly urge that we should take every possible step to see that settlements are not concluded nor offers made at levels which are seriously out of line with the pay factor. I hope too that no such offers or settlements will be approved by Ministers, whether formally or informally, until after there has been an opportunity for collective discussion.

I am sending copies of this minute to Cabinet colleagues and to Sir Robert Armstrong.

25 October 1982

N F

Wet Health

PRIME MINISTER

2

STATEMENT ON THE NHS

Gwyneth Dunwoody replied somewhat ineffectively to Mr. Fowler's statement. She said he had nothing new to say, and that there was no point in his dressing up the same old offer in new words in the hope that this would lead to a settlement. She claimed that the Government's "cuts" in the NHS would have more effect on services to the patient than the industrial action.

Clement Freud, Mike Thomas and David Ennals, all called for a new offer or for arbitration before the debate on Wednesday. Willie Hamilton said that he joined the general public in supporting the action, and that its effect on patients was the fault of the Government. Laurie Pavitt made the hoary old point that meals and residence charges had risen 12% in the last year. One Labour Member claimed that the TPI had risen 15.6% over the period covered by the offer. But the only point that caused Mr. Fowler any problems came from Reg Race, who pointed out that in the 2-year package recently offered by the DHSS, all the cost in the second year would be borne by the regional health authorities, and that this would inevitably mean cuts in services and redundancies.

Mr. Fowler called on the Opposition to condemn the effects of the industrial action on patient services. He pointed out the amount of money on the table for a 2-year settlement was almost £1100 million. He held out the prospect of new long-term pay arrangements for April 1984. He said that the 2-year pay offer had been "worked out" with Mr. Spanswick and Mr. ~~Jakes.~~ James. He described talk of Government cuts as nonsense: the Government was spending £14.5 billion on the NHS, more than any previous Government. He added that some 9 million people had accepted settlements in the region of 7% already.

18 October 1982

STATEMENT ON THE NHS PAY DISPUTE

1. With permission Mr Speaker I should like to make a statement on the pay dispute in the National Health Service. The House will debate these matters on Wednesday but I felt it would want to be brought up to date today on the latest position.

2. When I last reported to the House on July 20 I outlined the steps that the Government had taken to resolve the pay dispute and end the industrial action in the health service. I reminded the House then that we had twice increased the resources available for pay in the current financial year. The second increase announced in June would have allowed pay increases of between 6 and 7½ per cent at a total cost of £418 million. These increases compared favourably with settlements for other large groups of workers in the public sector. We also offered talks on new permanent arrangements for determining the pay of all health service staff. We made it clear that this was the Government's final decision on the resources available for pay this year.

3. As the House will know the Royal College of Nursing balloted its members in August on the new offer. The health service unions affiliated to the TUC on the other hand continued to refuse to negotiate. They remained committed to their claim for pay increases of 12 per cent for all non-medical staff and rejected any idea of a differential for the nurses.

4. Following the vote by the membership of the Royal College of Nursing against acceptance of the revised offer, consultations continued on possible ways of breaking this deadlock. After detailed discussions in particular with the TUC I put further proposals to the professional bodies and the TUC Health Services Committee on September 16. I have arranged for a copy of the proposals to be placed in the Library of the House.

5. In brief we offered to complete a two year arrangement with health service staff. This would bring forward agreement on pay for 1983/84 and offered the possibility of giving staff higher percentage increases during the course of this year. Most importantly the proposals would have paved the way for the introduction of new arrangements for determining the pay of non-medical staff. The amount of money on the table for a two year settlement was almost £1,100 million.

6. We had every reason to believe that these proposals would form an acceptable basis for negotiation. We had discussed them in detail with the Royal College of Nursing and representatives of the health service unions. I am pleased to be able to tell the House that the Royal College of Nursing, the Royal College of Midwives, the Health Visitors Association and the Association of Nursing Administrators accepted the invitation to talk about them. These discussions are still continuing. The whole House will hope that they will be successful.

7. In contrast the health unions' reactions was to refuse even to talk to us. This was in spite of the fact that we had discussed in detail the proposals with the Chairman of the Health Services Committee, Mr Spanswick, and the Secretary, Mr Jacques. The final proposals put to the Committee had been altered to take account of the views they expressed. For that reason I consider the unions' refusal to even talk about the offer of £1,100 million quite indefensible.

8. Even more serious, however, was the decision by the TUC Health Services Committee to call for a further campaign of industrial action.

9. There had been five days of industrial action in August and this was followed by a further day on September 22. As before the form and intensity of action varied across the country. But there were several reports of a complete withdrawal of all cover including emergency cover in some hospital departments. In some areas it was only because management and staff volunteers provided the necessary emergency cover that services could continue.

10. September 22 also saw an attempt to widen the industrial action to workers outside the health service. The effect was confined largely to the public sector. In the private sector most people worked normally although some industries were badly affected including the newspaper industry. Since then the unions have called a series of regional strikes but their effect has been less than on September 22

11. Mr Speaker, I would like to make clear that the public owe a great debt to the majority of staff, particularly doctors and nurses, but to many others in all groups within the health service who have continued to care for patients in recent months. Because of their action the position is not worse and I pay tribute to their dedication.

12. However, in spite of their efforts the effect of this dispute on patients is serious and will become more serious the longer it continues. We estimate that since the industrial action began 110,000 operations and 105,000 out-patient appointments have been cancelled and waiting lists have increased by 115,000. It was always quite wrong for the unions to claim that their action would not hurt patients. There is no doubt that it has caused distress and suffering.

13. Mr Speaker, the fact is that although the Government has made continued efforts to settle this dispute the health service unions have not budged from their quite unrealistic claim - a claim which looks even more unrealistic with inflation now running at the lowest level for 10 years. The offer of £1,100 million on the table for a two year settlement leading to an agreement on new long term arrangements was worked out with representatives of the TUC and offers a fair and honourable resolution to this dispute. I urge the health service unions to call off their industrial action and return to the negotiating table.

Nat Health

National Health Service (Pay Dispute)

The Secretary of State for Social Services (Mr. Norman Fowler): With permission, Mr. Speaker, I should like to make a statement on the pay dispute in the National Health Service. The House will debate these matters on Wednesday, but I felt that it would want to be brought up to date today on the latest position.

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Following the vote by the membership of the Royal College of Nursing against acceptance of the revised offer, consultations continued on possible ways of breaking the deadlock. After detailed discussions, in particular with the TUC, I put further proposals to the professional bodies and the TUC health services committee on 16 September. I have arranged for a copy of the proposals to be placed in the Library of the House.

In brief, we offered to complete a two-year arrangement with Health Service staff. This would bring forward agreement on pay for 1983-84 and offered the possibility of giving staff higher percentage increases during the course of this year. Most important, the proposals would have paved the way for the introduction of new arrangements for determining the pay of non-medical staff. The amount of money on the table for a two-year settlement was almost £1,100 million.

We had every reason to believe that the proposals would form an acceptable basis for negotiation. We had discussed them in detail with the Royal College of Nursing and representatives of the Health Service unions. I am pleased to be able to tell the House that the Royal College of Nursing, the Royal College of Midwives, the Health Visitors Association and the Association of Nursing Administrators accepted the invitation to talk about them. These discussions are still continuing. The whole House will hope that they will be successful.

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I should like to make it clear that the public owe a great debt to the majority of staff, particularly doctors and nurses, but also to many others in all groups within the Health Service who have continued to care for patients in recent months. Because of their action, the position is not worse, and I pay tribute to their dedication. However, in spite of their efforts, the effect of this dispute on patients is serious and will become more serious the longer it continues. We estimate that, since the industrial action began, 110,000 operations and 105,000 outpatient appointments have been cancelled, and waiting lists have increased by about 115,000. It was always quite wrong for the unions to claim that their action would not harm patients. There is no doubt that it has caused distress and suffering.

The fact is that, although the Government have made continued efforts to settle this dispute, the Health Service unions have not budged from their quite unrealistic claim—a claim which looks even more unrealistic with inflation now running at the lowest level for 10 years. The offer of £1,100 million on the table for two-year settlement leading to an agreement on new long-term arrangements was worked out with representatives of the TUC and offers a fair and honourable resolution to this dispute. I urge the Health Service unions to call off their industrial action and to return to the negotiating table.

Mrs. Gwyneth Dunwoody (Crewe): If there had been anything of value in this statement, I could have understood the Minister's desire to keep it from the House until the last possible moment, but what we have had is regurgitated pap with no new offer of any kind. A new initiative would have been extremely welcome, with some new money on the table. Is this not simply a rearrangement of the existing package? Although the Minister talks glibly about the RCN's acceptance of talks, is it not true that on two occasions the members of the Royal College of Nursing have totally rejected the arrangements that were put to them?

I must make it clear that the TUC has never refused to negotiate with the Government on the pay package for 1982-83, but it has refused to accept a dressed-up rearrangement that offers no improvement of any kind. Will not the Minister now be honest and accept that, as 33 per cent. of the existing offer will come out of RHA budgets, the industrial action can have no effect in comparison with the cost of his cuts on long-term patient

Ministerial Statements

Mr. Speaker: Order. Before I call the statement, I have had notice of two different points of order.

Mr. Michael Cocks (Bristol, South): On a point of order, Mr. Speaker. On 26 February this year——

Mr. Dennis Skinner (Bolsover): This is the big one.

Mr. Cocks: On 26 February this year at 11 o'clock in the morning I raised with you on a point of order the highly unsatisfactory state of affairs that had arisen through the failure of the Government to honour the convention whereby copies of statements are made available to Opposition spokesmen at least half an hour before the statement is made. I said at that time that we understood that from time to time circumstances arise that make it inevitable that this does happen. In the case of a natural disaster it is obviously difficult to cobble something together until the last minute. On that occasion there was some shred of an excuse for the Minister, because he had been engaged in discussions until very late the previous night.

I now have to tell you, Mr. Speaker, that, despite the apology of the Minister on that occasion, the same situation has arisen in the context of the statement that is about to be made on the National Health Service. The statement was asked for by my right hon. Friends in the middle of last week. Ample notice was given and yet the text was not delivered into our hands until 3.16 this afternoon. It is true that an ad hoc arrangement was made to telephone the text of the statement to my hon. Friend the Member for Crewe (Mrs. Dunwoody), but even that conversation with the Department did not take place until after 3 o'clock.

On television a few nights ago the Leader of the House was making some philosophical reflections on the state of British society now and in the future. It would be helpful to the House if he were to make some reflections on the efficiency of Government Departments in these matters and if he could get a bit of the ordinary common courtesy and conventions of the House back into the usual channels.

I should like to think that you, Mr. Speaker, could offer us some protection from these abuses and that perhaps the late delivery of the text was due to a change of heart by the Government over the dispute, but on that we shall have to wait to hear what the Secretary of State says.

The Secretary of State for Social Services (Mr. Norman Fowler): Further to that point of order, Mr. Speaker. I can only apologise unreservedly to the House for the delay in the statement's arrival here. I understand that it was certainly corrected and sent from the Department on time. I will ensure that this does not happen again and I hope that the House will accept my apologies.

Mr. Tom McNally (Stockport, South): On a new point of order, Mr. Speaker. This covers exactly the same point as the previous point of order. Seven days after the House rose the Secretary of State for Education announced seven closures of teacher training colleges. Most of those decisions must have been taken by the Department while the House was sitting.

Are you, Mr. Speaker, willing to defend the House and make sure that Secretaries of State do not come along apologising, but rather make their statements to the House at the right time so that hon. Members with constituency interests can defend their constituents?

Mr. Speaker: I can say at once that I am not willing. I am not going to take responsibility for when Ministers issue statements or for the content of the statements. I should be foolish to do so.

care? Hospital closures will have such a direct effect on patients that the existence of longer waiting lists will pale into insignificance in comparison with what the Minister is doing at present.

Is it not true that, in the tripartite talks, where the chairman was the Minister of State, there was a suggested deal for April 1983? The Minister now talks about April 1984. Are we to take that as a sign that when he talks about setting up new machinery he is no more serious than he was in offering a decent deal to the unions? This is a non-statement, and the sooner the Minister takes responsibility for the enormous damage that he is doing to the National Health Service the better.

Mr. Fowler: I do not know about a non-statement, but certainly that was a non-response. It is, I think, about time that the Opposition came out and said what they said in Government, and were prepared to condemn the hardship caused by industrial action inside the Health Service. At no stage has the Opposition Front Bench been prepared to do that. In my opinion, that is a disgraceful commentary on the Labour Party.

In answer to the questions asked by the hon. Member for Crewe (Mrs. Dunwoody), the advantages of the two-year agreement are that it gives the staff a higher percentage earlier, that it puts £1,100 million on the table as a basis for negotiation, and that it leads through to a commitment to talks on newer pay arrangements for the National Health Service, which is what many people in the Health Service and outside want.

Mr. Robert Hughes (Aberdeen, North): When?

Mr. Fowler: We had put April 1984 as the aim for those talks.

As for progress, talks are continuing, as I said, with the Royal College of Nursing, the Royal College of Midwives and two other professional bodies. In my view, the House would welcome their decision to talk, and I believe that the House will hope for the success of those talks. Certainly, I am sure that the House does not expect a sudden result tomorrow, but I shall certainly tell the House as soon as there is something to report.

On the unions' refusal to talk, which was the hon. Lady's third point, I remind her that the proposals were carefully worked out after closed talks with Mr. Spanswick, the chairman of the Health Services Committee, and Mr. Jacques, the secretary.

Mrs. Dunwoody: No.

Mr. Fowler: Those were private talks, and I have revealed the content of one of those talks. If the hon. Lady says "No" to that, I am prepared to ask Mr. Spanswick and Mr. Jacques for their permission to give all the dates and venues of the talks that took place.

In answer to the hon. Lady's fourth point, we have shown our commitment by spending £14½ billion on the National Health Service. That is higher in real terms than any other Government have spent in the history of the Health Service.

The talks on permanent arrrangements are taking place under the chairmanship of the Minister for Health. Any delay is certainly no responsibility of the Government, although at times I doubt whether one or two of the health unions represented there actually want to make progress.

Several Hon. Members *rose*——

Mr. Speaker: Order. The House has heard that this matter is to be fully debated on Wednesday. I therefore propose that questions now should not last longer than 20 minutes. I shall allow 20 minutes and then move on.

Mr. Clement Freud (Isle of Ely): As there is really nothing new in the Secretary of State's statement, will he explain to the House which particular paragraph took him so long to bring before those of us who were prepared to get a statement? Does not he agree that it cannot be surprising that negotiators are reluctant to meet him when he has announced that there is to be no overall increase in the offer? Why is he so frightened of putting the matter to independent arbitrators?

Mr. Fowler: I have already apologised for the fact that the statement was not available sooner. It was an administrative point, rather than a point of substance. I hope that the hon. Gentleman will at any rate have the grace to accept that. On the progress of the talks, I should have hoped, frankly, that the Liberal Party would be pleased that we were continuing talks with the nurses, the midwives and the Health Visitors Association. I should have thought that that fact would have given the Liberal Party some pleasure, and that it would have joined us in hoping that the talks would be successful.

We have already made our position clear on arbitration. Arbitration does not settle where the money comes from. We have already moved our offers in both the Civil Service and the teaching profession after arbitration.

Sir William Clark (Croydon, South): Since the British taxpayer is putting more money into the National Health Service in real terms than is being done in any other nation, and since an increase of the present offer would mean only that the British taxpayer must part with more money, will my right hon. Friend assure the House that one reason for low wages in some sections of the Health Service is gross overmanning and inefficiency? What action is being taken to cut the obvious overmanning in that huge service?

Mr. Fowler: My hon. Friend raises an important issue. We have already made efforts to ensure that the National Health Service can obtain the best value from the money that it uses. That includes checks on manpower. During the past few months we have begun regional reviews. We are setting manpower targets and are bringing in external advice from the private sector to check manpower and I hope to make a statement soon. One reason for low pay is that the workers are paying high tax because of the burden of public spending.

Mr. William Hamilton (Fife, Central): Is the Secretary of State influenced by the undoubted fact that the overwhelming mass of public opinion is solidly behind the Health Service workers' claim and that his attempt to set one section against another will be treated with the contempt that it deserves? When will he recognise that, unless he is prepared to come forward with additional money, no juggling with the existing money will bear fruit with the trade unions and that the industrial action will continue, with the support of the Labour side of the House?

Mr. Fowler: The hon. Gentleman's final statement is a great pity, because the Labour Government condemned industrial action that affected patients. This industrial action is affecting patients. There is no question about that

[Mr. Fowler]

and I cannot understand the attitude of Labour Members, who only a few years ago were prepared to condemn such action, in now saying that they will support it. The hon. Gentleman's point about divide and rule, is totally absurd, because the offer on the two-year settlement was put to the trade unions and to the professional bodies at the same time. It is to the credit of the professional bodies that they were prepared to talk about it, and, regrettably, to the discredit of the health unions that they were not.

Mr. Mike Thomas (Newcastle upon Tyne, East): Is the Minister aware that he is Secretary of State for Social Services, not Pontious Pilate? He cannot abdicate responsibility for the results of the dispute. He can beat the health workers if he chooses, but the House is entitled to ask whether it is worth the price not just in the extended waiting lists about which he talked, but in a legacy of bitterness and the effect on the current ballot on the no-strike rule in the RCN. Will he admit that he was wrong not to send the matter to arbitration, which is a long-established procedure in the Health Service, and will he now do so?

Mr. Fowler: It is not a long-established procedure in the Health Service. The way forward is by negotiation and I should have hoped that the SDP, for what its views are worth on such matters, would support the fact that talks are continuing between the Government and the nurses and other professional bodies. I am not sure of the SDP's present incomes policy—it went out of the window in Great Yarmouth—but its members should support the proposal that the unions should talk to the Government.

Mr. R. A. McCrindle (Brentwood and Ongar): In view of the lengthy stalemate in this dispute, and notwithstanding the talks with the RCN and others, have the Government given consideration to a decision in the near future to pay the 6 per cent. now on offer, without prejudice to further negotiations, so that the minds of the trade unionists may be concentrated rather more on a lump sum back payment and their eyes lifted more to the 1983-84 round of negotiations than to the present, rather lengthy, round?

