

PREM 19/1864

PART 3

SECRET

Confidential Filing

Doctors' & Dentists' Pay.

N.H.S. Consultants' Contracts.

NATIONAL

HEALTH

Part 1: May 1979

Part 3: May 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.5.85							
18.5.85							
6.6.85							
29.5.86							
<div data-bbox="34 1081 290 1270" data-label="Text"> <p>PART 3 ENDS.</p> </div> <div data-bbox="375 1058 1485 1340" data-label="Text"> <p>PREM 19/1864</p> </div>							

Attached Folder contains Review
Body Reports

1984

1985

PART 3 ends:-

PM to SIR R. CLARK 29/5/86.

PART 4. begins:-

RTA to PM (A086/3117) 3/11/86

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
PSP(O)(81)26	24/09/1981
PSP(O)(81)35	09/11/1981
C(83) 14	09/05/1983
CC(83) 17 th conclusions, minute 2, LCA	10/05/1983
CC(85) 19 th conclusions, item 4	06/06/1985

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 AKJ
PREM Records Team

Date 16/10/2014



10 DOWNING STREET

SRW
ced/efg

THE PRIME MINISTER

29 May 1986

Dear Sir Robert,

I do want to thank you and your colleagues for the Sixteenth Report on the remuneration of doctors and dentists.

As you probably know, the Government proposes to accept your recommendations and implement them in full from 1 July 1986. As in previous years, provision for general practitioners' expenses will be made from 1 April 1986.

The Government decided that all the Review Bodies, other than the TSRB, were to be treated in exactly the same way and that the awards recommended by these bodies should be implemented in full, without abatement, at the earliest possible date. However, we also concluded that implementation should not be made at the expense of services.

We therefore agreed that the best solution would be to implement the awards from 1 July. Even so, this still left the health service short of the necessary resources to meet the full cost of the award from that date. Some of the cost could be recovered from the benefit of reduced inflation; the rest is being met, exceptionally, by providing an extra £60 million for health authority cash limits from the Reserve.

Yours sincerely

Margaret Thatcher

Sir Robert Clark, D.S.C.

BM



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

18 April 1986

Dear Prime Minister.

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

I enclose the Sixteenth Report of the Review Body on Doctors' and Dentists' Remuneration. This contains our recommendations on the levels of remuneration we consider to be appropriate at 1 April 1986 and sets out the factors we considered were of particular importance when reaching our conclusions.

*Yours sincerely
Robert Clark.*

ROBERT CLARK, CHAIRMAN
REVIEW BODY ON DOCTORS'
AND DENTISTS' REMUNERATION



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10 DOWNING STREET

From the Private Secretary

18 May 1985

The Prime Minister has asked me to thank you for your letter of 16 May.

The additional point you made has been noted.

(Andrew Turnbull)

J.D.J. Havard, Esq.



BMA House
Tavistock Square
London WC1H 9JP

BRITISH MEDICAL ASSOCIATION

Telephone 01-387 4499

Our ref. JDJH/MJL/GT
Your ref.

16th May, 1985

The Rt Hon Mrs Margaret Thatcher, MP
10 Downing Street,
London SW1

off file NO
6/7/85

Dear Mrs Thatcher:

Thank you for your reply of 24 April to my letter about the Review Body on Doctors' and Dentists' Remuneration.

I was glad to receive your assurance that the Government stands by its commitment to implement the Review Body's recommendations unless there are clear and compelling reasons for not doing so. I would like to remind you, however, that the Royal Commission on Doctors' and Dentists' Remuneration was insistent that Review Body recommendations "must only very rarely and for most obviously compelling reasons be rejected".

Whilst it is true that recommended levels of remuneration have eventually been implemented in each of the last four pay rounds, the cumulative effect of the Government having declined to implement in full the recommendations for four successive years has been a loss of approximately £2,000 for each doctor working in the NHS.

Yours sincerely
John Havard

Secretary



OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY
Telephone 01-405 5944 Ext 370

Our reference:

Your reference:

Mr A Turnbull
10 Downing Street
LONDON SW1

9 May 1985

Dear Mr Turnbull

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

As Mr Williams explained to Mr Flesher this morning the copy of the Fifteenth Report which was submitted to the Prime Minister on 30 April unfortunately contained an error; part of paragraph 105 was omitted. I attach 7 copies of a correction slip and I should be grateful if you would arrange for these to be attached to the copies of the report. We are sorry that this omission was not noticed before submission and regret any inconvenience that it may have caused.

Yours sincerely

Diana Davis

Diana Davis

CE ✓
Mr Goddard DHSS
Mrs Lomas HMT
Mr Gregson CO
S. Robert Armstrong CO.

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

FIFTEENTH REPORT - Paragraph 105

Insert at the end of the last line on page 45

"health doctors in child health and, to a lesser degree, in family planning. It also demonstrates the wide range of services in which they are involved. As part of the survey, authorities were asked how they saw the future of the service, particularly the numbers of doctors likely to be required and whether the field of work was likely to be extended. They felt generally that child"

OFFICE OF MANPOWER ECONOMICS

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

FIFTEENTH REPORT - Paragraph 105

Insert at the end of the last line on page 45

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OFFICE OF MANPOWER ECONOMICS

5 DSG



cc: Mr. Gregson

10 DOWNING STREET

From the Private Secretary

30 April 1985

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

I enclose a copy of the Report of the Review Body on Doctors and Dentists. The Prime Minister has asked that this Report should, for the time being, be shown only to the Secretary of State and the Permanent Secretary. I am sending a copy, on a similar basis, to Rachel Lomax (HM Treasury).