Mr. Fowler: We have not considered that. The way forward is by the present negotiations. Talks are in progress and that is the most constructive and only possible way forward.

Mr. David Ennals (Norwich, North): Will the Secretary of State accept that this is by far the longest and most damaging dispute in the Health Service? Will he accept not only that, as he said, it is causing great damage to patient care, but that as a result of combining it with cuts in funds available to the Health Service, morale within the service is at an all-time low? Does he agree that he has until Wednesday either to come forward with a new offer or to accept arbitration, about which there is strong feeling on both sides of the House?

Mr. Fowler: The House will not readily accept advice from the right hon. Gentleman, who presided over the winter of discontent. The Government have shown their commitment to the Health Service by providing a budget of £14½ billion. That is a 5 per cent. increase in real terms and a gross national product increase from 4·8 to 5·5 per cent. We shall not take lessons from the Labour Party on that.

Mrs. Sheila Faith (Belper): The House must welcome the fact that the nurses and other professional bodies are considering the two-year agreement, but will my right hon. Friend draw the attention of the health workers to the London ambulancemen, who have tumbled to the fact that Arthur Scargill and others are not interested in the future of the Health Service but are using the dispute to defeat the Government's anti-inflation policy?

Mr. Fowler: My hon. Friend is right. there are those outside the Health Service who have no interest in its future but who are trying to use the dispute against the Government and against the Government's success with their anti-inflation policy. That is another reason why we should continue with our policy.

Mr. Laurie Pavitt (Brent, South): Will the Secretary of State confirm that the two-year settlement, whether under option A or option B, would mean an increase of £45 for a ward sister in two years? Will he do something about the iniquitous position whereby, since 1 April, nurses in residence have suffered an increase of 10 to 12 per cent. in the cost of meals and residence charges but have not received a pay increase? Will he come clean about the increase in inflation since their previous pay increase?

Mr. Fowler: The estimated increase in earnings for a ward sister on the 6 to 7½ per cent. option would be a minimum of £9·23 and a maximum of £11·84. That does not coincide witht the hon. Gentleman's figure.

Mr. Cyril D. Townsend (Bexleyheath): Is my right hon. Friend aware that during the recess I discovered in my constituency great respect, as always, for nurses and others in the Health Service, but nothing but contempt for those who wish to exploit the issue for political purposes at the expense of the elderly and the sick? Will my right hon. Friend remind the House how many public sector groups have already accepted pay increases of about 6 per cent., such as the civil servants and policemen? Did they not accept those increases partly in the belief that the Government would stick to their part of the bargain?

Mr. Fowler: About 9 million workers have accepted average pay settlements of about 7 per cent., but the teachers, the civil servants and the Armed Forces have accepted about 6 per cent.

Mr. J. W. Rooker (Birmingham, Perry Barr): Will the Secretary of State admit in the House that the nation and tha National Health Service owe a debt to those who clean, the lavatories and drains in the National Health Service as they do to every other Health Service worker? It is invidious that the Secretary of State should continually single out the nurses and doctors. Does the Secretary of State know that his Department, in reply to hon. Members who have raised the matter in writing, is sending out a fact sheet that refers to analogies with the mining industry? Can he tell us which jobs in the mining industry are analogous with this dispute?

Mr. Fowler: The fact sheet and the analogies which the hon. Gentleman mentions refer to the general level of wages. I have never sought to disguise or play down the contribution which the ancillaries have made to the successful running of the National Health Service. In my

statement I paid tribute to ancillary workers who have continued to work and care for patients, and I condemn those who have not.

Mr. Tony Marlow (Northampton, North): Would my right hon. Friend take the opportunity to explain to members of the Labour Party—generous to a fault, as they always are with other people's money—that on the figures given so far the Health Service is costing the average individual in Britain the massive sum of £250—plus per annum? Is my right hon. Friend aware that the generous figure of £1,100 million that he has put on the table will add an extra £80 a year to the bill of the average family of four, which is the equivalent of £1·60 a week for each family, just to pay the increase?

Mr. Fowler: That is right, although some of the figures have to be changed. The sum of £1,100 million is on the table for negotiation, as my hon. Friend the Member for Northampton, North (Mr. Marlow) said. As he also said, that money must come from somewhere. It comes from the taxpayer and it is time that the Opposition took that message on board.

Mr. Reg Race (Wood Green): If the National Health Service is safe with the Conservative Party, as the Prime Minister has said, why are the Government considering that in addition to making local health authorities pay for one-third of the increase this year, they will make local health authorities responsible for all of any wage increase for Health Service workers next year? If that proposal were implemented, would it not cause scandalous cuts in services? Will the Minister take the opportunity to assure the House and the chairmen of regional and district health authorities, who have raised the matter with me, that the Government have no intention of pursuing that course?

Mr. Fowler: I must ask the hon. Gentleman to wait a few weeks for a full answer to his question about the effects of such a proposal being implemented.

Mr. Barry Henderson (Fife, East): Meeting the Health Service workers' claim in full has not been suggested. Could that be partly because 1·2 million taxpayers work in the Health Service or because the increase in nurses' pay since the present Government came to office has been 12 per cent. beyond the rate of inflation?

Mr. Fowler: The average increase in nurses' pay has been 61 per cent. in the lifetime of the present Government. The suggestion is that no Opposition Member supports the 12 per cent. If that is so, their attitude has changed in the last three or four months.

Mr. Robert Hughes (Aberdeen, North): Does the Secretary of State accept that his offer to the Health Service workers must be measured not in terms of today's inflation but in terms of the 15·6 per cent. increase in the tax and price index in the 12 months covered by the 12 per cent. increase? Does he also accept that the postponement from April 1983 to April 1984 of the operation of the new agreement on pay is a gross betrayal? Would he not do better to examine the dispute afresh than to try to prove his virility to his right hon. Friend the Prime Minister?

Mr. Fowler: The hon. Gentleman must accept that the Government, by sticking to their policies, have brought inflation down to the lowest level for 10 years. That was the aim of the Opposition. The Conservative Government have achieved it.

Mr. Michael Colvin (Bristol, North-West): Is my right hon. Friend aware that on the question of priorities for limited resources, the use of outside contractors to provide ancillary services in the NHS could save about £400 million a year—that is, 20 per cent. of the cost of such services? Is he aware that if that were done he would be able to pay every nurse an extra £1,000 a year?

Mr. Fowler: I do not know about the last part of my hon. Friend's question. The Government support using outside contractors where that makes sense and reduces costs.

Mr. Stanley Newens (Harlow): Is it not hypocritical to say that patients suffer because of industrial action and to remain silent about the greater suffering of patients because of the Government's financial policy and the closure of facilities? Is the Secretary of State aware of the proposed closures in my constituency of a casualty department, a female surgical ward and an alcoholic treatment centre as a result of his policies? Will he agree that damage to patients results from that?

Mr. Fowler: I shall have to examine the details of what the hon. Gentleman says. All closure proposals will come to us. The hon. Gentleman fails to understand, or to concede, that the Government are not cutting the Health Service budget but are increasing spending on health. That is incontrovertible.

Mr. Dennis Skinner (Bolsover): In view of the hundreds and thousands who have been added to the waiting lists, how much will it cost the National Health Service, and so the Government and or the taxpayer, to deal with them, especially since the increased waiting lists are the result of the Government's intransigence? Does not the right hon. Gentleman have a cheek to talk about other workers such as miners joining picket lines and demonstrations in support of the Health Service workers because they are supporting their Health Service, unlike Tory ranks, almost all of whom do not believe in the National Health Service and take out private insurance?

Mr. Fowler: Not many hon. Members would think that Mr. Arthur Scargill appeared on the picket line because of his concern about the Health Service.

Mr. D. N. Campbell-Savours (Workington) *rose*——

Mr. Dennis Canavan (West Stirlingshire) *rose*——

Mr. Speaker: Order. We have only a minute to go, but since only two hon. Members wish to ask further questions I shall call them both.

Mr. Campbell-Savours: The Secretary of State said that the claim was unrealistic. Is he not being unrealistic in demanding that over 100,000 low-paid health workers, already taking home little more than £50 a week, should be subject to a 6 per cent. increase which will give them coppers, when the majority of people, if they knew that to be the truth, would support the health workers and demand that they be paid additional money?

Mr. Fowler: The hon. Gentleman raises the whole question of low pay. There has been much talk about low pay which is not peculiar to the Health Service. The only progress that we can make is by negotiation. One of the essential parts of that negotiation is to achieve new permanent arragements inside the Health Service which might hold out hope for Health Service workers generally.

Mr. Canavan: Is the Secretary of State oblivious to the fact that his irresponsibility has led to the dispute dragging on for over six months? Is he aware that Health Service workers have the support of the public, as will be seen again during the Scottish day of action on Wednesday? Is it not time that the Secretary of State stopped trying to divide the nurses from other Health Service workers and instead ensured a full 12 per cent. increase for all—and back dated at that?

Mr. Fowler: I should be interested if the Opposition's official case were that we should pay 12 per cent. in full. If that were so, they would be more than usually irresponsible in terms of public spending. There is no question of seeking to divide and rule. The September offer was made to the professional bodies and the TUC. The TUC refused to talk about it and refused to negotiate. That is indefensible.

Britoil (Sale of Shares)

4.9 pm

Mr. Merlyn Rees (Leeds, South): I beg to ask leave to move the Adjournment of the House under Standing Order No. 9, for the purpose of discussing a specific and important matter that should have urgent considerations, namely,

"the use of substantial amounts of taxpayers' funds to facilitate the impending sale of shares in Britoil, that is the oil production side of BNOC, and all the oil interests of the British Gas Corporation, without prior consultation or investigation by this House or its Committees."

This is a specific matter as we are dealing not with the whole question of privatisation but with the particular matter of the sale of shares in Britoil and subsequent similar sales in subsidiaries of the British Gas Corporation. It is an important matter because, as was said repeatedly at the time of the introduction of the Bill which facilitated these sales, the sale will be a major issue on the Stock Exchange and the largest privatisation measure of this Government. It is important because it was felt—subsequent statements emphasised this—that the sum involved would make a major beneficial impact on the finances of the public sector.

Valuations of Britoil at the time were £2 billion and thus the value of the shares to be sold was more than £1 billion. Recent press leaks and comments make it clear that the Government now appear willing to proceed with the sale for a great deal less than was envisaged and may even be paying over to Britoil sums of money to facilitate the sale, sums which are matter for consideration by the House.

The financial propriety of proceeding with the sale is raised by these revelations and Parliament, which has a historic function as the arbiter of the financial propriety of any Government's actions, is not to have an opportunity to scrutinise these vital public financial transactions before the sale. Debate on the order which was laid before the House this summer on the transfer of shares to the Secretary of State does not enable us to discuss the subsequent share issue. As was repeatedly pointed out when the Bill was being debated, there is no mechanism for either the House or its Committees to debate the substance or detail of the issue.

The matter is urgent not least because without immediate discussion the sale will be effected on terms that have not had Parliament's scrutiny. As with Amersham, a subsequent appeal for a debate, which I made at the time, or a subsequent investigation by the Public Accounts Committee will be too late to affect this vital matter.

Revelations on the BBC last evening by the chairman of Britoil, who is not answerable to this House, about some aspects of the sale, only add to the urgency.

Mr. Speaker: The right hon. Member for Leeds, South (Mr. Rees) asks leave to move the Adjournment of the House for the purpose of discussing a specific and, important matter that he thinks should have urgent consideration, namely,

"the use of substantial amounts of taxpayers' funds to facilitate the impending sale of shares in Britoil, that is the oil production side of BNOC, and all the oil interests of the British Gas Corporation, without prior consultation or investigation by this House or its Committees."

I listened with care to the right hon. Gentleman, as did the whole House, because he has raised an important matter.

National Health Service (Pay Dispute)

Mr. Speaker: The hon. Member for Newcastle upon Tyne, West (Mr. Brown) has let me know that he seeks to make an application under Standing Order No. 9 for a debate on the health dispute, which the House is to debate on Wednesday. I submit to him that to persist in his application would be an abuse of our rules in view of the fact that the House is going to discuss the matter on Wednesday. The debate has been guaranteed.

4.13 pm

Mr. Robert C. Brown (Newcastle upon Tyne, West): With due deference to what you have said, Mr. Speaker, I beg to ask leave to move the Adjournment of the House, under Standing Order No. 9, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the crisis in industrial relations within the National Health Service due to the Government's intransigence in prolonging the present pay dispute with its consequent effect upon both the morale and efficiency of health care within the service."

I did consider withdrawing my application in view of the impending statement but, having heard the statement and subsequent exchanges, I am glad I did not. I am extremely concerned that National Health Service workers, an eminently reasonable group of people, are being driven into militancy by the Government's attitudes and lack of action. We are now starting the next wage round while we have a claim from the previous wage round, when inflation was 12 per cent.-plus. To talk now of existing inflation is to perpetrate the three-card trick on National Health Service workers. By allowing this dispute to carry on and by refusing arbitration, the Secretary of State is behaving like an industrial skinhead, when one reflects that the unions to which he so offensively refers have expressed their wish to accept arbitration.

Mr. Speaker: Order. The hon. Gentleman must not make the speech he would make if I were to grant his application. He must confine his remarks to justifying his call for an immediate debate.

Mr. Brown: I submit to you, Mr. Speaker, that such is the urgency of the dispute that the Government stand condemned that we should be debating the Mental Health (Amendment) Bill today when we should have been debating the National Health Service dispute. I appeal to you, Mr. Speaker, to agree to my submission, in spite of the fact that the House is to debate the issue on Wednesday, so that we can debate it 48 hours earlier and thus seek to alleviate much of the present suffering throughout the country.

Mr. Speaker: The hon. Member for Newcastle upon Tyne, West (Mr. Brown) gave me notice before midday that he would seek leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely,

"the crisis in industrial relations within the National Health Service due to the Government's intransigence in prolonging the present pay dispute with its consequent effect upon both the morale and efficiency of health care within the service."

As the House knows, I am directed to take account of the several factors set out in the Order, but to give no reason for my decision.

[Mr. Speaker]

I cannot advise the House that the hon. Gentleman's submission falls within the provisions of the Standing Order.

MENTAL HEALTH (AMENDMENT) [MONEY] (No.2)

Queen's Recommendation having been signified—

Resolved,

That, for the purposes of any Act of the present Session to amend the Mental Health Act 1959 and for connected purposes, it is expedient to authorise the payment out of moneys provided by Parliament of the expenses of the Secretary of State in paying remuneration, allowances, pensions or gratuities to or in respect of persons exercising functions in relation to any review of—

(a) the exercise of the powers and the discharge of the duties conferred or imposed by those Acts so far as relating to the detention of patients or to patients liable to be detained under those Acts; or

(b) the care and treatment in hospitals or mental nursing homes of patients who are not liable to be detained under those Acts.—*[Mr. Kenneth Clarke.]*

VP

WR 18/10

c/c JV

Prime Minister (1)

Agree this statement (which is subject to amendment)?

MCS 15/10

Yes

MT

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

Michael Scholar Esq
10 Downing Street

October 1982

Dear Michael

STATEMENT ON THE NHS PAY DISPUTE

I enclose a first draft of the Statement which my Secretary of State is proposing to make on Monday. He will be working further on the draft over the weekend.

I am sending copies also to David Heyhoe (Lord President's Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office) and John Lyon (Northern Ireland Office).

Yours ever

David

D J CLARK
Private Secretary

DRAFT STATEMENT ON THE NHS PAY DISPUTE

1. With permission Mr Speaker I should like to make a statement on the pay dispute in the National Health Service.

2. When I last reported to the House on 20 July I outlined the steps the Government had taken to resolve the pay dispute and end the industrial action in the NHS. I reminded the House then that we had twice increased the resources available for pay in the current financial year. The second increase announced in June would have allowed pay increases of between 6 and 7½% at a total cost to the NHS of £418m. These increases compared favourably with settlements for other large groups of workers in the public sector. They offered staff fair pay at a cost the NHS, and the country, could afford. We had also offered talks on new permanent arrangements for determining the pay of all NHS staff. We made it clear in June that this was the Government's final decision on the resources available for pay this year.

3. As the House will know the Royal College of Nurses ballotted its members in August on the new offer. The health service unions affiliated to the TUC on the other hand continued to refuse to negotiate and remained committed to their claim for pay increases of 12% for all non-medical staff.

4. Following the vote by the membership of the Royal College of Nursing against acceptance of the revised offer consultations continued on possible ways of breaking this deadlock. After close

consultations with the TUC in particular I put further proposals to the professional bodies and the TUC Health Services Committee on 16 September. I have arranged for a copy of the detailed proposals to be placed in the Library of the House.

5. In brief we offered to complete a two year arrangements with health service staff. This would bring forward agreement on pay for 1983/84 and, while not increasing the resources available for this year above £418 million, offered the possibility of giving staff higher percentage increases during the course of the year. Most importantly the proposals would have paved the way for the introduction of new arrangements for determining the pay of non-medical staff by 1 April 1984. The amount of money on the table for a two year settlement was over £1 billion.

6. We had every reason to believe these porposals would form an acceptable basis for negotiation. We had discussed them in detail with the Royal College of Nursing and the health unions. I am pleased to be able to tell the House that the RCN, RCM, HVA and the NA accepted the invitation to talk about them. Those discussions are continuing.

7. 'The health unions' reaction was to refuse even to talk to us. This was despite the fact that we had discussed the proposals with the Chairman of the Health Services Committee, Mr Spanswick and the Secretary, Mr Jacques. The final proposals put to the Committee had been altered to take account of the views they expressed. But the hard-liners took over. We had no response to the initiative other than the insistence that we should negotiate on the basis of the original 12 per cent claim for all staff with no differential in favour of the nurses. I consider the refual to even talk about

the offer of over £1,100 million quite indefensible. Even more indefensible was the commitment by the TUC Health Services Committee to a further campaign of industrial action.