A meeting has been arranged for 8 May to discuss the Review Body Reports.

Andrew Turnbull

Steve Godber, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

Prime Minister

Doctors & Dentists Review Body

The cost of the main batch.
The ~~the~~ increase in the payroll is
6.3 per cent with virtually
identical increases for all
grades. I have sent copies
to Mr Forster and Chancellor
on usual restricted terms.

AT

30/4

mf

2 copies pl.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

30 April 1985

Dear Prime Minister,

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

I enclose the Fifteenth Report of the Review Body on Doctors' and Dentists' Remuneration. This contains our recommendations on the levels of remuneration we consider to be appropriate at 1 April 1985 and sets out the factors we considered were of particular importance when reaching our conclusions.

*Yours sincerely
Robert Clark*

ROBERT CLARK, CHAIRMAN
REVIEW BODY ON DOCTORS'
AND DENTISTS' REMUNERATION



10 DOWNING STREET

THE PRIME MINISTER

20 June 1984

Dear Sir Robert,

Thank you for your letter of 18 April enclosing the Review Body's fourteenth Report. I am most grateful to you and your colleagues for the careful consideration that clearly went into its preparation. As you know, we wanted to look at all the review body reports together and I announced the Government's decisions on 7 June. For doctors and dentists, we decided that the fully up-to-date current rates will be increased by 3 per cent from 1 April and to the full amounts recommended in your report from 1 November.

The decision to stage the award was taken in the light of what the Government felt could be afforded without unacceptable consequences. We had to regard this as the decisive factor. We faced a no less difficult choice in relation to the recommendations of the nurses' review body, where we felt, exceptionally, that the understandings on which it was set up should outweigh the considerable cost implications of implementing them in full.

The decisions we reached offer what I believe to be the best compromise between large immediate increases and minimising the effects on the development of the Health Service.

Yours sincerely
Margaret Thatcher

Sir Robert Clark, D.S.C.

DCAA/BT

SSA

Rto

DA

CCDHSS



10 DOWNING STREET

THE PRIME MINISTER

31 May 1984

Dear Dr. Havard.

In your letter of 30 May you urged the Government to respond to the recommendations of the Review Body on Doctors' and Dentists' Remuneration as soon as possible. I stated in the House that the Government intends to make its response known as soon as possible after the Whitsun Recess.

I can assure you that the Government recognises the need to deal with the report expeditiously. However, we have reports from four separate review bodies and it is appropriate that we should consider them together. In doing so, we have to consider not only the amounts recommended by the individual review bodies but also other issues, including where the money will come from to meet whatever recommendations are made. That process of consideration is under way and we will make every effort to adhere to the timetable I have suggested.

Yours sincerely
Margaret Thatcher

Dr. J.D.J. Havard.

28



cc: Press Office

BMA House
Tavistock Square
London WC1H 9JP

BRITISH MEDICAL ASSOCIATION

Telephone 01-387 4499

Our ref. JDJH/HT
Your ref.

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

30 May 1984

Dear Mrs Thatcher,

I am writing to express our extreme concern at the long delay in publication of the Report of the Review Body on Doctors' and Dentists' Remuneration.

The Review Body was set up as a result of our acceptance of the "package deal" offered by the Government to the professions on the findings of the Royal Commission on Doctors' and Dentists' Remuneration. There were disadvantages to the professions in accepting the package. However, these were endured by the professions in the belief that acceptance by the Government of the Review Body system, and the conditions which were attached to it by the Royal Commission, would lead to settlement of our remuneration in the future without the need for public dispute, and would assure the professions that their remuneration would not be determined by considerations of political convenience.

Amongst the conditions placed by the Royal Commission on the successful operation of the Review Body system, was the need for "prompt action by the Government in dealing with any recommendations that may be made by the Review Body". The Royal Commission attached "special importance" to this, and emphasised that "Nothing will restore confidence between the professions and the Government more than experience of really prompt action on the recommendations of the Review Body".

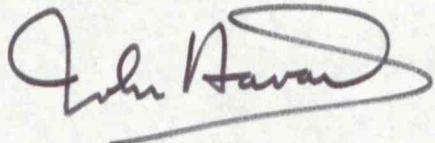
The other condition to which we must draw your attention, is that "Doctors and dentists in the public service should not be used as a regulator of the national economy. Their earnings should not be prevented from rising because of a fear that others might follow".

We find it very difficult to reconcile the Government's acceptance of the Royal Commission's findings with your decision to delay consideration of our Review Body Report so that it can be considered together with the Reports of Review Bodies covering other groups in the public sector.

The Royal Commission, whilst accepting that the Government cannot abrogate its functions and responsibilities for ultimate decisions said "we are insistent that the recommendations of the Review Body must only very rarely and for most obviously compelling reasons be rejected". Yet the Government has rejected them for the past three years in succession.

In the circumstances it is hardly surprising that there is widespread and mounting concern in the professions that the Government may no longer be willing to fulfil the conditions set out by the Royal Commission. I must earnestly request you to restore the confidence of the professions by making an announcement within the next few days.

The British Dental Association strongly supports the views contained in this letter and wishes to be associated with it.

Yours sincerely,


Secretary



It has been very difficult to reconcile the Government's account
of the Royal Commission's findings with your version of the
evidence. The Committee has no doubt that the Government's
account is the correct one, but it is necessary to set out
the reasons for this.

The Royal Commission's findings are in accordance with the
evidence. The Committee has no doubt that the Government's
account is the correct one, but it is necessary to set out
the reasons for this.