8. Before the latest offer the health service had suffered in August from five days of action. As previously the form and intensity of action varied across the country. The most common form of action was the withdrawal for certain periods of ancillary staff from key support departments, such as laundries and sterile supplies. As a result major disruption was inflicted on many hospital services. Domestic, catering and portering staff also went on 1-2 hour lightning strikes and there were instances of breakdown of emergency services. Following the five days, most Districts reported that staff were either working normally or had reverted to the disruptive level of action which had prevailed since the dispute began. Strikes in CSSDs, stores and laundries continued in some districts mostly in the Northern, Yorkshire, Trent and North Western Regions.

9. The next day of action took place on 22 September. As before ancillary staff formed the largest groups of strikers although admin and clerical, professional and technical staff and a few nurses also went on strike for the day. There were several reports of a complete withdrawal of all cover in some hospital departments. It was only because management and staff volunteers provided the necessary emergency cover that services could continue in some areas.

10. 22 September also saw the widening of the industrial action to workers outside the NHS. Most workers particularly in the private sector worked normally but some industries were badly affected including the newspaper industry many of whose leading articles had criticised the use of the NHS dispute for other ends. [Position on latest days to be added]

11. I have made it clear that in my view this House and the public owe a great deal to the majority of staff, particularly doctors and nurses, who have continued to care for patients. Because of them the position is not worse. They are the heroes of this dispute and I pay tribute to their dedication. But despite their efforts the effect of this dispute on patients is serious and will become more serious the longer it continues. We estimate that since the industrial action began 110,000 operations have been cancelled; 105,000 out-patient appointments cancelled; and waiting lists have increased by ~~150~~ 115,000. It was nonsense from the outset for the unions to claim that their action would not hurt patients. It has caused distress, prolonged suffering and in some instances risked their lives.

12. Mr Speaker the Government have moved three times in this dispute. The Health Service Unions have not budged from a quite unrealistic claim. The offer of £1,100 million on the table for a 2-year settlemnt leading to an agreement on new long-term arrangements offers an honourable resolution to this dispute. I am sure that the House will join me in urging the unions to call off the action and return to negotiations on the proposals I have made.

Prime Minister

NAT. HEALTH

PRIME MINISTER'S BRIEFING - 8 OCTOBER 1982

MAJOR INDUSTRIAL DISPUTES

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. Following up the 'Day of Action' on 22 September 1982, the TUCs Health Service Committee has instituted a 'rolling programme' of action intended to affect successively each of the 16 Health Authorities. Next week's timetable is:-

11 October 1982 - Wales
12 October 1982 - North West
13 October 1982 - East Midlands
14 October 1982 - East Anglia
15 October 1982 - West Midlands

It is to be expected that other groups of workers in these regions will take some sort of action in support of the NHS workers.

2. Last week's regional 'Days of Action', organised by the TUC Health Services Committee, have received widespread support from NHS staff but the action has been considerably less severe than that taken on 22nd September.

3. There were no significant 'sympathy' strikes by non-NHS staff. In Yorkshire the Regional TUC decided that the action in their area, on 6 October, should be limited to a 24 hour stoppage by Health Service workers alone. The feeling expressed was that other groups had adequately demonstrated their support on 22nd September and that these groups should not be expected to lose more wages through the dispute.

4. At the end of the rolling programme, the NHS unions will on 19 October stage a mass lobby of Parliament. Additionally, the TUC has called for a 1-day transport strike on a day in early November. It is not yet clear that all transport unions will support the call.

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions) (continued)

5. The TUC's NHS unions have rejected an offer of a long-term pay deal, but talks are continuing with the Royal College of Nursing.

6. The NHS dispute began after the unions rejected offers ranging from 4% for ancillary workers to 6.4% for nurses (later increased to 5% and 7% and then to 6% and 7½%) and, as part of a co-ordinated campaign in support of a common pay claim of 12.5%, embarked on a series of 1-day strikes (later increased to 3 day and 5 day strikes) with varying kinds of local action. Sporadic local action began on 14 April, with COHSE members introducing a ban on the admission of non-emergency cases. Other local action has included working to rule, overtime bans and non-cooperation with management on plans to re-organise hospitals.

Water Services (35,300 - GMWU, NUPE, TGWU

7. The unions have called for a national strike in the water industry on 18 October 1982.

8. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [This was subsequently quantified informally as being in the upper quartile of published earnings figures.] At a meeting on 21 September 1982, when the unions lodged the annual pay claim, they insisted on an early reply from the employers and rejected the suggestion that they wait until 11 November to discuss the matter further.

9. Press reports in May this year suggested that the GMWU was ready to use industrial action in connection with this claim.

Coal (NUM 200,000)

10. A special delegate conference of the National Union of Mineworkers rejected a pay offer worth 8.2% on base rates (7.2% on base rates plus bonus improvements) and agreed an overtime ban from 11th October. The NUM is seeking increases of up to 31% on base rate and other improvements which in total would be equivalent to some 20% of the NCB's revenue.

11. On 28/29 October members will vote on a recommendation that the NUM National Executive Committee be given authority to call industrial action, if necessary, in opposition to pit closures and in the pursuit of a satisfactory wage settlement.

Department of Employment

Prime Minister (2)

Mrs 8/10

Treasury Chambers, Parliament Street, SWIP 3AG

J Buckley Esq
Private Secretary to the
Lord Privy Seal
Management and Personnel Office
Old Admiralty Building
LONDON SW1A 2AZ

7 October 1982

Dear Jim,

NHS PAY DISPUTE - TUC DAY OF ACTION (22 SEPTEMBER 1982)

My letter of 23 September promised final figures of the number of staff involved in last week's TUC day of action, and of the number known to be taking sympathetic industrial action for the second time. I now enclose a table of figures, which you may wish to draw to the attention of the Lord Privy Seal.

The main points are as follows. The total number of civil servants involved was 32,045. Of these, 16,484 were industrials, and 15,561 were non-industrials. 146 staff (all non-industrials) are known to have been taking sympathetic industrial action for the second time.

Some departments who had large numbers of staff absent without authority on 22 September have yet to complete detailed analysis of the length of absences during the day, but a general pattern has emerged. Roughly one-third were absent for periods between 1 hour and half a day; rather more than one-third were absent for less than 1 hour; and rather less than one-third were absent for the whole day.

You might also be interested to know that we have been in touch with other employers in the public sector to discover how they handled absences by their employees on 22 September. Most were affected, although the level of absences varied, for example, from stoppages in 80 per cent of the coal industry to negligible absences on the railways. Although firm information is not yet available in one or two sectors (particularly local authorities

and electricity boards), the general picture is that the response of public sector employers other than ourselves was to deal with the absences on sympathetic action by stopping pay for the period of absence; and there is no sign that any other measures were taken. There was one exception to this picture: 134 employees at British Steel's Machynys plant in South Wales were locked out on the day following the sympathetic action, but this was a decision by local management in the absence of any industry-wide policy.

I am copying this to Michael Scholar (No 10), to Private Secretaries to the Ministerial heads of departments, and to Richard Hatfield (Sir Robert Armstrong's Office).

Yours ever

H J BUSH
Private Secretary

DEPARTMENTS		No of staff absent	Up to 1 hour	between 1 hour and ½ a day	for the whole day	No of doubl offen-ders
Ministry of Agriculture, Fisheries and Food	non-industrials	30	0	56	3	Nil
	industrials	29				
HM Customs & Excise		750	375	309	66	17
Ministry of Defence	non-industrials	530	180	314	36	2
	industrials	13,600	8,200	700	4,700	Nil
Department of Employment		2,879	50pc	40pc	10pc	56
Departments of the Environment & Transport		955	40pc	59pc	1pc	4
Department of Health & Social Security.		3,092	37	2,730	325	49
Home Office	non-industrials	250	26	266	1	Nil
	industrials	43				
Departments of Industry and Trade	non-industrials	350	122	175	285	1
	industrials	232				
Inland Revenue		3,754	445	2862	447	9
Land Registry		109	0	109	0	Nil
Lord Chancellor's Department		74	7	65	2	Nil
Department for National Savings		1,003	0	0	1,003	Nil
Property Services Agency	non-industrials	157	182	127	126	Nil
	industrials	278				Nil
Scottish Office		210	0	195	15	3
Scottish Courts Administration		45	0	32	13	Nil
HM Treasury	non-industrials	34	23	3	8	Nil
	industrials	49	15	5	29	Nil
Welsh Office		80	22	57	1	Nil
Management and Personnel Office		2	0	1	1	Nil
Other Government Departments (Annex A)		3,510	412	823	2,275	5
TOTAL		32,045	11,868	10,544	9,633	146
Other departments not included in Quarterly Staff Return		(712	197	249	266	Nil)

Not all departments have yet completed analysis of length of absence of staff involved (columns 2-4) and therefore the totals are not quite precise.

(ANNEX A)	staff absent	up to 1 hour	½ and a day	whole day	repeat offenders
Intervention Board for Agricultural Produce	1	0	1	0	Nil
Cabinet Office	Nil	–	–	–	Nil
Victoria and Albert Museum	30	2	28	0	Nil
Science Museum	23	20	3	0	Nil
National Investment and Loans Office	Nil	–	–	–	Nil
Registry of Friendly Societies	5	0	5	0	Nil
Royal Mint non-industrials	3	1	0	2	Nil
Royal Mint industrials	734	0	0	734	Nil
Treasury Solicitor	Nil	–	–	–	Nil
Department of Education and Science	80	66	13	1	Nil
Department of Energy	Nil	–	–	–	Nil
Ordnance Survey	204	202	1	1	Nil
Foreign & Commonwealth Office (including GCHQ)	120	0	120	0	Nil
Overseas Development Administration	267	17	2	248	Nil
Public Trustee Office	2	0	2	0	Nil
Public Record Office	29	7	17	5	Nil
Central Office of Information non-industrials	8	2	6	0	Nil
Central Office of Information industrials	1	0	0	1	Nil
Government Actuary	Nil	–	–	–	Nil
Her Majesty's Stationery Office non-industrials	67	Nil	25	42	Nil
Her Majesty's Stationery Office industrials	1,514	21	297	1,196	
Northern Ireland Office	Nil	–	–	–	Nil
Paymaster General's Office	Nil	–	–	–	Nil
General Register Office Scotland	20	0	20	0	1
Registers of Scotland	94	0	94	0	4
Scottish Record Office	9	0	9	0	Nil
Office of Population Censuses and Surveys	26	5	19	2	Nil

	staff absent	up to 1 hour	1 hour and ½ day	whole day	doubl offen ders
Export Credits Guarantee Department	196	38	138	20	Nil
Office of Fair Trading	Nil	–	–	–	Nil
Charity Commission	50	27	22	1	Nil
Crown Estate Office non-industrials	Nil	–	–	–	Nil
industrials	4	4	0	0	Nil
Crown Office Scotland and Procurator Fiscal Service	23	0	1	22	Nil
Director of Public Prosecutions	Nil	–	–	–	Nil
Law Officers Department	Nil	–	–	–	Nil
Lord Advocate's Department	Nil	–	–	–	Nil
Privy Council Office	Nil	–	–	–	Nil
TOTAL	3,510	412	823	2,275	5

NATIONAL HEALTH.

cc JV

NBPM MDS 6/10

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 October 1982

J Buckley Esq
Private Secretary
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

Dear Jim,

SYMPATHETIC INDUSTRIAL ACTION

I am writing to confirm that, as I told Douglas Board this morning, the Chancellor has no comments to offer on the draft circular enclosed with Lady Young's letter to him of 4 October. — attached

I am copying this letter to the Private Secretaries of those Ministers who received copies of Lady Young's letter.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

CONFIDENTIAL

Prime Minister (2)
MCS 4/10

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

4 October 1982

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

Dear Chancellor,

SYMPATHETIC INDUSTRIAL ACTION

In the light of the sympathetic industrial action which was taken by over 30,000 civil servants on 22 September and given that the National Health Service dispute is continuing, we considered last week what further action we should take. As discussed, I believe that the time has now come to tell all civil servants, formally, of the Government's policy towards sympathetic action by its employees and explain the reasons for it.

Our officials have prepared the attached draft circular which, rightly in my view, is more in the nature of an explanation of the position rather than a collective warning to the Civil Service as a whole. Nevertheless it makes it clear that in future individual warning letters will not be issued so that departments can move immediately to disciplinary procedures in appropriate cases.

I want to issue a note on these lines to all civil servants, industrials as well as non-industrials, as soon as possible and I should be grateful to know, not later than midday on Wednesday, whether anyone has any comments.

I am copying this letter to the Prime Minister, to Members of the Cabinet, to the Attorney General and Lord Advocate, to the Minister for Overseas Development and to Sir Robert Armstrong.

Yours sincerely,

(Private Secretary)

BARONESS YOUNG

Approved by the Lord Priy Seal and signed on her behalf.

CONFIDENTIAL

DRAFT CIRCULAR TO ALL CIVIL SERVANTS

Members of staff may be aware that some civil servants face disciplinary proceedings as a result of their unauthorised absence in connection with the dispute about NHS pay; and that others have been given a letter making it clear that they will be liable to disciplinary proceedings if they are again absent without authority in connection with a similar dispute.

2. This circular outlines, for the information of all staff, the Government's policy towards action taken by civil servants in relation to this or any other dispute which is not about Civil Service conditions.

3. Unauthorised absence normally breaks an employee's terms and conditions of service, and is a disciplinary offence. Where the unauthorised absence is in pursuit of direct industrial action (that is where labour is withdrawn in furtherance of a dispute about Civil Service conditions) those concerned automatically lose pay and allowances, but it has not been the normal practice to take disciplinary proceedings against the offence of unauthorised absence as such. This practice has not been altered.

4. However, the position is different when civil servants are absent without permission in connection with disputes which are not related to Civil Service matters (the dispute about pay in the National Health Service, for example). In those cases, civil servants who are absent without authority are liable to disciplinary proceedings in accordance with the rules set out in [departments to complete as necessary].

5. Those civil servants who are now subject to the disciplinary procedures as a result of their unauthorised absence on 22 September had this position brought to their attention in writing. They were given a letter following their first unauthorised absence, making it clear that they would be liable to disciplinary proceedings if they again went absent for a similar reason. No disciplinary action was instituted following the first offence, and the point of the letter they received was to remove any possible misunderstanding about absence in connection with a dispute outside the Civil Service. In view of the explanation of the position on this matter given in this circular, it will not be the practice to issue individual warning letters in future.

Nat Health

Prime Minister (2)

MIS 1/10

PRIME MINISTER'S BRIEFING - 1 OCTOBER 1982

MAJOR INDUSTRIAL DISPUTES

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. Following up the 'Day of Action' on 22 September 1982, the TUCs Health Services Committee has instituted a 'rolling programme' of action intended to affect successively each of the 16 Health Authorities. Next week's timetable is:-

4 October 1982 - Merseyside
5 October 1982 - Northern Region
6 October 1982 - Yorkshire
7 October 1982 - Northern Ireland
8 October 1982 - South East

It is to be expected that other groups of workers in these regions will take some sort of action in support of the NHS workers.

2. At the end of the rolling programme, the NHS unions will on 19 October stage a mass lobby of Parliament. Additionally, the TUC has called for a 1-day transport strike on a day in early November. It is not yet clear that all transport unions will support the call.

3. The TUC's NHS unions have rejected an offer of a long-term pay deal, but talks are continuing with the Royal College of Nursing.

4. The NHS dispute began after the unions rejected offers ranging from 4% for ancillary workers to 6.4% for nurses (later increased to 5% and 7% and then to 6% and 7½%) and, as part of a co-ordinated campaign in support of a common pay claim of 12.5%, embarked on a series of 1-day strikes (later increased to 3 day and 5 day strikes) with varying kinds of local action. Sporadic local action began on 14 April, with COHSE members introducing a ban on the admission of non-emergency cases. Other local action has included working to rule, overtime bans and non-cooperation with management on plans to re-organise hospitals.

Water Services (35,300 - GMWU, NUPE, TGWU

5. The unions have called for a national strike in the water industry on 18 October 1982, with unspecified industrial action to follow.

6. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [This was subsequently quantified informally as being in the upper quartile of published earnings figures.] At a meeting on 21 September 1982, when the unions lodged the annual pay claim, they insisted on an early reply from the employers and rejected the suggestion that they wait until 11 November to discuss the matter further.

7. Press reports in May this year suggested that the GMWU was ready to use industrial action in connection with this claim.

Department of Employment

" (Assmt) TCS Nat Health

PA 7

SECRET

MR. MOUNT

The NHS Dispute

Peter Gregson chaired an extensive discussion this morning of the prospects in the NHS dispute. This was an informal meeting of the senior officials concerned - Pat Benner (the DHSS Deputy Secretary doing the negotiations), Michael Quinlan, Douglas Smith and Alan Bailey, and there will not be the usual Cabinet Office record.

Mr. Fowler apparently saw the Chancellor yesterday, principally to discuss future arrangements for the nurses, in pursuit of his strategy of splitting them off. At present he is inclined towards appointing another Megaw type inquiry, with a remit to report urgently. The official discussions with the nurses are continuing, but getting nowhere. The Treasury, and Mr. Tebbit, who was also present, expressed scepticism as to whether the Government could expect such a proposal, and as to whether it would do the trick. They were right to do so: we have already identified the possibility of leap-frogging the decisions on Megaw as a significant danger, and I know of no-one who feels that doing a separate deal with the nurses is either feasible (because they will be leant on by the affiliated unions) or likely to lead to a settlement of the rest of the dispute.

Pat Brenner gave a brief justification of the DHSS's attempts to make a two-year deal, concluding that they had good reason to feel that Spanswick had been acting in good faith, but that developments in Brighton and the TUC reluctance to commit themselves to 4 per cent for next year had wrecked the agreement. There are, of course, no surprises there. Benner and Douglas Smith agreed that the TUC now felt under no urgency to reopen discussions, or to make concessions.

/Meanwhile,

SECRET

Meanwhile, the discussions with the nurses were making very slow progress, even though the nurses themselves kept on referring to the April, 1983 target date agreed by the Prime Minister. They might well favour an independent inquiry, and the prospect of agreeing favourable new arrangements before the Election, and might even be held to an interim formula which the Government could swallow. But the affiliated unions would almost certainly see to it that any long term arrangements recognised the need for ~~the~~ a step change in NHS salaries generally, which is of course unacceptable to us. Douglas Smith concluded from all this that we should write off in our own minds the prospect of a separate deal with the nurses, even though it is, of course, highly desirable to go on talking to them.

This discussion led to a number of conclusions about the handling of the dispute over the next few weeks, which I have recorded in a separate note, attached, for the Prime Minister. The purpose of that note is principally to advise the Prime Minister not to look for immediate new initiatives, in preparation for Mr. Fowler's report to Cabinet tomorrow.

We then went on to discuss the possible strategies for the longer term. One, which is quite widely favoured, and which we have already identified, is for the Government to sit on the present offer indefinitely, not to seek to reopen negotiations and wait until the unions sue for peace. I understand that this course is favoured by Mr. Tebbit. A second, and contrary, course which would be desirable, if the Government perceived wider political reasons for settling the dispute, would be to seek a basis for agreement on the main issue - the pay offer for this year and next. That would probably require increasing the offer for next year by 2 per cent or so. A ~~short~~ third course, and one which I think officials must be encouraged to examine over the next few weeks, is a variant on the first: the Government should sweat it out, but consider certain unilateral actions at the appropriate time.

/ We

We ran briefly through what these actions might be. Imposition of the settlement would be a waste of time unless accompanied by other measures, but could be contemplated, together with the imposition of an independent inquiry with terms of reference established by the Government. The Government could swallow its objections to ~~waiting~~ weighting in favour of the lower paid, and adjust the present offers so as to bring basic rates up to a pre-determined minimum earnings level (this is quite a common trick in the private sector, effectively guaranteeing earnings above basic rate, even to those not on over-time or bonuses). The Government could see whether the offer of arbitration for next year would do the trick, and how much damage it would have on the rest of the pay round. All those ideas involve significant Goverment concessions. On the other side of the coin, there was not much enthusiasm for management sanctions. The problem is, of course, that the Government is not the employer; I understand that many RHAs are being very firm with employees not working properly, but some less so - and unlikely to be amenable to pressure. Mr. Tebbit is apparently strongly opposed to the Government leaning on other employers, such as the RHAs, to dismiss strikers. The DHSS do not think that the outcome of a management ballot of the nurses could ever be foreseen with sufficient certainty to justify it. No backdating is not considered to be a credible threat. But as time passes, the cumulative effect of loss of backpay, and loss of pay during industrial action, should work to our advantage.

J. M. M. VEREKER

29 September, 1982

SECRET

29 September 1982

PRIME MINISTER

Prime Minister Noll Health MLS 29/9

CABINET: NHS PAY DISPUTE

Mr Fowler will no doubt be reporting to Cabinet tomorrow on the developments in the NHS pay dispute while you have been away. You will not want to have to read tonight a detailed analysis of the prospects, but it may be helpful for you to have in mind these four thoughts:

1. It is doubtful if it is worthwhile offering further concessions to try and settle separately with the nurses. It is, of course, valuable in presentational terms to keep the talks going; but, largely because of pressure from the other unions, the nurses are unlikely to be prepared to do a separate deal acceptable to us.

2. The minimum that the affiliated trade unions (those representing NHS groups other than the nurses) are prepared to settle for is still much too high for a settlement. In particular, they want a significantly higher offer for next year. They see no urgency to re-opening discussions with the Government, and feel under no pressure to make concessions.

3. But, as time passes with no movement from the Government, pressure on the unions will grow. They will face the increasing strain of running the dispute, mounting pay losses, and the possibility of declining support for days of action. Developments in the economy as a whole, such as the pay factor, and the RPI, will help.

4. For several more weeks, therefore, there is no real need for, or likelihood of, initiatives in the dispute. Clearly, the Government will need to avoid mishandling its presentation, or particular pieces of industrial action; but the main task will be to assess when and what will change the firm positions at present taken up by the parties. Officials, or MISC 80 under the Chancellor's chairmanship, could be asked to do that.

JOHN VEREKER

SECRET

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

27 September 1982

Recall of Parliament

Dear David,

Thank you for your letter of 22 September enclosing a draft for Mr Biffen to send to Dr Edmund Marshall MP. The Lord President had in fact already written to Dr Marshall in the terms of the draft attached to my letter of 15 September, after I had cleared this on the telephone with your office. I am afraid however that we neglected to send you a copy at the time, for which I apologise.

Copies go to Michael Scholar (No 10) and Murdo Maclean (Chief Whip's Office).

D C R HEYHOE
Private Secretary

D J Clark Esq
Private Secretary to the Secretary
of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant & Castle
London SE1 6BY

WHITEHALL LONDON SW1A 2AT

16 September 1982

Dear Edmund,

Thank you for your letter of 13 September in which you asked me to reconsider the request for a recall of Parliament to debate the situation in the National Health Service. As you will know, the Government's position was fully explained in the Prime Minister's letter of 10 September to the Leader of the Opposition and I do not think that there is anything that I can now usefully add.

Yours

John

JOHN BIFFEN

Dr Edmund Marshall MP
House of Commons
London SW1A OAA

cc PCS — I don't know if anything'll come out of this, but you'll may like to see that we're trying.

MR. MONCKTON

PA

FUTURE OF THE NATIONAL HEALTH SERVICE

I have been reflecting on the presentational difficulties the Prime Minister will be facing when Parliament reassembles, and it is clear that the Opposition's attack will be on two main fronts: unemployment, and the Health Service.

I know that you have been and will be giving considerable thought to the future of the NHS. The Opposition will be trying to penetrate the two chinks in our armour created by the continuing NHS dispute, and by the opening of the public debate on the possibility of saving substantial amounts of public spending by reducing the scale of the NHS. We do not want the Prime Minister to close off important options by repeating too often the line Mr. Fowler has been using; but we need to be clear how far she can go without both spreading alarm and despondency and raising expectations that cannot be fulfilled. It is not just the hysterical left wing press that regards talk of privatising the welfare state as a blow against the foundations of society: you may have seen, for instance, the leader in this week's Tablet, which concludes that the whole basis of the post-war attempt to create a fairer society in Britain is now at risk.

I shall be grateful for any thoughts you may have, both in the light of your thinking about the NHS and or your experience as a journalist. Are there useful international comparisons of secular trends in health care that the Prime Minister could make? How far can we go in pointing to the way in which increased demand for private health care relieves the burden of taxation? Can we develop the argument that less state resources might mean better health care for all?

J. M. M. VEREKER

27 September 1982

1010

cc

(2)

Prime Minister

DHSS were greatly concerned - understandably - about X.

Y is an important point, which we must make sure is understood, in the material we get put round to Ministers.

MCS 27/9

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe KCB CVO

The results look good on paper, either! MCS

Michael Scholar, Esq.,
No. 10 Downing Street,
London SW1

23 September, 1982

Dear Michael

NHS - STAFF AND BEDS

The Prime Minister mentioned to my Secretary of State that she had been approached by a journalist about NHS manpower who told her that he could not get the information that he wanted from DHSS. My Secretary of State undertook to look into this and I have pursued it myself.

X

Your Press Office were not able to give us any clues as to whom the journalist might be but I deduce from the attached press cutting that it might be Woodrow Wyatt who has phoned our press office on several occasions. I cannot identify a particular occasion or a particular subject on which the Press Office can recall that they were unable to give Mr. Wyatt what he wanted but they are in any case well kitted up with our activity figures and should be in a position to be forthcoming.

...

It is, of course, possible that the journalist was looking for figures which supported a thesis which is not tenable. The Prime Minister has been careful, I think, not to construct a simple correlation between NHS manpower and NHS beds. This is wise because the NHS does not treat beds, but treats patients. It is apparent from the figures I left with you that in terms of patients treated there has been an enormous increase in NHS activity especially in the category of day patients. Given that the thrust of medical development now is towards shorter periods of more intensive treatment where hospitalisation is necessary, it is absolutely to be predicted

Y

attached at flag A

Contd.....

E.R.

that the number of beds will be reduced in relation to manpower as the through-put increases. We evidently did not succeed in keeping Woodrow Wyatt out of the simple non-sequitur that occurs when these basic facts are not understood. It is most important that they should be, otherwise I can see a stinging rebuke coming from the Presidents of the Royal Colleges.

None of this means, of course, that my concern about waste of manpower in the NHS is disposed of. My Secretary of State will be making proposals on that as soon as he can.

Yours ever.

Ken

Woodrow Wyatt

NURSES HAVE NEVER HAD IT SO GOOD

HUMBUG. That is the word for all that weeping for the nurses by TUC delegates last week.

It also describes James Callaghan's support for the illegal strikes planned by the TUC for September 22. That's ostensibly on behalf of the nurses and NHS workers.

Why is it all humbug? Because nurses were in a worse position when Mr Callaghan was Labour prime minister and head of the Labour movement.

Since 1979, the wage bill for nurses has gone up from under £1,500 million to over £2,600 million a year. That's an increase of 82 per cent.

More nurses

As the present Government have recruited more nurses, each nurse has not had an 82 per cent rise. But look at some typical cases.

A state registered nurse on £3,600 a year in March, 1979, was getting £5,842 a year by April, 1981. A ward sister on £4,688 in March, 1979, rose in the same period to £7,640.

Between March, 1979, and the time of the current dispute, the average pay of individual nurses has risen by 61 per cent. In the same period, the Retail Price Index has risen by only 49 per cent.

The nurses have made a substantial gain in real spending power since Mr Callaghan was prime minister and approved by the TUC. Nurses have now been offered a still bigger gain of an increase of 7½ per cent.

Cheap lodgings

Even before the 7½ per cent increase, an 18-year-old student nurse gets £69.72 a week in her first year. (For those who want to live in, average lodging charges are less than £7 a week). In her third year, she gets £78.15 a week. When she becomes a 21-year-old staff nurse, she is on a minimum of £99.85 a week.

Yet still the nurses are urged by the TUC and Mr Callaghan to reject the 7½ per cent increase. A very different tune from when Mr Callaghan's government were paying and offering them much less than today in real terms.

And what about the rest of the National Health Service workers? Between 1971 and 1981, the NHS staff in England rose from 629,700 to 820,700.

In the same period, the number of beds available sank from 516,097 to 363,000. Who can doubt that the NHS is overmanned and under productive?

Miners' leader Arthur Scargill gave the game away on Tuesday.

To uproarious applause, he said:

"If we take strike action on September 22, we shall not only be supporting the nurses and Health Service workers . . . we shall be saying to this Government that we are not prepared to accept the legislation, we are not prepared to see our movement destroyed."

The nurses' understandable popularity is being exploited by Mr. Scargill and his friends to justify breaking laws they don't like.

NUMBERS | THOUSANDS | ENGLAND

A

Activity	1961	1971	1976	1980
Hospital Services				
In-patient cases+ (including day cases)	4,035	5,171	5,735	6,341
Increase during period (% change)	1,136(28%)	564(3%)	606(13%)	
Out-patient attendances (including accident emergency	40,133	46,260	45,473	48,296
Increase during period (% change)	6,127(15%)	-787(-2%)	2,823(8%*)	
Regular day patient attendances	445	2,839	4,671	5,289
Increase during period (% change)	2,394(538%)	1,832(65%)	618(17%*)	
Community Health Services				
Health visiting - cases attended	N/A	4,201	3,887	3,817
Increase during period (% change)	N/A	-314(-7%)	-70(-2%*)	
Home nursing - persons nursed	1,341	1,670	2,780	3,421
Increase during period (% change)	329(25%)	1,110(66%)	641(30%*)	
Hospital and Community Health Services Activity ϕ - % change	28%	5 %	12%*	to 1981

Manpower (whole-time equivalent**)	1961	1971	1976	1981 (provisional)
Medical and dental	19	27	33	37
Increase during period (% change)	8(42%)	6(22%)	4(12%)	
Nursing and midwifery	226	309	360	388
Increase during period (% change)	83(37%)	51(17%)	28(8%)	
Professional and technical	25	39	52	63
Increase during period (% change)	14(56%)	13(33%)	11(21%)	
Administrative and Clerical	47	69	95	105
Increase during period (% change)	22(47%)	26(38%)	10(11%)	
Ancillary	142	168	174	172
Increase during period (% change)	26(18%)	6(4%)	-2(-1%)	
Others	31	37	42	45
Increase during period (% change)	6(19%)	5(14%)	3(7%)	
Total NHS directly employed staff	490	649	755	811
Increase during period (% change)	159(32%)	106(16%)	56(7%)	

Expenditure (£ million November 1980 prices)				
NHS gross current expenditure	N/A	7618.8	8811.9	9609.5
Increase during period (% change)	N/A	1193.1(16%)	797.6(9%)	

/*/†/** see notes overleaf

Note

+ Statistics on day cases are not available prior to 1972. The same growth rates have been assumed for day cases and in-patients before this date.

* The growth rates given here relate to the period 1976-81 to enable comparison with manpower and activity figures. Activity figures for 1981 are not yet available and the rates have been based on an extrapolation of trends in 1976 to 1980.

Ø This combined growth rate has been derived by weighting the rates of change in the various services by their expenditure share in the base year 1980.

** Figures for 1981 (except Medical and Dental) are provisional. All figures exclude DEB and PPA staff, locum medical/dental staff, agency nursing staff and nursing cadets. The exclusion has been necessary to construct a consistent series covering the period 1961 to 1981. The figures used here cover over 97% of NHS staff in 1971 and 1981.

Figures prior to 1974 have been adjusted to reflect the changes in 1974 when local authority staff providing community health services were incorporated into the NHS. Adjustments have also been made to reflected changes in the basic working week between 1961 to 1981. Mr Howell's analysis of manpower/activity figures are misleading for a number of reasons.

i. Figures quoted by Mr Howell for the years 1960, 1970 and 1980 are a mixture of headcounts and whole-time equivalents. The proportion of part-time staff has increased significantly since 1960. (For example the headcount figure of 1,228,000 for the UK in 1980 is equivalent to 990,000 wte).

ii. Mr Howell has treated the transfer of staff from local authorities in 1974 as a true increase without adjusting the figures for earlier years and figures throughout have not been adjusted to take into account changes in working hours.

iii. In comparing these manpower figures to occupied beds over the period, Mr Howell is concentrating on one area of patient activity only - in-patient, and ignoring other areas (eg out-patients, day cases, day patients, community services) which have expanded over the period. More importantly beds are not a good measure of activity. As the activity figures show, more patients have been treated through a reducing number of beds resulting in a more intensive use of resources and lower average costs per case. The aim of the NHS is not ~~simply~~ to fill beds but to treat more patients and this is not reflected in the bed figures.

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(PA) Mr Butler

I'm afraid we misinformed you about this (or rather D/Emp did). Here is the true picture.

MLO24/9

Mr. Scholar
Mary Hanks
FERB 30.9.

MR. SCHOLAR

c. Mr. Mount

I think you were advised yesterday 3.30 pm, actually lunchtime that about 6,000 civil servants were taking action of some kind in support of the NHS. I was suspicious of the figure at the time, because most of the supportive industrial action throughout the country took the form of taking the afternoon off. The Treasury's Group on Industrial Action met this afternoon, and we were given a proper Departmental breakdown of the unauthorised absences, which may be presumed reasonably accurate though not exact.

The total number of unauthorised absences was 30,459. Of those, 16,419 were industrial civil servants, the vast majority in the MOD. Of the non-industrials, the bulk came from Inland Revenue, DHSS, Employment and the Department for National Savings. Of the 700 or so civil servants who received warning letters following the industrial action in the summer, about 200 took action again on 22 September, and are therefore liable for disciplinary action. Although there is almost certainly nothing whatsoever that can be done about it, the most serious incident from the point of view of breach of the Industrial Relations Law was a 50 strong picket of miners, led by Mr. Scargill, outside a DHSS office in Newcastle - possibly the first recorded example of tertiary picketing, since neither the miners nor the civil servants are parties to the dispute.

At a very rough estimate, about half those civil servants who took unauthorised absences did so for only an hour or so (in addition to their lunch-hour) and the other half took the afternoon off, with a very few taking the whole day. A number of those in the DHSS have subsequently claimed that their absence was in support of a separate DHSS dispute; and one or two in the Department of the Environment have produced self-certificated sick notes.

The Official Group will be advising Ministers, and Treasury Ministers will be consulting their colleagues, about the action that must now be taken, firstly in respect of recidivists, and secondly in respect of novices. Ministers have already agreed that those who

/ took action

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took action before, and have already been specifically warned that they are not exempt from disciplinary penalties where they are not party to the dispute, will be disciplined. Officials will recommend that it should be up to the Departments to decide the disciplinary penalty in each case, because individual circumstances will vary. Individuals will be given the opportunity to defend themselves, and Establishment Officers will consult informally to establish the range of penalties, but I should not be surprised if it proved necessary to lay down particular categories of punishment, certainly for the most serious offenders. Discussion this afternoon, for instance, indicated a wide variation of current departmental intentions from a six-month ban on promotion to loss of three annual increments.

J.M.M. VEREKER
23 September 1982

PRIME MINISTER'S BRIEFING - 24 SEPTEMBER 1982

MAJOR INDUSTRIAL DISPUTES

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. Response to the TUC's "Day of Action" was mixed, with great variation both geographically and between the public + private sectors. Within the NHS action seems to have been more widespread and more severe than hitherto. The TUC's Health Service Committee met yesterday to consider further action, and decided to institute a "rolling programme" of one-day strikes, beginning on 4 October, hitting successively each of the 16 Regional Health Authorities. Additionally, the unions intend to extend selective stoppages by key groups of hospital workers in pursuit of their aim to reduce all hospitals to accident and emergency services only.

2. The TUC's NHS unions have rejected an offer of a long-term pay deal, but talks are continuing with the Royal College of Nursing.

3. The NHS dispute began after the unions rejected offers ranging from 4% for ancillary workers to 6.4% for nurses (later increased to 5% and 7% and then to 6% and 7½%) and, as part of a co-ordinated campaign in support of a common pay claim of 12.5%, embarked on a series of 1-day strikes (later increased to 3 day and 5 day strikes) with varying kinds of local action. Sporadic local action began on 14 April, with COHSE members introducing a ban on the admission of non-emergency cases. Other local action has included working to rule, overtime bans and non-cooperation with management on plans to re-organise hospitals.