The Committee has no doubt that the Government's account
is the correct one, but it is necessary to set out the reasons
for this.

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The Committee has no doubt that the Government's account
is the correct one, but it is necessary to set out the reasons
for this.

30 MAR 1966

Secretary

SECRET



file 4

10 DOWNING STREET

From the Private Secretary

24 April 1984

Dear David,

I enclose a copy of the latest Report of the Review Body on Doctors and Dentists Remuneration. Mrs Thatcher has asked that copies of this Report should remain with the Chancellor or the Permanent Secretary.

I am sending a copy of the Report on the same basis to Steve Godber (Department of Health and Social Security).

*Yours ever,
Tim Flesher*

Timothy Flesher

David Peretz, Esq.,
H M. Treasury.

CST

SECRET



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

*Report in folder
at back of file.*

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

18 April 1984

Dear Prime Minister-

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

I enclose the Fourteenth Report of the Review Body on Doctors' and Dentists' Remuneration. This contains our recommendations on the levels of remuneration we consider to be appropriate at 1 April 1984 and sets out the factors we considered were of particular importance when reaching our conclusions.

*Yours sincerely
Robert Clark.*

ROBERT CLARK, CHAIRMAN
REVIEW BODY ON DOCTORS'
AND DENTISTS' REMUNERATION



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

Willie Rickett Esq
Private Secretary
10 Downing Street

PA
MS 20/9

19 September 1983

Dear Willie

DOCTORS' AND DENTISTS' REVIEW BODY

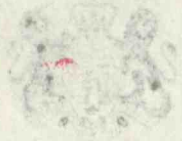
Thank you for your letter of 24 August to Colin Phillips seeking advice as to whether the Prime Minister should respond to Sir Robert Clark's letter of 22 August.

My Secretary of State advises that it would be best for the Prime Minister not to respond. The Prime Minister has made the points we wanted taken into consideration and there is no doubt that her letter will have registered. To go further might be counterproductive.

Yours
S A Godber

S A Godber
Private Secretary

National Health A3 Doctors & Dentists by / NHS Consultants Contracts



20 SEP 1986

COMMUNICATIONS

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

24 August 1983

Ack'd (24/8)

DOCTORS' AND DENTISTS' REVIEW BODY

Following your letter of 4 August to Michael Scholar, the Prime Minister wrote to Sir Robert Clark as drafted about the terms of reference of the Doctors' and Dentists' Review Body. This has prompted the attached reply from Sir Robert.

22/8/83

SH

I should be grateful for your advice on whether the Prime Minister should respond and, if so, for a draft reply by Wednesday 7 September.

I am sending a copy of this letter and its enclosure to Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

Colin Phillips, Esq.,
Department of Health and Social Security.

SH



10 DOWNING STREET

PRIME MINISTER

Sir Robert Clark defends the approach of the Doctors' and Dentists' Review Body.

I have asked Mr. Fowler's office for their comments on his letter.

LM

[Handwritten signature]

24 August 1983



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

From: Sir Robert Clark

22nd August, 1983.

Dear Prime Minister,

Thank you for your letter of 8th August.

I welcome this opportunity to clarify the matters we touched upon in our brief discussion a few weeks' ago. The point I was seeking to make is that comparisons of earnings is one of the considerations we have to take into account.

I agree entirely that the Review Body has to give due weight, not only to comparisons of earnings (indeed, of the total remuneration package including pensions and fringe benefits) but also to the other factors you mention. That has always been, and continues to be, our position. Perhaps I should have made that clearer when we met. I think I cannot illustrate this better than by quoting from our recent reports.

In our 1982 report we commented (paragraph 16) :
"We do not think it appropriate to give external remuneration comparisons the same degree of emphasis we judged necessary during the up-dating process between 1978 and 1980." In our latest report, after taking note of the arguments of the professions and the Health Departments as to the relative weight which should be accorded to comparisons, we said (para.12):
"In reaching judgements on appropriate levels of remuneration, we need to have proper regard to the relative position of doctors and dentists in the earnings hierarchy. We do not take the view, however, that this position should necessarily be a fixed one, either from one year to the next or over a longer period. The positions of those comprising different groups in the economy change over time in response to a range of factors, including changes in the size and composition of the groups, the recruitment or retention position in the particular area of employment and broad shifts in the demand for particular types of trained manpower. One of the considerations for this review has been that overall our recommendations should not involve any significant change in the existing relationship between doctors' and dentists' earnings and those at comparable levels of skill, responsibility and workload in the economy as a whole."

As is clear from the report, this was said against the background of evidence from the professions purporting to show that increases of 20% on average would be necessary to restore their position relative to those at comparable income levels in 1980. Whatever may be said about their calculations, there can be no doubt that had we, in fact, felt ourselves bound by a mechanistic approach to comparability, we would not have been able to avoid putting forward increases significantly higher than those we recommended.

(Contd.-)



But we have consistently eschewed any such approach and, as you will have seen, the greater part of our report is taken up with discussing other relevant factors in some detail. I will comment only on those you mention, although the report deals with many others, either of a general nature (for example, job security and unemployment) or specific to particular groups within the professions (such as the hours worked by junior hospital doctors).

Each year it is one of our principal concerns to consider evidence on manpower trends within the professions, including recruitment in terms of both quantity and quality. The subject is covered in general in paragraph 13 of our latest report and more specifically within each of the chapters concerned with the various branches of the medical and dental professions. Similarly, it is part of our regular practice to examine developments in workload and these, again, are considered group by group in the 1983 report; though it must be said that there are considerable difficulties of measurement and the available statistics provide only an incomplete and unsatisfactory guide to changes in workload. As recently as 1982, we made a comprehensive study of the available information on trends in both manpower and workload covering the whole of the period since 1970. The results were published as an appendix to our Twelfth Report and were drawn upon for the 1982 and 1983 reviews.

You refer also to the need to take into account the economic and financial situation obtaining at the time we form our judgements. This is a matter on which we have been asked to declare our position on a number of occasions by the professions' representatives. We have each time made it absolutely clear that while we could not accept that our recommendations must be limited within some pre-determined figure, we see it as an essential part of our task to take account of economic and financial considerations along with other relevant factors. This is discussed again in Chapter 2 of this year's report, where we said (paragraph 8): "It is our normal practice to take account, as we judge necessary, of economic circumstances affecting the country as a whole, including the level of settlements in the public sector and elsewhere in the economy. This has again been a factor in our deliberations this year. However, as we have made clear to both the professions and the Health Departments, we cannot regard our recommendations as being pre-empted by the assumptions adopted in setting cash limits for public sector pay."

I think these comments will indicate that we do see our role as you describe it: to weigh the various indicators which, as you say, may well conflict to some extent, in order to reach a conclusion that is both just and realistic. That has always been our approach in seeking to carry out the aims laid down by the Pilkington Commission to which you refer: to avoid recurrent disputes between the professions and the Health Departments; to ensure fair levels of remuneration for the professions; and to safeguard the interest of the taxpayer.

(Contd.-)



I assure you that we shall continue to give most careful attention to evidence we receive on the matters you have mentioned from the Health Departments and from the professions. Every year we not only consider a great volume of written evidence on these and other matters but spend many hours in attempting to probe it in discussion across the table. We are always ready to listen to arguments and examine supporting evidence directed to the particular problems with which we have to deal, from the Government or the professions, or others with a legitimate interest, so that we can take them fully into account in forming our recommendations.

*Yours sincerely
Robert Clarke.*

Chairman,
Review Body on Doctors' and Dentists' Remuneration

The Rt.Hon.Margaret Thatcher MP
10 Downing Street
London
SW1

Wat Health : Doctors & Dentist pay Pt 3



10 DOWNING STREET

THE PRIME MINISTER

8 August, 1983

PERSONAL AND CONFIDENTIAL

Dear Sir Robert,

When we met recently we discussed briefly the DDRB's latest recommendations and its terms of reference. You told me that in your view the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. In view of this I am writing to set out the Government's understanding of the place of comparability in the Review Body's deliberations.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgement. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload". Thus while there clearly is a need for the Review Body to take outside earnings into account, this is only one factor among several, and need not necessarily be a dominant one. The importance to be attached to pay relativities as against other factors such as recruitment, workload and the state of the economy will vary from time to time, and it has been inherent in

/ the

FILE
CC: DHS
HC

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the Government's evidence in recent years that for its part it does not consider it appropriate for comparability to be accorded the same significance as a determinant of pay levels as in the early 1970's.

I see it as an important part of the DDRB's task to weigh the sometimes conflicting indicators against each other and to reach conclusions which take account of changing circumstances in order to both just and realistic. As the present Review Body said at paragraph 52 of its First Report (1971):

"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself; doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; . . . our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersely Reports."

The Government naturally looks to the Review Body to make its judgements in the context of the economic and financial situation obtaining at the time, and you will, I am sure, give proper weight to the evidence which you receive from the Health Department on those questions and also to the supply of skilled manpower to the professions concerned. My immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.

Kind regards,

Yours sincerely
Raymond Shelton

Sir Robert Clark



SENO

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

CONFIDENTIAL

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

4 August 1983

Dear Michael,

*Myra
4/8*

DOCTORS' AND DENTISTS' REVIEW BODY

You wrote to Steve Godber on 19 July giving the Prime Minister's comments on the draft letter to Sir Robert Clark about the terms of reference of the Doctors' and Dentists' Review Body. You were asked for a revised draft taking into account the Prime Minister's expressed views. I enclose a new draft which has been approved by my Secretary of State.

I am sending copies of this letter to Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours ever,

C A H Phillips

C A H PHILLIPS
Private Secretary

DRAFT LETTER TO SIR ROBERT CLARK, CHAIRMAN OF THE DDRB
[PERSONAL AND CONFIDENTIAL]

Sir Robert Clark
Chairman
Review Body on Doctors and Dentists Remuneration
Office of Manpower Economics
Kingsway
LONDON WC2

When we met recently we discussed briefly the DDRB's latest recommendations and its terms of reference. You told me that in your view the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. In view of this I am writing to set out the Government's understanding of the place of comparability in the Review Body's deliberations.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgement. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload". Thus while there clearly is a need for the Review Body to take outside earnings into account, this is only one factor among several, and need not necessarily be a dominant one. The importance to be attached to pay relativities as against other factors such as recruitment, workload and the state of the economy will vary from time to time; and it has been inherent in the Government's evidence in recent years that for its part it does not consider it appropriate for comparability to be accorded the same significance as a determinant of pay levels as in the early 1970's.

I see it as an important part of the DDRB's task to weigh the sometimes conflicting indicators against each other and to reach conclusions which take account of changing circumstances in order to be both just and realistic. As the present Review Body said at paragraph 52 of its First Report (1971):

"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself; doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersley Reports."