Water Services (35,300 - GMWU, NUPE, TGWU

4. The union have called for a national strike in the water industry on 18 October 1982, with unspecified industrial action to follow.

5. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [This was subsequently quantified informally as being in the upper quartile of published earnings figures.] At a meeting on 21 September 1982, when the unions lodged the annual pay claim, they insisted on an early reply from the employers and rejected the suggestion that they meet again to discuss the issue on 11 November.

6. Press reports in May this year suggested that the GMWU was ready to use industrial action in connection with this claim.

Department of Employment

Treasury Chambers, Parliament Street, SW1P 3AG

Jim Buckley Esq
Private Secretary to
The Lord Privy Seal
Management and Personnel Office
Old Admiralty Building
LONDON SW1A 2AZ

23 September 1982

Dear Jim,

NHS PAY DISPUTE - TUC DAY OF ACTION (22 September 1982)

You will wish to let the Lord Privy Seal know that provisional reports from departments indicate that some 30,500 civil servants were absent without authority at some time yesterday (22 September) in connection with the NHS pay dispute. In some cases, the absence was for no more than 15 minutes; in others for half a day. Although some civil servants were out for the whole day the equivalent number of man days lost will be considerably less than 30,000. We shall be able to make a fairly precise estimate when final returns come in from departments.

Annex 'A' gives the departmental breakdown, together with comparable figures for previous days of sympathetic industrial action. Perhaps the most important feature is that 16,500 industrial grades were absent; until now none have taken NHS sympathetic industrial action.

We will not know, until early next week, how many civil servants took sympathetic industrial action for the second time. But preliminary information from Departments is that it was in the region of 200.

The support by civil servants was larger than departments had expected, but there have been no reports of significant disruption of Government business. The numbers who took action represent 2 per cent of the non-industrial civil service, and 8 per cent of the industrial civil service. Support was patchy, with more out in certain parts of the country than others. Three DHSS offices were closed for the whole day, and 37 for part of the day.

There have been no reports that civil servants engaged in overt political or abusive action which would justify disciplinary action on those counts.

When departments have received the final returns from their various offices throughout the country, they will set in hand any necessary disciplinary action in the case of second-time offenders, and will send warning letters to those who were absent without authority for the first time. Departments will be reporting the final figures to the Treasury and will indicate how many of those absent were second offenders. A note will be circulated giving this information when it is available.

I am copying this to Michael Scholar (No 10), to Private Secretaries to the Ministerial heads of departments and to the Attorney General and the Lord Advocate, and to Richard Hatfield (Sir Robert Armstrong's office).

Yours ever,

H J BUSH
Private Secretary

UNAUTHORISED ABSENCES IN SUPPORT OF THE NHS DISPUTE

DEPARTMENTS	23 JUNE	19-21 JULY	9-13 AUGUST	22 SEPTEMBER NON-INDUSTRIAL	22 SEPTEMBER INDUSTRIAL
Ministry of Agriculture, Fisheries and Food				27	29
HM Customs & Excise	14	13		545	
Ministry of Defence			4	480	13,660
Department of Employment	232			2670	
Departments of the Environment & Transport	13			678	
Department of Health & Social Security.	292	96		3045	
Home Office				150	5
Departments of Industry and Trade	3		2	192	237
Inland Revenue		35		3480	
Land Registry	1			133	
Lord Chancellor's Department		1		60	
Department for National Savings				1008	
Property Services Agency				141	247
Scottish Office	14			125	
Scottish Courts Administration				30	
HM Treasury				35	49
Welsh Office				65	
Management and Personnel Office				2	
Other Government Departments (Annex A)	38	-	-	1139	2301
	607	145	6	14,005	16,419

30,424

ANNEX A

OTHER GOVERNMENT DEPARTMENTS	23 JUNE	19-21 JULY	9-13 AUGUST	22 SEPTEMBER NON-INDUSTRIAL	22 SEPTEMBER INDUSTRIAL
Intervention Board for Agricultural Produce				1	
Cabinet Office				NIL	
Victoria and Albert Museum				25	
Science Museum				20	
National Investment and Loans Office				NIL	
Registry of Friendly Societies				5	
Royal Mint				20	690
Treasury Solicitor				NIL	
Department of Education and Science				80	
Department of Energy				NIL	
Ordnance Survey				200	
Foreign & Commonwealth Office (including GCHQ) (Passport Office)	4			120	
Overseas Development Administration				270	
Public Trustee Office				INCLUDED IN LCD	
Public Record Office	1				
Central Office of Information				4	1
Government Actuary					
Her Majesty's Stationery Office				47	1610
Northern Ireland Office				NIL	
Paymaster General's Office				NIL	
General Register Office Scotland					
Registers of Scotland	33			93	
Scottish Record Office					
Office of Population Censuses and Surveys				18	

OTHER GOVERNMENT DEPARTMENTS (CONT'D)	23 JUNE	19-21 JULY	9-13 AUGUST	22 SEPTEMBER NON-INDUSTRIAL	22 SEPTEMBER INDUSTRIAL
Export Credits Guarantee Department				192	
Office of Fair Trading				NIL	
Charity Commission				22	
Crown Estate Office				NIL	
Crown Office Scotland and Procurator Fiscal Service				22	
Director of Public Prosecutions				NIL	
Law Officers Department				NIL	
Lord Advocate's Department				NIL	
Privy Council Office				NIL	
TOTAL	38	-	-	1139	2301

DEPARTMENT OF EMPLOYMENT REPORT ON THE DAY OF ACTION 3.00

In the National Health Service, the initial impression from reports coming in is that today's industrial action is on a wider and more severe scale than hitherto. Industrial action on Merseyside has been described as "savage" whilst in London it has been necessary for the ambulance service to call on the active assistance of the military.

The most serious areas of disruption in support of the health workers are, as expected, the newspaper industry (where no national newspapers were published); coal mining (where 75% of pits are not working) and docks (where some 60% are not working). Buses, schools and other local authority services have been disrupted in many areas but total stoppages have been limited to a very small amount of areas. In the gas supply industry less than 5% of employees have been involved in industrial action, whilst in the UKAEA the comparable figure is under 2%.

Trains, airports and London Underground services have been virtually unaffected, whilst in BSC there has been little or no disruption at the major plants, and only four smaller plants have been affected to any degree.

In the private sector, many car plants are in any event on holiday, but Ford and Vauxhall in Wales and on Merseyside are closed for the day. In general, the private manufacturing sector has been only minimally affected.

Overall picture

The overall picture will probably change during the course of the day as other groups hold meetings, join rallies, or leave work early. In the Civil Service some 6½ industrial and non-industrial grades have been involved in industrial action this morning.

/ At present,

At present, reports seem to be concentrated in the public sector, in traditionally militant parts of the country, and in industries where the closed shop operates. For 85-95% of the workforce it is business as usual.

MICHAEL SCHOLAR

22 September 1982

Nat. Health

Caxton House Tothill Street London SW1H 9NF

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

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

22 September 1982

Dear Tim

...I am enclosing a copy of a briefing note on today's events which has been approved by my Secretary of State.

As I explained on the telephone yesterday, we cannot give more than a tentative report at this stage.

Yours

Marie Fahey

MISS M C FAHEY
Private Secretary

TUC 'DAY OF ACTION'

Situation report from Department of Employment
early afternoon 22 September

In the National Health Service, the initial impression from reports coming in is that today's industrial action is on a wider and more severe scale than hitherto. Industrial action on Merseyside has been described as 'savage' whilst in London it has been necessary for the ambulance service to call on the active assistance of the military.

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Overall picture

The overall picture will probably change during the course of the day as other groups hold meetings, join rallies, or leave work early. In the Civil Service some 6,500 industrial and non-industrial grades have been involved in industrial action this morning.

At present, support seems to be concentrated in the public sector, in traditionally militant parts of the country, and in industries where the closed shop operates. For 85 to 95 per cent of the workforce it is business as usual.

22 September 1982

010

NJV
Brian Mower

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

Michael Scholar Esq
10 Downing Street

21 September 1982

Dear Michael

INDUSTRIAL ACTION IN THE NHS

You may like to see the enclosed copy of a statement made by my Secretary of State today. The figures in the second paragraph of the statement are new and may be useful to other Ministers.

Copies go to the Private Secretaries to other Cabinet Ministers.

Yours ever,

David

D J Clark
Private Secretary

Department of Health
and Social Security

PRESS RELEASE

Alexander Fleming House
Elephant and Castle
London SE1 6BY

Telephone 01-407 5522

82/289 21 September 1982

DAY OF ACTION WILL DAMAGE HEALTH SERVICE

Norman Fowler, Secretary of State for Social Services, said today (Tuesday):

"There is one question above all that union leaders should answer about tomorrow's planned industrial action. Just how will this help the health service and the patients?

"We should be clear about the effect that action inside the health service has had already. It has hit patients. Our latest figures show that there has been an increase in hospital waiting lists of about 115,000 in England since the beginning of the dispute in April. Over 100,000 operations have been cancelled. That is the toll of industrial action inside the health service. The fact that the position is not worse is because of the devoted work of thousands of men and women in the health service over the last months who have continued to care for patients.

"We should also be clear about what was on offer last week to the health unions. The unions were given the opportunity of negotiating a two year pay arrangement. The proposals were put forward only after the very closest consultation with the Chairman and Secretary of the TUC Health Services Committee. That fact is irrefutable. Taking the two years together - and as agreed - there was almost £1,100 million on the table to negotiate about. The union leaders, however, refused even to talk. It is that inflexibility which other workers are now being asked to support.

"Yet why should they? Damaging British industry will not make it better for the health service. It will make it worse. The resources for the health service do not come out of thin air. They

have to be earned - earned in export orders won; in delivery targets met; in productivity improved; and in industrial output maintained. Stopping the production of resources by British industry clearly hinders that process.

"The message then is clear. A "day of action" will damage the health service - not help it. That is why common sense must prevail."

cc MO Mower

FINANCIAL SECRETARY TO THE TREASURY

Mr Scholar

We spoke briefly about the attached Press Release. It has been cleared with DHSS.

I would be grateful if you could let me know that you are content by 3pm this afternoon to allow time for copying via Central Office. Apologies for the short notice.

M. E. Donnelly

P.S.

tel: 3608

Fed. 2621

DATE: 21 September 1982

PS/CHANCELLOR

cc PS/Economic Secretary
Mr Kemp
Mr Goldman
Mr Hall
Mr Allen
Mr Williams
Mr Harris

DRAFT PRESS RELEASE: THE ECONOMY AND THE HEALTH SERVICE DISPUTE

... I attach a draft of a press release which the Financial Secretary intends to make on Friday 24 September.

I would be grateful if you would let me know if the Chancellor is content, by lunchtime on Thursday if possible.

In view of the references to the NHS dispute I am copying the draft to Kenneth Clarke's Office in the DHSS. You may wish to consider whether it is also worth clearing the draft with No.10.

MED

M E DONNELLY

21 September 1982

EXTRACT FROM A SPEECH BY THE HON NICHOLAS RIDLEY MP, FINANCIAL SECRETARY TO THE TREASURY, TO DARLINGTON CONSERVATIVE ASSOCIATION AT HALLOW HALL, WINSTON, DARLINGTON ON FRIDAY 24 SEPTEMBER AT 8.00PM

One of the things I have been very much aware of at the Treasury is the curious disconnection in peoples' minds between public spending and taxes. They are quite content to press us to spend more at the same time as they suggest tax cuts. Nor do many people have much idea of magnitudes - and I certainly do not blame them. They have very little idea of the yield of, say, a penny on petrol [£45m] or a penny on income tax [£950m], or a penny on a pint of beer [£85m]. Nor have they more than the vaguest idea of the cost of some of our public spending: for instance Health [£14 bn]; Social Security [£32bn]; Defence [£14bn]; the Civil Service [£6bn].

All this is perfectly fair, and I understand why. There is a lot to remember! Billions of pounds are difficult to contemplate, although it is worth remembering that a billion pounds is about £20 per head of the population.

But it does lead to some misunderstandings.

Someone at a public meeting I held in 1981 suggested that rather than the extra 20 pence the Chancellor put on petrol that year, the money should be recouped by a £5 dog licence. The former brings in £900m, the latter would bring in about £14m!

It is often suggested that pensioners (and widows) should not pay income tax. The yield of income tax from widows is £350million and from pensioners is £3500million. To recoup these sums of money from the rest of the taxpayers one would have to increase income tax by over 4 pence in the pound.

Another misconception is that the way to cut government spending is to cut out Civil Servants. The total of Government spending in 1981-82 was £105bn; the total cost of paying Civil Servants was £5bn, and that of their indexed linked pensions was just under £1bn - a total of some £6bn. This Government has reduced Civil Service numbers by 10% already - from 730,000 to 657,000 - 73,000 less. The saving from those 73,000 is broadly £650 million which as a percentage of tota public spending is only 0.6%.

But perhaps the biggest fallacies lie in the field of wages and where wage increases come from. People judge the merits of wage claims, and strikes in support of them, on whether they like or sympathise with the group making the claim. Nurses naturally recieve more sympathy than hospital porters. Teachers can touch a chord in the public mind, which, say, bureaucrats cannot.

But really the way to look at wages is how can the employer afford to pay the demands made? All of the group I have just mentioned are public service employees, and all their wages are paid by the tax (and rate) payers. If the Government stands firm on the NHS pay claim, it is doing so to save your taxes and maintain conditions for sustained economic recovery. As I said the NHS already cost £14 bn - that is about £250 for every individual in the country -

nearly £1300 for a family of 5. We have a responsibility to limit it to what you can afford. For if you, or your husband, work in private industry, competing perhaps with the Japanese, the Germans and the Americans for export orders, then your salary can only be what world competition allows it to be. So ultimately the state of the nation's ability to compete, and what it can earn, determines nurses pay: not the Government.

So what on earth was the point of the so called "Day of Action"? It was a misdirected attempt to strike against the nation's inability to earn more in competition.

Everything we pay as a nation, just like everything we pay as individuals, depends on whether we can afford it.

CONFIDENTIAL

No 10

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon William Whitelaw, CH MC MP
Secretary of State for the Home
Department
Home Office
50 Queen Anne's Gate
LONDON
SW1

20 September 1982

Dear Willie.

INDUSTRIAL ACTION IN THE NHS: USE OF SERVICE AMBULANCES - PLAN UPLIFTER

You will recall that on ~~15~~ 21 July the Civil Contingencies Unit agreed that it would be satisfactory for servicemen's notice to implement UPLIFTER to be decided between DHSS and MOD provided that you and other Departmental Ministers were kept informed.

DHSS officials have been in close touch with the London Ambulance Service who are faced with a complete withdrawal of all services on Wednesday 22 September. It is clear that local contingency plans using police and volunteers cannot provide a minimum emergency service. In the circumstances there may be no alternative to the use of servicemen. I have given authority for the implementation of UPLIFTER to proceed - ie to reduce the notice to one hour in London. I will decide personally at the time whether or not to use the troops.

I am copying this letter to CCU colleagues.

Yours ever

Norman

NORMAN FOWLER

CONFIDENTIAL

National Health

Industrial Action

pt 2

cc JV
BM.

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522 ext 6981
From the Permanent Secretary
Sir Kenneth Stowe KCB CVO

(1) [illegible] these are proposals

(2) until Apr 84?

(3) arithmetic?

Peter Jacques Esq
Trades Union Congress
Congress House
Great Russell Street
LONDON
WC1B 3LS

16 September 1982

Dear Mr. Jacques,

Following the discussion with the Secretary of State, I am sending you the attached note setting out proposals which might form the basis for a settlement of the current pay issues in the NHS.

The Secretary of State has asked me to say that the Government would be prepared to commit the resources necessary for a settlement within this framework provided that the industrial action in the National Health Service was brought to an end and provided that negotiations on this agreed basis were resumed in the Whitley Councils.

It is, of course, clearly understood that the proposals are made without prejudice.

The Secretary of State is, as you know, available to discuss it with you and your colleagues as soon as you wish.

Yours sincerely

Kenneth Stowe

PROPOSALS ON NHS PAY FOR THE PERIOD UP TO 1 APRIL 1984

1. A common objective is to establish better permanent arrangements for determining the levels of pay for non-medical staff in the National Health Service.

2. Discussions are under way on the form of new arrangements for determining the pay of nurses and midwives. Similar discussions will soon begin for the professions supplementary to medicine. Consultations are now proposed on the establishment of tripartite discussions between representatives of the TUC Health Services Committee and of the non-affiliated bodies, of health service management and of the Department about new permanent pay arrangements for other non-medical staff in the National Health Service.

3. The objective would be to complete these discussions in time for negotiations to take place under the agreed arrangements and come into effect on 1 April 1984.

4. As a bridge leading to a pay agreement effective from 1 April 1984, negotiations would begin forthwith in the Whitley Councils and other relevant bodies to determine NHS pay for non-medical staff for the period up to 31 March 1984 on the following basis:

(1) The existing offers for pay increases from 1 April 1982 would be withdrawn.

(2) New offers will be tabled from resources for the two year period amounting in the aggregate to £1,095 million (ie £418 million for 1982/83; £418 million for 1983/84 plus a further £259 million in 1983/84).

(3) The offers would be constructed so as to provide from within these sums average percentage increases in pay provision as follows. (Costs shown relate to 1982/83.)

EITHER

OPTION A: Stage 1 from 1 April 1982 6½ per cent (£217 million) for nurses and PSMs. 5½ per cent (£10 million) for pharmacists and ambulancemen. 5 per cent (£129 million) for other staff.

Stage 2 from 20 January 1983 a further increase of 5 per cent (£62 million) for all staff.

OPTION B: Stage 1 from 1 June 1982 7.5 per cent (£214 million) for nurses and PSMs. 6.5 per cent (£10 million) for ambulancemen and pharmacists. 6 per cent (£129 million) for other staff.

Stage 2 from 3 January 1983 a further increase of 4 per cent (£65 million) for all staff.

5. The Government has brought forward pay provision for 1983/84, and the above proposals are made on the basis that changes in any relevant factors, internal or external, in the period up to 1 April 1984 will fall to be considered in the negotiations for pay effective from that date under the arrangements resulting from the tripartite discussions.