The Government naturally looks to the Review Body to make its judgements in the context of the economic and financial situation obtaining at the time, and you will, I am sure, give proper weight to the evidence which you receive from the Health Department on those questions and also to the supply of skilled manpower to the professions concerned. My immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.

145
Daddy & Daddys
Ray Pt. 3.

The cover



bc NO

10 DOWNING STREET

From the Private Secretary

19 July 1983

Doctors' and Dentists' Review Body

Thank you for sending me a draft letter for the Prime Minister to send to Sir Robert Clark about the terms of reference of the Doctors' and Dentists' Review Body.

The Prime Minister has considered this draft, but has commented that the ground rules agreed with the professions before the establishment of the present Review Body in 1971 do in fact constrain the Review Body in the way indicated by Sir Robert Clark. The Prime Minister has in mind particularly the words "The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also ...".

The Prime Minister appreciates that this Review Body has a long history and that comparability loomed a good deal larger in the Review Body's work sometime ago than it does, or should, today.

I wonder if you could suggest a revised draft letter which takes account of these points.

I am sending copies of this letter to Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Steve Godber, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

THE PRIME MINISTER

Dear Sir Robert;

When we spoke at the reception here for Lord Richardson about the Doctors' and Dentists' Review Body's latest recommendations and its terms of reference you told me that the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. You will recall that I expressed some surprise that the DDRB saw itself as being bound in this way. I thought I should now write to confirm the formal position.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgment. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload."

I do believe
these things
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the Review
body

/I do

I do not read this as obliging the Review Body to maintain relativities with other groups. Indeed the agreement with the professions says specifically that:

"The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission The new Review Body will be free to make their own assessment of this as of all other relevant factors."

The fact that the Review Body is not bound to observe any fixed set of relativities is recorded at paragraph 6 of the First Report (1971) of the present Review Body. Paragraph 52 of the same report confirmed that the Review Body did not intend to bind itself to fixed relativities:

"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself: doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersley Reports."

*but must
still observe
the ground
rules of the
present*

The Government naturally looks to the Review Body to make its judgments in the context of the economic and financial situation obtaining at the time and also to the supply of skilled manpower to the professions concerned, and you will, I am sure, give proper weight to the evidence which you receive from the Health Departments on those questions. My

/immediate

immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.

Yours sincerely
Raymond Shute

Sir Robert Clark.



John Gwynne

1983

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

14 July 1983

Dear Michael

DOCTORS' AND DENTISTS' REVIEW BODY

Thank you for your letter of 30 June about the Prime Minister's recent conversation with Sir Robert Clark, Chairman of the DDRB, on the subject of comparisons with outside earnings.

The basis on which the DDRB operates was set out in the form of an offer, subsequently accepted, from Sir Keith Joseph to the BMA, dated 19 January 1971. I enclose a copy. For present purposes paragraphs 6 and 12(a) are particularly important. As you will see, the Prime Minister is right that the DDRB is not bound by its terms of reference to make the earnings of doctors and dentists comparable with certain other professions. Indeed paragraph 12(a) specifically abandons the strict relativities observed by the former Kindersley Review Body, which indirectly led to its demise. But, more generally, the DDRB does seem to see itself as having a duty to pay heed to the general indications as to how it should go about its work - some of them are mentioned in paragraph 6 of Sir Keith Joseph's letter - which were contained in the report of the Pilkington Royal Commission which originally led to the establishment of a review body.

The difficulty is that although Sir Keith Joseph made it clear enough at the time that the move away from fixed relativities could work either way, it was seen by the professions and the Review Body as a concession by the Government. The professions interpret the agreement as meaning that their incomes should not be affected by vagaries of earnings in, or changes in relativities between, specific outside groups. Rather, the Review Body should maintain their position in relation to the professions and other high income groups as a whole. The Review Body too has seen its task in this way and has long related doctors' and dentists' earnings to specific percentile points on the earnings scale regardless of which groups happened to be above or below them at any particular time. This is not however the only factor to which they have had regard and in recent years their recommendations have not in fact kept pace with the percentiles. Successive Governments have tacitly accepted the interpretation, in that they have never objected to it, or rejected a report on merits.

There is thus a considerable weight of interested opinion and a long series of Review Body reports in support of Sir Robert Clark's interpretation of his remit. Nevertheless the formal position is, as the Prime Minister told him, that there are no fixed relativities and it would be as well to make that absolutely clear. A draft letter from the Prime Minister is attached. It has been cleared at official level by Treasury, Scottish Office and Welsh Office, but not with the Ministry of Defence.

E.R.

I take it that you will be considering the need for comparable action in respect of the other Review Bodies. We shall bear the point in mind in drawing up the ground rules for the Nurses' Review Body.

I am copying this letter to Margaret O'Mara, Peter Gregson, Muir Russell, Adam Peat and Richard Mottram.

Yours
Steve

STEVE GODBER
Private Secretary

01 type

DRAFT LETTER TO SIR ROBERT CLARK, CHAIRMAN OF THE DDRB

~~PERSONAL AND CONFIDENTIAL~~

Sir Robert Clark
Chairman
Review Body on Doctors' and Dentists' Remuneration
Office of Manpower Economics
Kingsway
LONDON WC2

several weeks ago

several messages at the reception here for Lord Richardson

When we spoke about Doctors' and Dentists' Review Body's

When we met recently we discussed briefly the DDRB's latest recommendations and its terms of reference. You told me that in your view the Review Body had a responsibility to keep the earnings of NHS doctors and dentists comparable with those of certain other groups, and that its recommendations would therefore be designed to achieve this unless and until the Government changed its terms of reference. You will recall that I expressed some surprise that the DDRB saw itself as being bound in this way. I thought I should now write to confirm the formal position.

The terms of reference themselves are of course very simple, and make no reference to the factors which should be considered. The ground rules agreed with the professions before the establishment of the present Review Body in 1971 say that "The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgement. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and workload."

I do not read this as obliging the Review Body to maintain relativities with other groups. Indeed the agreement with the professions says specifically that

"The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission The new Review Body will be free to make their own assessment of this as of all other relevant factors."

The fact that the Review Body is not bound to observe any fixed set of relativities is recorded at paragraph 6 of the First Report (1971) of the present Review Body. Paragraph 52 of the same report confirmed that the Review Body did not intend to bind itself to fixed relativities:

"But we cannot regard ourselves as bound by comparisons with the past. We agree with comments made in the Pilkington Report itself: doctors and dentists should not have a fixed place in a changing world; their financial position may rise in relation to some occupations and fall in relation to others; our subsequent reviews will not refer back to the relationships established by the Pilkington or the Kindersley Reports."

The Government naturally looks to the Review Body to make its judgements in the context of the economic and financial situation obtaining at the time, and you will,

I am sure, give proper weight to the evidence which you receive from the Health Departments on those questions, *and also to the supply of skilled manpower to the professions concerned.* My immediate purpose, however, is to ensure that we are agreed as to the ground rules under which the Review Body operates.

Please let me know if you think this letter misrepresents the position in any way.



69C
DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.W.1

TELEPHONE: 01-407 5522

Dr Ronald Gibson
British Medical Association

19 January 1971

Ronald Gibson

1. We have now held a number of discussions about the new Review Body which is to be set up to advise on the remuneration of doctors and dentists in the National Health Service, and at the end of our final meeting on 14 January, I promised to write to you setting out the Government's conclusions. To help make this letter more comprehensive, I have included some points referred to in earlier letters.

2. Our agreed starting point was that the Review Body will be an independent body whose recommendations will not be subject to reference to any other body and will not be rejected or modified by the Government unless there are obviously compelling reasons for doing so. Our discussions were concerned mainly with (i) aspects of the work of the new Review Body; (ii) links with other analogous bodies.

The work of the new Review Body

3. I gave you assurances first that the terms of reference will be the same as for the Kindersley Review Body and will not be changed except by agreement between the Government and the professions and secondly that the Review Body will have freedom to determine its own method of working.

4. As in the past the professions will be free to make whatever submissions they wish in evidence to the Review Body. For the next review, as for others, they will be free to put to the Review Body their case for whatever they feel is justified on the facts available. The Government will have the same freedom. Each side will provide the other with copies of its written evidence.

5. As in the past the Review Body will require statistical information from the professions and from the Health Departments. The Joint Working Party on Medical Statistics, consisting of representatives of the medical profession and the Health Departments, will determine an agreed body of statistical data relating to the medical profession for the use of both sides (although with each side free to make its own interpretations) in written evidence.

In addition the Technical Sub-Committee will continue to supply evidence on practice expenses of general medical practitioners and the Dental Rates Study Group on hours of work of general dental practitioners. Both the professions and the Health Departments will be free to submit separately other general statistical information not handled by the Joint Working Party (eg on dental manpower, and economic information) to the Review Body and, as in the past, each side will supply copies to the other side.

6. The Review Body will be free to obtain whatever other information they want, to look at all the factors they consider relevant and to form their own judgment. The Government would expect the new Review Body to make their own assessment, taking into account, as envisaged by the Royal Commission, not only movement of earnings in other professions but other relevant factors also, including the quality and quantity of recruitment in all professions. The Government itself attaches particular significance to evidence about manpower and emigration trends and work load.

7. Among the factors it will be open to the Review Body to take late information into account in framing their recommendations. They would for example be able to take into account information about practice expenses, which normally become available two years after the period to which it relates (and in the case of general dental practitioners, would have been taken into account by the Dental Rates Study Group in recommending a scale of fees) in order to assess whether the provision previously made for practice expenses had been adequate, and to frame recommendations for future periods accordingly.

8. It will be for the Review Body to consider when to undertake reviews and what periods their recommendations should cover. For its part the Government would be inclined to suggest to the Review Body that reviews might normally be at two-yearly intervals.

9. The new Review Body would be invited to continue the practice of recommending target net incomes for general dental practitioners, to be translated into fees by the Dental Rates Study Group.

10. As in the past, both the Government and the professions will be free not to accept the recommendations of any particular Report of the Review Body. The Government has made it clear that it will for its part reject or modify the new Review Body's advice only for obviously compelling reasons.

11. I have considered whether it is possible to define in advance the compelling reasons for which the Government might feel bound to reject or modify recommendations of the Review Body. The Government does not think this practicable or that it would be sensible to try and do so. No formula could cover all future circumstances and a formula with escape-clauses could only be unhelpful or misleading. Should the need ever arise the Government is very conscious of the duty that would rest on it to state the compelling reasons which in its view existed.

12. For the avoidance of misunderstanding and in reply to particular questions you raised it is right that I should add, on the Government's behalf, the following:

- a. The new Review Body could not be regarded as bound by the relationship between doctors' and dentists' remuneration and that of other professions set out eleven years ago in the Report of the Pilkington Royal Commission. As I have explained in paragraph 6, the new Review Body will be free to make their own assessment of this as of all other relevant factors.
- b. While the Review Body's terms of reference will leave them entirely free to recommend whatever adjustments in remuneration they see fit, and from whatever dates, the Government will feel bound to express to them its own view that no further increase should take effect before 1 April 1971 and to point out that the recommendation of the Kindersley Review Body, accepted by the Government of the day, was that the increases they recommended for the training grades should last until 1 April 1972.