16 September 1982

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

cc SV 5

PA

Mus 29/7

Robin Butler Esq
10 Downing Street

15 September 1982

Dear Robin

HEALTH SERVICE DISPUTE

I am writing as promised to bring you up to date.

First, on procedures, following last night's meeting, Mr Spanswick (the Chairman) will be convening a meeting of the TUC Co-ordinating Committee (in effect the negotiating sub-committee of the TUC Health Services Committee) tomorrow lunchtime. That meeting will receive and consider a proposal which the Secretary of State negotiated with Mr Spanswick and Mr Jacques of the TUC. The intention is that the Co-ordinating Committee will ask to meet the Secretary of State immediately to discuss the proposal. Our aim will then be to reach agreement with the Committee tomorrow afternoon, on the basis that they would recommend that industrial action in the NHS should cease and negotiations be resumed in the Whitley Councils on the basis of revised offers. We shall be having concurrent discussions with the Royal College of Nursing.

As to the substance of the negotiated proposal, the critical issue is the amount of money we are prepared to make available for 1983/84. My Secretary of State has negotiated with them on the basis that he would be prepared to fund resources at 4 per cent over 1982/83 pay levels. Mr Spanswick was clearly hoping for 5 per cent more but was firmly told that this is not possible. They accept that the differential for staff providing direct patient care, especially nurses, will remain although, as you know, the TUC regarded this as divisive. Since it can be afforded within this kind of settlement my Secretary of State regards it as valuable that he has negotiated its acceptance.

On staging, it was agreed at the Prime Minister's meeting on 9 September that my Secretary of State should conduct discussions with the union leaders designed to secure a flat increase of 10.3 per cent from September 1982. It is clear that a flat increase will not be acceptable to the staff in the NHS because they are anxious to secure substantial back pay. Spanswick and Jacques would therefore prefer a two-stage settlement, and my Secretary of State has indicated that this would be acceptable to him.

The proposals which will be put to the Co-ordinating Committee tomorrow will thus be based on a figure of 4 per cent for 1983/84 and will include two options for staging: 5 per cent from 1 April 1982 and 5 per cent from 20 January 1983; or 6 per cent from 1 June 1982 and 4 per cent from 3 January 1983. My Secretary of State will be prepared to move a further 0.5 per cent on the second stage in negotiations, but he does not envisage going up to the 11 per cent overall figure which was discussed on 9 September as a possible fallback. On present expectations of inflation, our existing PESC provision would allow us to fund up to 4.5 per cent for 1983/84 without reducing resources for patient services.

The Chief Secretary has been kept fully informed, and I am copying this letter to John Gieve on a personal basis.

My Secretary of State would be happy to have a word over the telephone with the Prime Minister this afternoon if that would be helpful.

Yours ever,

David

D J Clark
Private Secretary

National Health

Dispute

Pt 2

c. Mr. Ingham 2

Prime Minister

I should think that this correspondence can now cease.

Yes

F.E.R.B.
10.9.

HOUSE OF COMMONS
LONDON SWIA OAA

The Office of the
Leader of The Opposition

10 September 1982

Dear Prime Minister

Thank you for your letter of September 10th.

I deeply regret your decision not to recall Parliament to discuss the mounting crisis in the Health Service. Your refusal is just another example of how the Government underrates the deep sense of grievance amongst Health Service workers and the growing support for them throughout the country.

It is true that we did have some debates in the House of Commons a few weeks ago, forced by the demands of the Opposition. But what Gwyneth Dunwoody on behalf of the Labour Party said then about the nature of this dispute, has been fully borne out by events since and nothing short of a fresh offer from the Government can help to solve this dispute. The House of Commons should surely have an early opportunity to discuss the country's views on the subject.

MICHAEL FOOT

The Rt Hon Margaret Thatcher, MP.
Prime Minister

File ow

10 DOWNING STREET

THE PRIME MINISTER

10 September 1982

Thank you for your letter of 9 September. I share your concern about any industrial action in the National Health Service, not least because it inevitably affects the interests and welfare of the patients. Such action is totally contrary to the traditions of care and service which are a hallmark of the Health Service in this country. In fact, it is clear that the majority of the staff in the Health Service are upholding that tradition and that some of the reports of the extent of the current action have been greatly exaggerated. The majority of hospitals are continuing to treat non-urgent as well as urgent and emergency cases. The situation is not such as to require or justify the recall of Parliament, particularly since the latest offers were the subject of a statement by the Secretary of State for Social Services and were debated on two occasions before the House rose for the Summer Recess.

Nor do I accept your contention that the pay offers made to the National Health Service workers are "inadequate". They compare favourably with the increases accepted by others in both the public and private sector. It is not true as a general proposition that Health Service workers are among the lowest paid in the country, and they have in addition considerable job security and other advantages.

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In the case of the nurses, the offer which has been made is 7½ per cent on average. This higher increase than has been given to other large groups of public service workers shows that the Government recognises the special case made on behalf of the nurses. I think that the record demonstrates how fairly the nurses have been treated by this Government. Between March, 1979 and this year's pay settlement date, nurses' pay had increased on average by 61 per cent before the latest offer, 12 per cent more than the increases in prices over the same period. Numbers of nursing and midwifery staff have increased by 41,000 between 1979 and 1981. The combined effect of this increase in numbers and the increase in pay, including a reduction of the standard working week from 40 hours to 37½ hours, has been to increase the nurses' pay bill from under £1½ billion to over £2½ billion, an increase of 82 per cent.

I set these facts out because we have to remember, in discussing what is fair to the nurses and other national health service workers, that there is also another interest to be considered - that of the taxpayer. In 1979-80, the cost of the National Health Service was £9.2 billion: this year it will be £14½ billion. That money does not come from the Government: every penny comes from the taxpayer. In 1979-80 the National Health Service was costing on average £165 for every man, woman and child in the country: in 1981-82 the equivalent figure is £260, an increase of nearly 60 per cent. That is an average cost of over £1,000 per year for a family of four, on top of what they are paying for education, roads and the other public services.

It is for this reason that the Government have concluded that we cannot add further to the £420 million which we have allocated for this year's pay increases in the National Health

/ Service.

Service. The offers which have been made are fair. The way forward is for the Unions to resume negotiations in the Whitley Councils on the basis of the money which the Government has provided.

Yours sincerely

Margaret Thatcher

The Rt. Hon. Michael Foot, M.P.

LPO

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

10 September, 1982.

Dear John,

National Health Service Pay

The Prime Minister has asked me to send to all members of the Cabinet the attached briefing note on NHS pay. Following yesterday's Cabinet Meeting, considerable publicity has already been given to the Government's case on the lines set out in this note. The Prime Minister hopes that each Cabinet Minister and the Junior Ministers in each Department will make as much use as possible of this material in the next few days.

I am sending copies of this letter to the Private Secretaries to the other members of the Cabinet and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Halliday, Esq.,
Home Office.

* This briefing note is attached to DHSS to MCS letter of 9.9.82.

Subject

cc Master

file SS/VB

4

cc JV

10 DOWNING STREET

From the Private Secretary

10 September, 1982

cc AMT
Emp
CO

Dear David,

National Health Service Pay

The Prime Minister held a meeting yesterday morning to discuss the National Health Service pay dispute. Apart from your Secretary of State, the Chancellor of the Exchequer, the Secretary of State for Employment, Sir Kenneth Stowe, Sir Robert Armstrong and Mr. Gregson (Cabinet Office) were present.

Your Secretary of State said the dispute had clearly had an effect on patients. In England out of 269 district general hospitals, 13 were reduced to emergencies only; a further 102 were admitting emergency and urgent cases; and 154 were admitting non-urgent cases. The effect of the dispute had been greatly exaggerated in the media. Nevertheless, some of the union leaders now wanted to see the dispute ended and were prepared to accept that no more money was available this year, provided that they could achieve some advantages to present to their members. From the Government's point of view there were also powerful reasons why we should seek an end to the dispute, provided that we could maintain our essential interests. The unions were showing interest in seeking agreement on long term arrangements for pay determination in the NHS. Mr. Fowler would be circulating a paper to E (PSP); what was in issue was the possibility of talks under Ministerial chairmanship with an April 1, 1984 deadline. This suggested the possibility of a two-year settlement, as a bridge between the present and April, 1984. There were broadly two possibilities: a flat increase of 10.3 per cent from September 1, 1982 (or 12 per cent from October, 1982); or a staged increase of 4 per cent on 1 April, 1982, 1 October, 1982 and 1 April, 1983. The staged proposal amounted to a 6 per cent pay factor in 1983-84. The 10.3 per cent proposal was compatible with a 4 per cent pay factor for 1983-84. In both options it was assumed that a 1½% differential in favour of nurses should be paid as a lump sum for 1982-83 but that there should be no differential for 1983-84.

/In

In discussion, it was argued that the Government must take no action which would give grounds for saying that the strike had caused an improvement in the Government's offer. What was under discussion was a different and notan improved offer. It should be noted that both of the new proposals would involve loss of the accumulated back pay which was implicit in the present offer; it might be that the effect of this would be to bring home to NHS workers the attractions of the existing offer. There was no merit in the idea of offering arbitration for 1983-84, and this should not be further pursued.

In further discussion, it was argued that the merit of the staged approach was that it gave a clear signal of a 4% going rate for the beginning of 1983-84 pay round. Against that, this approach would in fact be seen to imply a 6% pay factor for next year, which was too high. The same objection applied to the proposal for a 12% flat increase from October 1982. If a staged settlement were to be contemplated, it would have to be for a 3% increase on 1 April 1982, with 4% increases subsequently on 1 October 1982 and 1 April 1983 (this suggested a 5% pay factor for 1983-84). On balance, the flat rate approach, starting in September 1982 and running until April 1984 had much to commend it. But the risk was that it might be taken, coming as it would at the beginning of this pay round, as a 10% signal. Careful presentation of the offer should overcome this problem. A further risk was that the offer would be reopened during the course of 1983. The remedy here would be the Government's manifest determination to make the settlement run until April 1984.

The Prime Minister, summing up the discussion, said that your Secretary of State could conduct discussions with the union leaders designed to secure a settlement of a flat increase of 10.3% from September 1982 to run until 1 April 1984. Clearly, it would be necessary in his discussions to start well below 10.3%. It was likely that the union side would be very conscious that a settlement reached now might look very favourable next year, as the rate of inflation fell. It would be important to avoid a situation in which the unions could publicly begin a negotiation starting from 10.3%, and argue that a settlement was achievable if only a few percentage points could be added to this base. Anything beyond a 10.3% settlement would create very severe difficulties for the Government, not least in the public expenditure survey. It might be, however, that as a last resort, and at the final point in the negotiation, the Government could agree a staged settlement of 3% on 1 April 1982, 4% on 1 October 1982 and 4% on 1 ~~October~~ April 1983; this would be for further consideration by Ministers later.

There followed a discussion of ways of improving the Government's presentation of the present offer. The upshot of this was the briefing note attached to your letter to me of 9 September with which the Prime Minister was well content.

I am sending copies of this letter to Peter Jenkins (Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office). I would be grateful if you and they would give it the most limited circulation.

Yours sincerely,

Michael Scholar

D.J. Clark, Esq.,
Department of Health and Social Security.

RG

VCJV

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Michael Scholar Esq
10 Downing Street

9 Sept. 1982

Dear Michael

NHS PAY

I enclose the promised briefing note for the Chief Press Secretary, along the lines we discussed earlier. I can confirm that the increases on offer to the Staff Nurse and Ward Sister grades are 7.5 per cent, as for nursing and midwifery staff as a whole.

Yours ever,

David

D J CLARK
Private Secretary

Enc

BRIEFING NOTE ON NATIONAL HEALTH SERVICE PAY FOR THE
CHIEF PRESS SECRETARY AT NO.10

1. The Social Services Secretary, Norman Fowler, made an oral report to his Cabinet colleagues this morning.

2. The basic facts underlying the Government's approach to National Health Service pay this year had not changed:

Nurses Pay has increased on average by 61 per cent since March 1979. Prices rose between March 1979 and March 1982 by 49 per cent. The nurses paybill has increased by 82 per cent from just under £1½ billion to over £2½ billion pounds. The current offer of 7.5 per cent on average is on top of these improvements. The average earnings of a staff nurse would increase to £6,281 a year compared with £5,842 in 1981/82 and £3,650 in 1978/79. The Government is committed to seeking new long-term arrangements.

Health Service Employment is secure and has grown. 57,000 more staff were employed in September 1981 than in September 1979. Over 41,000 of the increase was in nursing and midwifery staff.

The Cost to the Taxpayer has increased substantially. In 1979 the cost of the health service was about £165 per head. It is now £260. So the health service costs alone of a family of four this year is over £1,000.

Spending on the Health Service has not been cut but significantly increased by this Government. In 1978/79 spending totalled £7.7 billion. Including this years pay awards spending this year will be £14½ billion. Taking account of inflation it has grown by 5 per cent. In 1978/79 health spending was only 4.8 per cent of GDP; it is now 5.5 per cent.

3. The Cabinet agreed that the present pay offers of 6 - 7½ per cent which would cost the taxpayer an additional £420 million this year were fair and reasonable. They noted also that:

Inflation has fallen from 12 per cent in January this year to 8.7 per cent in July. The Chancellor said on 20 July "we think we can get it down to 7½ by the end of this year and perhaps better than that next year."

The Pay Offers are backdated to 1 April this year so that there are substantial arrears of pay if the offers are accepted.

The Unions are preventing any increase in pay by refusing to return to negotiations in the Whitley Councils.

B. Estimated increases in basic pay, average gross and net earnings for selected NHS grades based on current/prospective pay offers for full-time staff

Grade		Basic Pay				Estimated Gross Weekly Earnings			Estimated increase in take home pay (1)
		1981-82	Proposed 1982-83	Proposed Increase		1981-82	Proposed 1982-83	Proposed Increase	
		£	£	£	%	£	£	£	£
Nursing Auxiliary	Min	60.28	64.80	4.52	7.5	72.34	77.76	5.42	3.23
" "	Max	77.04	82.81	5.77	7.5	92.45	99.37	6.92	4.12
Student Nurse (1st year)	Min	63.10	67.83	4.73	7.5	69.72	74.95	5.23	3.11
Student Nurse (3rd year)	Max	68.91	74.07	5.16	7.5	76.15	81.85	5.70	3.39
SEN	Min	76.87	82.64	5.77	7.5	90.97	97.80	6.83	4.07
"	Max	92.73	99.69	6.96	7.5	109.74	117.98	8.24	4.91
Staff Nurse	Min	85.34	91.75	6.41	7.5	99.85	107.35	7.50	4.47
" "	Max	104.06	111.87	7.81	7.5	121.75	130.89	9.14	5.44
Ward Sister	Min	107.93	116.03	8.10	7.5	123.04	132.27	9.23	5.50
" "	Max	138.37	148.75	10.38	7.5	157.74	169.58	11.84	7.05
Senior Nursing Officer	Min	139.62	150.09	10.47	7.5	143.81	154.59	10.78	6.42
" " "	Max	162.28	174.46	12.18	7.5	167.15	179.69	12.54	7.47
Radiographer (Basic Grade)	Min	87.61	95.49	7.88	9.0	100.75	109.81	9.06	5.40
" "	Max	103.73	113.07	9.34	9.0	119.29	130.03	10.74	6.40
" (Top Grade)	Min	177.51	189.94	12.43	7.0	204.14	218.43	14.29	8.51
" " "	Max	198.24	212.12	13.88	7.0	227.98	243.94	15.96	9.50
Physiotherapist (Basic Grade)	Min	87.61	95.49	7.88	9.0	94.62	103.13	8.51	5.07
" " "	Max	103.73	113.07	9.34	9.0	112.03	122.12	10.09	6.01
" (Top Grade)	Min	214.51	229.52	15.01	7.0	231.67	247.88	16.21	9.65
" " "	Max	223.16	238.79	15.63	7.0	241.01	257.89	16.88	10.05

Notes:

(1) Increase in gross weekly earnings less National Insurance Contributions at 6.25%, superannuation at 6% and income tax at 30% of increase net of superannuation contributions. Ignores additional National Insurance Contributions payable on existing 1981-82 earnings from April 1982 as these will be offset by reductions inincome tax,effective from the same date, as a result of improvements in personal allowances.

20 July 1982 [checked 8/9]

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Estimated increases in basic pay, average gross and net earnings
for selected NHS grades based on current/prospective pay offers for full-time staff

Grade		Basic Pay			Estimated Gross Weekly Earnings			Estimated increase in take home pay (1)
		1981-82	Proposed 1982-83	Proposed Increase	1981-82	Proposed 1982-83	Proposed Increase	
		£	£	£	£	£	£	£
Ambulancemen		[See separate brief on ambulancemen (page 17) The proposed new pay structure makes a direct comparison difficult.]						
				%				
Ancillary Staff								
Group 3 men		61.80	65.51	3.71 6·0	100.49	106.52	6.03	3.59
" " women		61.80	65.51	3.71 6·0	82.78	87.75	4.97	2.96
All FT men		64.89	68.78	3.89 6·0	104.17	110.42	6.25	3.72
" women		61.83	65.54	3.71 6·0	84.02	89.06	5.04	3.00
Clerical Officer (Age 16)	Min	44.28	46.89	2.61 5·9	45.48	48.16	2.68	1.60
Clerical Officer	Max	84.27	89.24	4.97 5·9	86.55	91.65	5.10	3.04
Senior Admin Asst	Min	128.19	135.75	7.56 5·9	131.65	139.42	7.77	4.64
" " "	Max	156.24	165.46	9.22 5·9	160.46	169.93	9.47	5.64
Medical Laboratory Scientific Officers	Min	95.08	100.61	5.53 5·8	111.65	118.18	6.53	3.89
" "	Max	134.11	144.16	10.05 7·5	150.68	161.73	11.05	6.58

Notes:

(1) Increase in gross weekly earnings less National Insurance Contributions at 6.25%, superannuation at 6% and income tax at 30% of increase net of superannuation contributions. Ignores additional National Insurance Contributions payable on existing 1981-82 earnings from April 1982 as these will be offset by reductions in income tax, effective from the same date, as a result of improvements in personal allowances.