LINKS WITH OTHER BODIES.

13. During the discussions I explained that there are three groups for whom no negotiating machinery is for one reason or another appropriate and in respect of whose remuneration some co-ordination is needed in the arrangements for giving advice to the Government. The Government therefore, as it has announced, intends to establish three Review Bodies with appropriate links. One Review Body (the 'Top Salaries' body) will advise on the remuneration of the Boards of nationalised industries, the Judiciary, senior civil servants, senior officers of the Armed Forces, and Members of Parliament. Another body will advise on the pay of the Armed Forces generally (except two star officers and above). The third will be the one concerned with doctors' and dentists' remuneration. All three bodies will make their reports to the Prime Minister.

14. If these three bodies were to function in entirely separate compartments there would be a risk that they would base recommendations on quite different assumptions about common factors. In the Government's view it is essential that a common service should be available for providing them with information about general economic trends, including general manpower and pay movements. The provision of this service will be a function of the new Office of Manpower Economics the establishment of which was announced by the Secretary of State for Employment in the House of Commons on 2 November 1970. I enclose a copy of the relevant extract from his announcement and would underline what it says about the Office's independence of the Government. A senior member of the staff of this Office will be appointed to serve as Secretary of the three Review Bodies. In that capacity he will however be answerable solely to the Review Bodies and separately to each one in respect of its work. It will be his responsibility to use the resources of the Office to collect information and provide facts in accordance with the requirements of each Review Body. The Office will not of its own initiative submit evidence to the Review Bodies. It would be for each Review Body to decide what relevant information to invite the Office to supply, or, if it was not already in its possession, to seek to obtain. Unless the information provided under these arrangements to the doctors' and dentists' Review Body had to be obtained on the basis that it would be kept confidential (e.g. information about earnings provided by industrial firms on a strictly private basis) the Review Body would be free to make it available both to the Health Departments and to the professions, and to give them the opportunity to comment on it. The Government for its part would wish to suggest that this practice should be followed.

15. You pressed me very hard to agree that the Secretary of the new Review Body should be drawn from the Cabinet Office, as were the successive Secretaries to the previous Review Body, and not from OME. You feared that an OME Secretary would somehow bias the Review Body's judgment in the Government's favour. This is not, however, how it appears to other people, who believe that a Cabinet Office employee would seem to be more involved with the Government. My colleagues and I are quite sure there is no danger of bias, for OME will itself be independent of the Government and in any event the Secretary will, as I have said, work under the Review Body's instructions. Moreover it provides the natural location of the common secretarial arrangements needed for all three bodies. I would also point out that, in general, the Cabinet Office is staffed by Civil Servants temporarily seconded from other Government Departments (the previous Review Body had four different secretaries in eight years). The Office should be able to provide more continuity of Secretarial support.

16. As a further co-ordinating link, the Government considers that a degree of common membership is essential. Contrary to its own preliminary view, however, it has accepted the professions' view that the Chairman of the doctors' and dentists' Review Body should not also be Chairman of the other Review Bodies and that none of the members of that Body should serve on both the other Bodies. Common membership of the doctors' and dentists' body will therefore be limited to the inclusion of one member on the Top Salaries body and one other on the Armed Forces' body.

OTHER MATTERS

17. At our final meeting we had some discussion about your request that the superannuation of National Health Service doctors and dentists should be included in the remit of the new Review Body or independently reviewed. You argued that, because the Superannuation Fund is notionally and not actually invested, benefits are less favourable than in the generality of superannuation schemes. I do not myself believe this to be the case but will gladly consider and subsequently discuss with Dr A B Davies and his colleagues at an early date any evidence you can supply. Discussions about improvements in the Scheme generally are of course appropriate to the Joint Superannuation Consultative Committee.

18. We also had some discussion about your request that public health medical and dental officers should be brought within the remit of the new Review Body. The Government clearly could not ask the Review Body to examine the remuneration of a group of local authority staff without the agreement of the local authorities, who have hitherto

seen objections to a change which means isolating this group from the rest of their staff. I have no doubt that the solution to this problem will be much easier when we get a unified health service. Meanwhile the Government could only consider a change if it were acceptable to the local authority associations. I have undertaken to discuss this matter further with Dr Lycett and his colleagues.

19. We agreed that the terms of this letter would be published on 20 January. I hope that thereafter we will make rapid progress towards the establishment of the new Review Body.

20. I am writing similarly to Mr Gibb.

Yours sincerely,

Kenn Joseph

EXTRACT FROM ANNOUNCEMENT MADE BY THE
SECRETARY OF STATE FOR EMPLOYMENT IN
THE HOUSE OF COMMONS ON 2 November 1970.

.....

In the public sector there is a clear need for co-ordinated machinery for advising the Government on the remuneration of certain groups for whom no negotiating machinery is, for one reason or another, appropriate. The Government intend therefore to establish at an early date three Review Bodies with a degree of interlocking membership. One will advise on the remuneration of the boards of nationalised industries, the Judiciary, senior civil servants, senior officers of the Armed Forces and such other groups as might be appropriately considered with them. Another will advise on the pay of the Armed Forces generally. A third will advise on the remuneration of doctors and dentists in the National Health Service. These three Review Bodies will have at their disposal and working to their directions a secretariat provided by a new Office of Manpower Economics.