20 July 1982 [checked 8/9]
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c.c. JV

Subject

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10 DOWNING STREET

From the Private Secretary

9 September 1982

Dear David,

Health Service pay dispute

The Prime Minister had a discussion yesterday evening with your Secretary of State about the latest position in the National Health Service pay dispute. Sir Kenneth Stowe was also present.

Your Secretary of State said that his aim was to try to bring the dispute to an end without offering any further money this year, and without prejudicing the Government's objectives as regards the next pay round. To that end he had been exploring a re-arrangement of the money currently on offer. He gave an account of the present position in the dispute on the lines of paragraphs 2-3 of the paper attached to your letter to me of 8 September.

The Prime Minister said that she was concerned that the Government's case was not getting over with sufficient force. While she was in Scotland she had restricted herself to a small number of key statistics - the rapid growth in manpower in the Scottish Health Service between 1961 and 1981, and the reduction in the number of beds over the same period, the growth in the nurses' wages bill since 1979 from £1½ billion to £2.6 billion, and the cost of health treatment of over £1,100 a year for every family of four in the country. Your Secretary of State indicated the extent of the press and broadcasting coverage which he and Mr. Clark had given to the Government's case. The unions were interested in concluding long-term arrangements for determining nurses' pay, but they were in no hurry to do so, and it was now inconceivable that the new arrangements would be in place before April 1984. This fitted in well with the interests of the Chancellor of the Exchequer in regard to the Megaw Report. The aim was to achieve a settlement by building a bridge between the present situation and the long-term arrangements, and this implied a two-year settlement. It was this approach which underlay the proposals he was putting forward in paragraph 7 of his paper.

The Prime Minister said she was concerned that this approach might provide a higher base line for future increases. It would be essential, too, to avoid a settlement which would give the

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wrong signal for the next pay round. What was the prospect for bringing about manpower reductions in the National Health Service? Mr. Fowler said that until now there had been no proper monitoring of manpower numbers, still less control. He was introducing manpower targets for each region. The Prime Minister said that the very large increase in NHS manpower merited an independent inquiry of some kind, as had been proposed to her by Mr. Ralph Howell, M.P. Your Secretary of State said that he would welcome such an inquiry. What was needed was a Derek Rayner figure with a small team of, say, four people, who could carry out a continuing inquiry into the NHS's use of manpower. This team should be enabled to call upon management consultants, and to make comparisons between regions and with other countries. There was a feeling about that NHS manpower was out of control, and that the Government should take a grip of the situation. The Prime Minister said that she agreed with this approach, and looked forward to seeing Mr. Fowler's proposals in detail.

There followed some discussion in detail of the options set out in the annex to your Secretary of State's paper. The Prime Minister said that she was clear that no more money could be made available this year. She would wish to consider further with colleagues whether one of these options should be pursued.

I am sending a copy of this letter to John Kerr (H.M. Treasury). I should be grateful if you and he would give it a limited circulation.

Yours sincerely

Michael Scholar

David Clark, Esq.,
Department of Health and Social Security.

PRIME MINISTER

NHS Dispute

Mr. Foot's letter below.

The line taken by Bernard Ingham with the Lobby was that he expected no intervention; no increase in the offers; and no disposition to recall Parliament. He then spoke on the lines of the briefing note prepared by Ken Stowe, which I attach.

The attached suggested reply to Mr. Foot has been agreed with Sir Ken Stowe. There is also a letter from the General Secretary of the Royal College of Nursing, to which I am submitting a separate reply.

I understand that Mr. Foot's letter to you has been published: presumably you wish us to publish the reply?

Yes.

F.E.R.B.

9 September, 1982

The briefing notes are excellent. Please thank Ken.

MT

cc SI
a G. Shepherd

HOUSE OF COMMONS
LONDON SW1A 0AA

From:
Michael Foot MP

9 September 1982

Dear Prime Minister,

The Health Service is facing a most serious crisis created by the Government's treatment of its employees. The dispute with the nurses and other Health Service workers is now four months old and because of the intransigence of the Secretary of State, there is still no sign of a satisfactory solution.

You can be in no doubt that those who work in the Health Service are among the lowest paid in the country and that simple justice demands a better offer than the Government has so far made. The support which they are getting from the public and other trade unionists is evidence of the widespread view that they are being treated unjustly. The Government's determination to impose a totally inadequate settlement is the cause of great resentment far beyond the confines of the Health Service itself, and is creating frustration and bitterness among Health Service employees which, unless something is done immediately, will last for a very long time.

This morning's debate at the TUC at Brighton should have made you even more conscious of this frustration and of the need to bring the dispute speedily to an end.

I urge you now to intervene personally and to get all the parties into negotiation again on the basis that the Government is prepared to improve its offer.

If you are unwilling to do this immediately, I must ask you formally to arrange for the recall of Parliament so that we may have a one-day debate on this mounting crisis which threatens lasting damage to our Health Service.

Yours
Michael Foot

The Rt Hon Margaret Thatcher, MP.
Prime Minister

cc JV

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P.0848

PRIME MINISTER

National Health Service Pay

You will be receiving this afternoon a paper from the Secretary of State for Social Services about the handling of the pay dispute in the National Health Service (NHS) for discussion at your meeting at 9.15 am tomorrow. I understand that this paper is likely to discuss three main options for a new offer and also to comment on the proposal for an inquiry into the management of the NHS which you have asked him to consider following the approach from Mr Ralph Howell MP.

2. The three options for a new offer are likely to be broadly the same as those mentioned in Sir Robert Armstrong's minute to Mr Butler of 7 September, ie:

a. A settlement of 10 per cent with effect from 1 October 1982 to last until 31 March 1984.

b. A "staged settlement" of 4 per cent from 1 April 1982; a further 4 per cent from 1 October 1982 and a further 4 per cent from 1 April 1983, again to last until 31 March 1984.

c. An agreement covering 1982-83 on the "no more money" basis, plus an agreement to go to arbitration if necessary for the settlement due on 1 April 1983.

MAIN ISSUES

3. The main questions you will want to discuss are:

i. whether the Government should make a new offer;

ii. if so, whether this is the right time to make it;

iii. if a new offer should be made now, what the terms of the new offer should be.

Case for a new offer

4. It has to be admitted that the Government's strategy for handling the NHS pay negotiation, which was to detach the nurses from the rest of the NHS workers, has not succeeded. The Government is thus in the position which it wished to avoid of being seen as in conflict with a group of workers who command a great deal of public sympathy. Against this background, there are three main courses open:

i. to rest on the improved offer already made;

ii. to go onto the offensive and start applying sanctions to force a settlement;

iii. to make a new offer.

5. The Secretary of State for Social Services is likely to rule out course ii.. Sanctions which might be applied would be to withdraw altogether the offer made or say that, although the offer remained on the table, it would no longer be backdated from 1 April but would take effect only from the date when a settlement was reached. Mr Fowler will probably argue that in this particular dispute such tactics would be counter-productive in their effect on the attitudes both of NHS workers and of the public. Such action would be worth considering if it seemed likely that the unions were losing the support of their members and that the NHS workers had lost public sympathy. At present neither of these conditions appears to be fulfilled.

6. If the Government was to adopt course i. and rest on the existing offer, the chances of achieving a settlement would depend mainly on two factors. First the Government would have to demonstrate more successfully than it has so far the comparatively favourable treatment which has been offered to the nurses in particular and to the NHS workers as a whole by comparison with other workers. Secondly the Government would have to hope that financial pressures from NHS workers for a settlement would eventually grow. The

pressures are bound to be modest since little pay is being lost as a result of industrial action and the only loss is the postponement of the day when the backdated increase will appear in pay packets.

7. If Ministers conclude that the chances of reaching a settlement on the basis of the existing offer are slim, it follows that a new offer will have to be made at some stage. The timing of a new offer must however be very carefully considered. Having been seen to have improved on the original 4 per cent pay factor twice already, the Government cannot afford to run a high risk that a third offer will not produce a settlement.

Timing of new offer

8. The Secretary of State for Social Services evidently now considers that it would be desirable to make a new offer now and in particular before the TUC day of action which has been called for 22 September. You will wish to weigh the arguments for and against this timing very carefully.

9. The main arguments for a new offer now appear to be:

i. several of the NHS union leaders fear the militancy which may be whipped up on 22 September and would like to reach a settlement before then;

ii. whether or not an offer should be made before 22 September, one should be made quickly so as to keep up the constructive momentum achieved in informal contacts with the union leaders;

iii. if the Government makes no further attempt to solve the dispute before 22 September, it will come under severe criticism from the public for the inconvenience and economic damage which results;

iv. an early settlement would prevent the NHS dispute being used to stir up militancy among the miners;

v. if sympathetic action on 22 September could be avoided, this would lessen the chance of a damaging confrontation over the Employment Act 1980.

10. The main arguments against would seem to be:

i. it may be more difficult to secure a settlement of the kind which would be acceptable to the Government before the action on 22 September than after it if, as many believe, the response to the TUC call for action will be patchy and limited;

ii. the Government ought not to appear to be running away in the face of the threat of sympathetic action on 22 September;

iii. too much weight should not be placed on the contacts with NHS union leaders; they have everything to gain and nothing to lose by encouraging the Government to make a new offer which they might subsequently reject, pleading pressures from the rank and file;

The contacts do not cover NUPE. It is possible that a settlement might be reached with COHSE and the other unions concerned, leaving NUPE isolated: this might not be a bad outcome, since NUPE would be outvoted in the Whitley Councils.
RJA

iv. the Government would have a better chance of securing an acceptable settlement by appearing reluctant to make a new offer and drawing out the union leaders to be more forthcoming about the kind of settlement which they might be prepared to deliver.

Terms of the offer

11. If Ministers feel that they are ready to decide now on the terms of a new offer, they will need to keep in mind the criteria by which a proposed offer might be judged. The main criteria would seem to be:

i. does the offer have a reasonable chance of being accepted by the unions?

ii. how harmful is the impact on the next pay round?

iii. how far is it consistent with the statement that "there will be no more money this year"?

iv. how much would the offer cost this year and next?

12. In considering the three options likely to be proposed by the Secretary of State against criterion i. there must be some doubt as to whether, at this stage at least, any of them have a strong chance of being accepted. The thinking which lies behind all of them is that the unions will be content to have no more money than that already offered in 1982-83, so long as they are offered something for 1983-84 and can present the new offer as an improvement. Putting aside the option involving the promise of arbitration next year, the unions are unlikely to be willing to commit themselves to agreeing now to increases of only 4 per cent next April. It may be realistic to assume that any settlement on these lines would have to include some understanding explicit or implicit that if the going rate next year turned out to be significantly greater than 4 per cent, the NHS workers could come back for more.

Or, if they do, the commitment may not be durable.

13. In judging the three options against the other criteria, the main considerations seem to be as follows:

i. a promise of arbitration next year may be thought too risky since it could not be combined with any realistic possibility of Parliamentary override; it might also set a pattern of arbitration early in the next pay round which would be damaging;

ii. the option giving a 10 per cent increase from this autumn would be preferable to the option involving 3 instalments of 4 per cent on the cost criterion; although the cost would be the same in 1982-83 the 3 instalment option amounts in practice to an increase of around 12 per cent rather than 10 per cent and the extra cost next year would be around £150 million;

The 10 per cent increase would also imply a 4 per cent pay factor for 1983-84.

iii. the 3 instalment option might appear better presentationally because it would avoid an apparent settlement in double figures at the outset of the next pay round; on the other hand the unions would have a strong incentive to maximise the presentational effect of any offer and it is not easy to predict how the outcome would be perceived by the public.

14. If Ministers are not attracted by the strategy of compensating for no more money this year by offering something (arbitration or an actual settlement) for 1983-84, the only other approach would be to contemplate a small increase in the offer for 1982-83. The main penalty in such a course would be a loss of credibility by the Government and by the Secretary of State for Social Services in particular; against this the Government would not have reduced its room for manoeuvre in the next pay round.

OTHER ISSUES

15. Two other issues which are likely to be discussed are:

i. how far a differential for the nurses should be included in any new offer;

ii. whether there should be an inquiry into the management of the NHS and what, if anything, should be said about this in the context of a new offer.

Nurses differential

16. We understand that the present thinking of the Secretary of State for Social Services is that there is nothing more to be gained by trying to favour the nurses in a new offer. He will therefore probably propose that the $1\frac{1}{2}$ per cent differential already offered to the nurses for 1982-83 should not be withdrawn but that this should be regarded as a one-off payment and that any increase in respect of 1983-84 should be the same for nurses as for other NHS workers.

Management inquiry

17. Many Ministers may feel that an inquiry into the management of the NHS is attractive on its own merits and without reference to this particular dispute. In the context of the dispute it could however cut both ways. On the one hand the announcement of an inquiry might help the Government to improve its offer with less loss of face. On the other hand the inclusion of the inquiry in the package might make it more difficult to get the unions to agree to the level of pay increases which the Government would find acceptable. The balance of advantage might lie in announcing the inquiry separately and later.

This is, I understand, what the Secretary of State has in mind.

RA

CONCLUSIONS

18. You will want to reach conclusions on the following points:

i. whether the Government should make a new offer;

ii. if so, whether this is the right time to make it;

iii. if a new offer should be made now, what the terms of the new offer should be;

iv. how the nurses should be dealt with in any new offer;

v. whether there should be an inquiry into the management of the NHS and if so when such an inquiry should be announced.

PLG

P L GREGSON

8 September 1982

PRIME MINISTER

THE NHS DISPUTE

Mr Fowler, and I believe Mr Tebbit, thinksthe time has come to attempt a settlement; Sir Robert Armstrong's note of 7 September outlines possible options. The options are unattractive even in the immediate NHS context where, as the note makes clear, the dispute is far from having an alarming effect; seen in the wider context of the Government's strategy for handling public sector pay and disputes, they appear to us to carry unacceptable penalties. But we do need to make a further effort to retain public support.

The Options

NHS union leaders are not about to climb down. Nor is the Government anywhere near having to make a straightforward increase in the offer, which it has repeatedly denied it can or will do. So all the options bring us into fudge territory - Sir Robert Armstrong's note mentions a multi-year settlement, staging, and arbitration; other possibilities include a further attempt to settle separately with the nurses, perhaps by restructuring of nurses' grades, setting up an independent review, or tying future pay to a Megaw-type system. They all have substantial drawbacks, with which you are, I think, familiar, as summarised in the attached note. At a time of declining inflation, and when the Government will again be seeking a real fall in public sector wages, it is highly unlikely that a commitment about NHS pay increases next year could satisfy the unions without punching a big hole in our pay policy. I understand that the Chancellor will be bringing to Cabinet on 30 September his proposals for next year's pay factor, and that he may be thinking of 4%, but not announced. As you know, we think even 4% is too high - but it is certainly a lot lower than any assumption the unions will be prepared to make at this stage.

The Wider Perspective

Nor do I believe that any of these options can be so cleverly presented as to make it seem that the Government, having successfully stood firm, is now providing the unions with a face-saver to hide their climbdown. On the contrary, my clear impression yesterday and this morning in Brighton was that it is the unions who believe they have the Government on the run: several - most notably Scargill - have left no

doubt of their intention to take any opportunity to present the outcome as a defeat for the Government in the face of organised union resistance. So I think the wider considerations are these:

i. We must expect that union behaviour this winter will be more militant if the unions think they have won substantial concessions. So far under this Government, strikes have seldom proved worthwhile: we should keep it that way.

ii. It is true that the Government's trade union legislation is threatened with being proved ineffective on 22 September. But it wasn't designed to deal with token sympathy strikes, and it remains to be seen whether sympathetic action on 22 September, and after, will inflict measurable damage.

iii. The decisions that Ministers have to take on public service pay determination post-Megaw must not be forced: as you know, we have serious reservations about Megaw, which the Civil Service unions may anyway throw out at their forthcoming special conferences. But we are close to making commitments on long-term arrangements for the NHS that would prejudice what we can do for the Civil Service. In particular, an undertaking to review absolute levels of NHS pay would make it hard to avoid the Megaw 4-yearly review in the first year, and we would be right back in a Clegg situation.

iv. Finally, the Government is publicly committed to an attack on unemployment through lowering real wages. The Chancellor made that clear in Toronto; and it is the main theme of the CPRS report. That commitment is meaningless if such a large group as the NHS is given exceptional treatment.

Conclusions

1. There is much to be done to defend a pay offer which is certainly no worse, and forthe nurses considerably better, than the going public service rate; and to put it in the context of the massive support the Government is giving the NHS - higher manpower, shorter waiting lists, more hospital beds, and more resources spent in real terms than the previous Government.

2. But none of the options for attempting a settlement are sufficiently attractive. They risk being offered and rejected; they will be widely seen as succumbing to pressure, and notably to the 22 September "General Strike"; and they would seriously damage our longer-term approach to pay. The Government should continue to ride out the dispute.

JOHN VEREKER

8 September 1982

10.3%

33.4.43

NHS DISPUTE: DRAWBACKS TO THE SETTLEMENT OPTIONS

(a) Multi-Year Settlement - perhaps 10% from 1 October 1982 until 31 March 1984. Would be widely regarded simply as 10%. Might set a trend for the new pay round. Implies a 4% pay factor for 1983/4, probably lower than NHS unions will accept.

(b) Staging - perhaps 4% on each of 1 April 1982, 1 October 1982 and 1 April 1983. Government hitherto firmly against staging, which rapidly builds up costs in following year. As with (a), no guarantee unions would not ask for still more when the time came.

(c) Arbitration for 1983/4 - inconsistent with our major effort to bring public sector pay under Government, rather than outside, control. And would have to be conceded also to other groups.

(d) Buying off the Nurses - already tried (twice) and failed. Leads to delay (because of ballot procedure). Any formula, including grade restructuring, would cost more money this year, which we are committed not to give.

(e) Independent Review - may be highly desirable, eg in the Ralph Howell context of NHS efficiency; but a review extending to pay would not achieve a settlement unless Government committed to implement the outcome - equivalent to arbitration.

(f) Commitment to the Longer-Term - risks leap-frogging decisions on Megaw. Unlikely to achieve a settlement unless fully-fledged comparability plus arbitration.

SM

SECRET

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Michael Scholar Esq
10 Downing Street
LONDON SW1

8 September 1982

Dear Michael

NHS PAY

I enclose a copy of a paper prepared by my Secretary of State for discussion at the Prime Minister's meeting at 9.15 tomorrow.

Copies also go to Peter Jenkins (Treasury) and Barnaby Shaw (Employment), and to David Wright in Sir Robert Armstrong's office.

Yours ever,

David

D J CLARK
Private Secretary

SECRET

COPY NO: 1

HEALTH SERVICE PAY DISPUTE

1. Colleagues will want to be brought up to date on the latest position in the NHS pay dispute and to discuss the next steps.

Position in the Hospitals

2. Clearly the dispute which has now been running for four months had had an effect on patients. Operations and hospital consultations have been postponed; and waiting lists have grown larger. In some areas the hospital service is operating with very great difficulty and accepting only "emergency" cases. Against that it is clear that union claims on the impact of the action are greatly exaggerated. In England the latest position is that out of 269 district general hospitals only 13 are now reduced to emergencies only; a further 102 are admitting emergency and urgent cases; and 154 are admitting non-urgent cases.

3. These figures are cold comfort to patients who are being affected and they are not reflected in the media; but they certainly affect the perception of some of the union leaders and give them an incentive to settle. There are also clearly powerful reasons why we should seek an end to this dispute provided that we can maintain our essential interests. The public want an end to the dispute and our position has not been helped by the two lengthy ballots of the Royal College of Nursing which leaves us in dispute with the nurses who have so far refused to take industrial action and have played a major part in keeping the services going. (We should note that general secretary of the RCN has now changed.) Equally we should note the fears of industry - including the newspaper industry - of being brought into this dispute.

Possible Ways Forward

4. The position now is that offers of between 6.0 per cent (for ancillary staff, administrative and clerical staff etc) and 7.5 per cent (for nurses and midwives and professions supplementary to

E.R.

medicine) have been made. The total cost of this package is £420 million (Great Britain, 1982/83) and we have made it clear that no further resources are available for this year. For that reason we have rejected arbitration or mediation for this year. Any change from that position would bring immediate attack from, for example, the medical profession who would say (quite rightly) that industrial action inside the health service had been seen to pay. Many others would also take that view and the long term effect on the health service would be extremely serious. I therefore do not believe we should move from the position that no further resources are available this year.

5. It is now clear to me, however, that there are some on the health services committee of the TUC who want to see this dispute ended and are prepared to accept that no more money is available this year provided that they can achieve some advantages to present to their members.

6. One such advantage would be an agreement to discuss long term arrangements for pay determination in the NHS. These would be on Megaw lines (as has been made repeatedly clear) but clearly cannot be settled now. I shall be circulating a paper to E(PSP) later this month on this but in essence what we would be agreeing to would be to have talks under ministerial chairmanship with an April 1 1984 deadline. (Talks on nurses and midwives are already going on but the prospect of reaching agreement by April 1 1983 look remote.)

7. The problem then becomes how to build a bridge between the present and April 1984 and to find an arrangement which effectively removes the danger of a further dispute over NHS pay next year. By far the most promising way forward here is a two year arrangement - which in principle also has the support of the RCN. Four possible options are set out and costed in the Annex. Broadly, the options are for a two year settlement running to 31 March 1984 which offers:

(a) a flat increase of about 10 per cent from September 1982, or 12 per cent from October 1982; or

E.R.

(b) a staged increase of say 4 per cent at each stage on 1 April 1982, 1 October 1982 and 1 April 1983; or

(c) the existing offer plus arbitration for next year (1983/84).

8. For the Government the approaches in (a) on 10 per cent and (b) keep within the cash available for this year and settles next year on basis which still allows the Government to advance a 4 per cent "sign" for next year. For the unions they also have attractions. They allow them to claim that it is a higher percentage from October. But they have one major fear. In 1981/82 they settled at 6 per cent and then saw the rest of the public service do appreciably better. We are partly paying the price for that this year. They are likely to press for some "correcting" mechanism to take account of the fact that this could happen again, but I see no way of conceding this by any formal device. In both these options (a) and (b) it is assumed that the 1½ per cent differential in favour of nurses should be paid as a lump sum for 1982/83 but that there should be no differential for 1983/84. We would need to consider this point.

9. The arbitration option could, with inflation coming down, work out cheaper than either the others but clearly there is a risk of matters being taken out of the Government's hands. The arbitration process could, however, be set in motion early - say at the end of this year - so that it would be payable from April 1 1983 and the outcome would be known before the Budget.

10. The alternative to seeking a settlement is to sit out the industrial action. Imposing the pay offers which have been made is a further possibility in theory. In some circumstances it could be the right course, but I am sure that at present it would only exacerbate matters; and I do not have the power to impose retrospectively. It would be possible to sit out the industrial action for a considerable time and we might find that support for it crumbled in many areas. But it would be a slow process, probably taking a good many weeks. We may have to do this because NUPE in particular may prove intransigent. Nevertheless, both from the point of the health service and politically, I believe there is everything to be said for <u>trying</u> to bring this dispute to an end.

11. If we are to aim at a settlement, I believe that we should move quickly. There are elements on the trade union side who would welcome a settlement on the lines set out above. If we do not take advantage of this, then the NHS dispute will become incorporated into a much wider confrontation between the Government and the trade unions. Clearly there are others on the trade union side who would welcome this in particular because the nurses command much public sympathy and would therefore be a suitable 'front' for a dispute on industrial relations law.

12. I also have it in mind to combine with the announcement of any settlement along the lines indicated above an announcement of a management enquiry into NHS manpower.

13. We are now beginning to apply to the NHS, following its restructuring in 1981/82, measures designed to improve its management, efficiency and accountability. I have in the past year taken initiatives:

(a) to secure accurate and timely information about NHS manpower, which will shortly give us for the first time quarterly up to date returns;

(b) to require Regional Health Authorities to produce estimates of likely levels of manpower in March 1983 as a basis for working out future manpower targets;

(c) subsequently to require authorities to produce manpower targets for the main staff groups by early next year for the following financial year, which will then be reviewed centrally;

(d) to institute annual reviews by Ministers of the performance of each Regional Health Authority against agreed management objectives;

(e) to formulate and test performance indicators which will be utilised in the annual reviews; and

E.R.

(f) to introduce, with Derek Rayner's help, a programme of Rayner scrutinies into the NHS which is about to start.

14. What we are still lacking, however, is an incisive approach to manpower control at each level. The authorities need new objectives and the capability to achieve them. I propose, therefore, to set up a manpower enquiry to secure a more efficient use of manpower in the NHS. The enquiry would be led by a top level industrialist with relevant experience supported by a small mixed team drawn from the privatesector, my Department, the Treasury and the NHS - and able to use management consultants. It would report to me. I do not envisage an academic analytical study taking months which would then have to be considered and made the basis for wide consultation. Rather I see this management enquiry as designed to formulate and introduce a progressive programme of action supplementing the initiatives already taken. My aim would be to have accomplished at least the initial task in time to be able to promulgate by the middle of next year well supported manpower targets for District Health Authorities who would have the capability for their achievement

15. I invite my colleagues:

(i) to agree that I should pursue my discussion with the TUC with the aim of securing a settlement;

(ii) to express a view as to the acceptability of the possible options outlined in paragraph 7; and

(iii) that I should announce a management inquiry into NHS manpower when the dispute is settled.

8 September 1982

ANNEX

NHS PAY: POSSIBLE OPTIONS

This note considers the following four options for new pay offers to National Health Service groups:

(a) 4 per cent from April 1982, a further 4 per cent from October 1982, and a further 4 per cent in April 1983. Arithmetically, there are two versions of this option:

(i) Compound, in which each successive increase is applied to pay including the previous increases. This gives a total increase of 12.5 per cent;

(ii) Additive, in which each 4 per cent is calculated on present rates of pay. This, of course, gives a total of 12 per cent.

(b) No increase until October 1982, 12 per cent from October 1982, and no further increase until 1984-85. This is in effect a variant of (a)(ii) above, giving the same amount in one increase rather than three.

(c) No increase until September 1982, 10.3 per cent from September 1982, and no further increase until 1984-85.

(d) 6 per cent/7.5 per cent from April 1982 (as at present offered) and a commitment to arbitration (possibly subject to Parliamentary override) for the April 1983 settlement.

2. All of these options are expressed in terms of a basic offer, without additions for specific groups. But the nurses have already been offered an additional 1.5 per cent from April 1982 (7.5 per cent as opposed to 6 per cent for other groups*). There is also a question, therefore, as to whether a similar premium for the nurses should be added in each case.

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*Ambulancemen and hospital pharmacists have also been offered an additional 0.5 per cent, but this is a minor exception and is not considered further here.

3. All of the options give the equivalent of the present offer, 6 per cent, for 1982-83. In that year, therefore, their costs are also no different from that of the present offer, assuming a 1.5 per cent addition for nurses. (If it were decided to drop this addition, which would mean reducing this year's offer to nurses, the saving in 1982-83 would be about £50 million.) The differences between the options are presentational, and in what they offer for 1983-84.

4. Option (a)(i) would give the equivalent of 6.1 per cent for 1983-84. Option (a)(ii) gives the equivalent of 5.7 per cent, as does option (b). Option (c) gives 4.1 per cent for 1983-84.

5. Whether there was no addition for nurses in 1982-83, or there was and it continued into 1983-84, these 1983-84 percentage increases would also apply to them. If however the addition were paid only in 1982-83 (where provision for the cost has already been made), but it were discontinued in 1983-84, the percentage increases in paragraph 4 would be reduced by 1.5 per cent for the nurses.

Costs in 1983-84 (cumulating)

6. The costs of the different options in 1983-84 would be as follows:

	Cost to NHS, Great Britain			
	1	2	3	4
	Total cost (excl nurses' 1½%)	Present offer + 4% from 1.4.83	Col 1 less col 2	Col 3 plus nurses' 1½%
Option (a)(i)	790	695	95	147
Option (a)(ii) Option (b)	755		60	112
Option (c)	650		- 45	- 7

The cost of option (d) - arbitration - is of course unpredictable.

7. Column 2 in the table broadly represents what is provided for within the public expenditure baseline, on the assumption that

£70 million of the cost will be financed by the NHS itself from increased efficiency and/or reductions in planned level of service. (The assumption is that those savings would be available under any of the options.) The figures in columns 3 and 4 show that DHSS could also accommodate option (c), with or without an addition for the nurses. DHSS would, however, still want an increase in the baseline to finance the separate cost (£28 million) required to restore the 3 per cent abated from the DDRB award to doctors and dentists in the past two years.

8. DHSS would not feel able to accommodate the costs of options (a) or (b) unless bids for additions to the baseline - depending on the options these are of the order of £100 million - were agreed. Even the costs accommodated would be those in column 3 rather than column 4: the nurses' addition would not be affordable in 1983-84 and DHSS would envisage limiting it to a once-for-all payment in 1982-83 (see paragraph 5 above).

Ref: A09383

CONFIDENTIAL AND PERSONAL

MR. BUTLER

National Health Service Pay

The Secretary of State for Social Services would like to discuss with the Prime Minister and colleagues most closely concerned the handling of the National Health Service pay dispute.

2. It appears that there may be a possibility of a settlement which complies with the condition that there is "no more money this year" and is also within the public expenditure provisions already allowed for in respect of 1983-84. There are various options:-

(a) A settlement of 10 per cent with effect from 1st October 1982 to last until 31st March 1984.

(b) A "staged settlement" of 4 per cent from 1st April 1982; a further 4 per cent from 1st October 1982 and a further 4 per cent from 1st April 1983, again to last until 31st March 1984.

(c) An agreement covering 1982-83 on the "no more money" basis, plus an agreement to go to arbitration if necessary for the settlement due on 1st April 1983.

3. Although any of these options would satisfy the financial criteria, they could carry certain penalties:-

(a) A settlement reached now to cover the next financial year might not prove durable in the face of events.

(b) Though a 10 per cent settlement from 1st October for 18 months would imply a pay factor of only 4 per cent in 1983-84, the NHS unions would undoubtedly make the most of the double figure.

(c) A commitment to go to arbitration next year could produce embarrassments then.

4. Against these considerations Ministers will need to weigh the political advantages of settling this dispute (if it is possible to do so), which has now run along for several months, in the reasonably near future. The Government ought

CONFIDENTIAL AND PERSONAL

not to seem to be being rushed by the threat of the "day of action" on 22nd September, but there could be something to be said for getting this dispute settled before the miners' pay claim begins to be actively pursued.

5. The unions may not be too reluctant to contemplate a settlement on "no more money this year" terms, if it provides them with some presentational way of climbing down. Though the dispute is messy and there has been publicity for the disruption, the actual effect on the operation of the National Health Service seems to have been less than the unions must have hoped for, and support within the National Health Service does not appear to be growing.

6. Clearly the implications of this for public service pay, both this year and next year, are such that the discussion ought to take place with the Chancellor of the Exchequer present; and the Secretary of State wants it to take place before the Prime Minister's departure for the Far East. The Secretary of State wondered whether he should discuss it in Cabinet on Thursday, 9th September. It seems to me that, though there will no doubt have to be a report to Cabinet, the matter is of such delicacy it should not be discussed in detail in full Cabinet. I believe that the best arrangement might be for the Prime Minister to hold a meeting with the Chancellor of the Exchequer, the Secretary of State for Social Services, the Secretary of State for Employment (with whom the Secretary of State for Social Services has been keeping in close touch) and perhaps the Secretary of State for Scotland, before Cabinet on Thursday, 9th September, say, at 9.15 am. Such a meeting could not only decide upon the line which the Secretary of State for Social Services should take in the handling of the dispute, but could also agree upon how much should be said to the full Cabinet.

7. I should be grateful if you could let me know whether the Prime Minister would be content to handling the matter in this way.

RA

Robert Armstrong

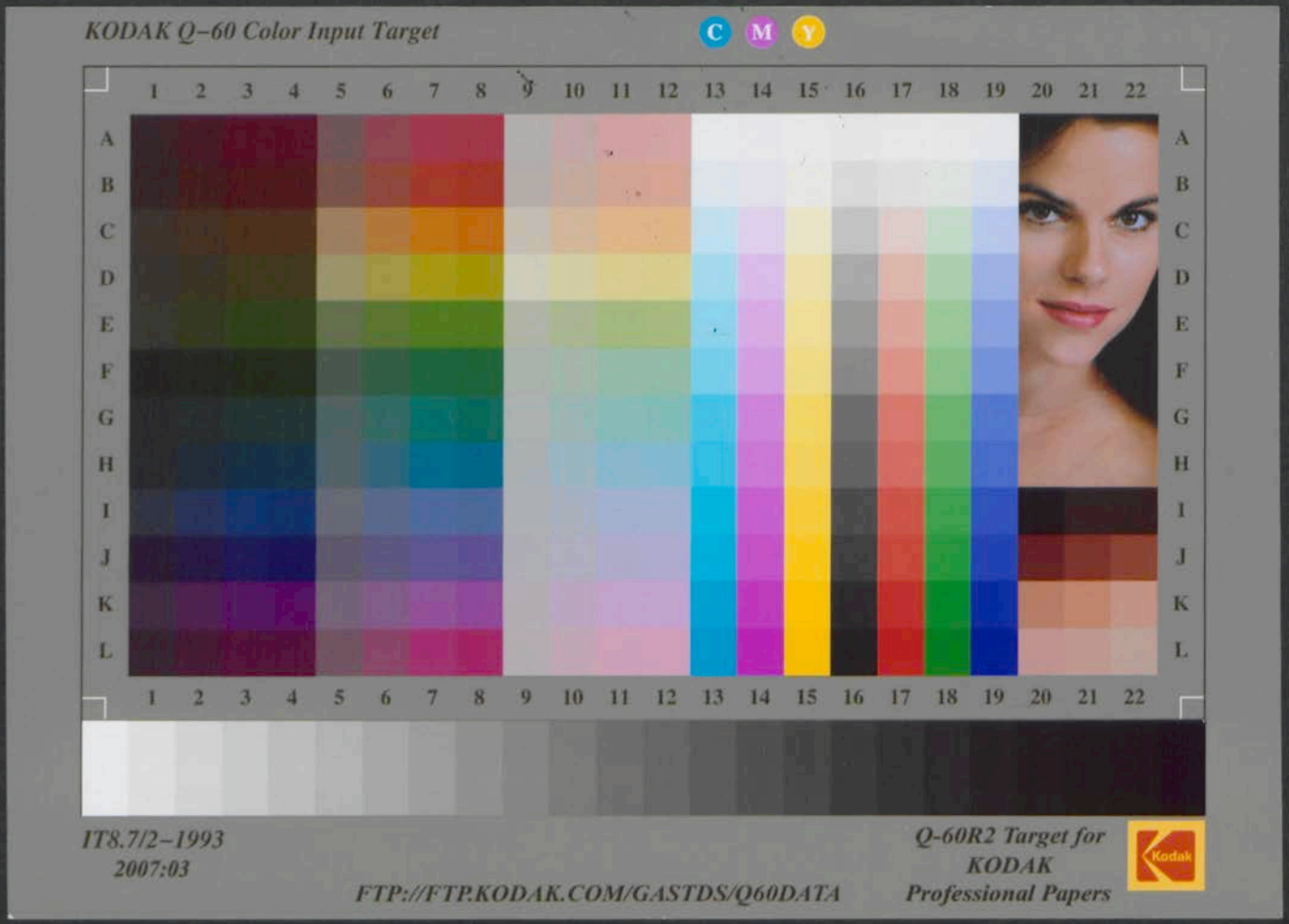
7th September 1982

* I understand that Mr Fowler would like all the Health Ministers (i.e. Wales and N. Ireland as well as Scotland) to be at the meeting; or, if that would make the meeting too big, himself to talk to the "national" Secretaries of State beforehand.

PART 1 ends:-

WR to DHSS 31.8.82

PART 2 begins:-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