The Government also intend to use the new Office of Manpower Economics to service any ad hoc inquiries which are necessary from time to time to examine in depth particular pay structures and related problems. The Office will also carry out analytical and educational work on more general matters affecting pay and its relation to productivity, either at the request of Ministers or with the approval of Ministers. The Office will not be part of the Government machine and its reports will be independent. Consultation will take place with the interests concerned about the detailed arrangements.

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10 DOWNING STREET

Robin

Message from Margaret O'Mara
about cost of DDRB.

Excluding restoration of abatement
the cost of the award is £24 million

2/3 of that has been financed
from the contingency reserve.

The cost this year of restoring
the abatement is £12 million - all
financed by the contingency reserve.

So, in total £28m. will
come from the contingency reserve.
But originally DHSS believed they
had overprovided for the cost of
GPIs business expenses & could
therefore make a saving.

DHSS now find they had

underestimated this by £20 million.
Treasury are still awaiting
DHSS proposals on how this
should be financed.

Nicky

~~Peto~~

~~Robin~~

Please give this file to Robin. He complained that the file was incomplete.

We have searched through other relevant files and added the 'Howard' extract from 12 May and the appropriate Cabinet Papers and minutes. This is all we have on 'Doctors + Dentists

Nigel
6/7

CONFIDENTIAL

cc HWT . He
Gregson
bcc Owen
cc s/o



10 DOWNING STREET

From the Private Secretary

30 June 1983

Doctors' and Dentists' Review Body

The Prime Minister had a brief conversation/with Sir Robert Clark, the Chairman of the Doctors' and Dentists' Review Body. The Prime Minister, as I understand it, expressed surprise at the size of the increases recommended by the Review Body, and alluded to the criticisms which had been made of these recommendations within the National Health Service. *during a reception here on Tuesday evening*

Sir Robert Clark replied that, to achieve a lower result, it would be necessary to alter the Review Body's terms of reference, which at present laid upon them a duty to make doctors' and dentists' salaries comparable with those of certain other groups.

The Prime Minister understands that this is not a correct account of the Review Body's terms of reference. She wishes to write to Sir Robert Clark pointing this out, and I would be grateful if you would let me have a draft letter for her to send, after consulting as necessary the Treasury and any other Departments concerned (I understand that a review of the terms of reference of review bodies is currently under way).

I am sending a copy of this letter to Margaret O'Mara (H.M. Treasury) and Peter Gregson.

M. C. SCHOLAR

Steve Godber, Esq.,
Department of Health and Social Security.

CONFIDENTIAL



10 DOWNING STREET

THE PRIME MINISTER

Dear Sir Robert.

Thank you for your letter of 8 April enclosing the Review Body's 13th Report. I am writing to thank you and your colleagues for the considerable time and effort you have once again put into the preparation of your Report.

As I announced on 12 May, the Government has accepted all the Review Body's recommendations for new money this year, including the considerable additional sums to be devoted to improving out of hours payments for junior hospital doctors.

On the abatement made in 1981 and carried forward since then, the Government has considered very carefully whether we could restore this immediately, and I can assure you it was our earnest wish that we should be able to do so. But economic realities have to be faced, in particular the very considerable full-year cost of restoring the abatement. As against that, we were very conscious of the importance of setting the pay of doctors and dentists fully up to the recommended levels in time for next year's review. After weighing these considerations against one another, we concluded that the right course was to restore the abatement with effect from 1 January 1984. I hope you will feel that, in all the circumstances, this is a fair and reasonable outcome.

Yours sincerely
Margaret Thatcher

Sir Robert Clark

re SR
C. H. S. G.
H. M. S.

ve



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
Private Secretary
10 Downing Street

16 May 1983

Dear Michael

DOCTORS' AND DENTISTS' REVIEW BODY

Your letter of 12 May refers.

I attach a draft reply to Sir Robert Clark for the Prime Minister's signature. You asked for this by tonight. We have not been able to clear the draft fully with the Treasury who may have further comments to offer - a copy has already been sent to them.

We will pass any comments through to you first thing tomorrow.

I am copying this letter to John Kerr.

Yours ever

Mrs C L Souter
Private Secretary

PI type

✓
DRAFT LETTER FROM THE PRIME MINISTER

Sir Robert Clark
Chairman
Review Body on Doctors' and Dentists' Remuneration
Office of Manpower Economics
22 Kingsway
London
WC2B 6JY

Thank you for your letter of 8 April enclosing the Review Body's 13th Report. ~~You will have seen my announcement on 12 May of publication of the Report and the Government's response to it. I am writing first to thank you and your colleagues for the considerable time and effort you have once again put into the preparation of your report, and secondly to explain our decisions on it.~~

We told you in our written evidence that economic recovery would be jeopardised by excessive wage settlements and that there was a continuing and compelling need for restraint. As a result, provision for wage increases in the public sector would normally be limited to 3½ per cent of the current pay bill, though exceptionally 4½ per cent had been allowed for in NHS cash limits. We would not however impose in advance of your report any specific limit on increases for doctors and dentists. This was a reiteration of our belief in the Review Body system and confirmation that, as always, you were free, having considered the evidence put before you, to recommend whatever increases you judged appropriate.

I was glad to note from your report that you had taken the country's economic circumstances into account in framing your recommendations. For our part we have, as promised, not sought to impose any arbitrary limit. We stand by our undertaking to accept the Review Body's recommendations unless there are clear and compelling reasons for not doing so; and all your recommendations for new money this year, including the considerable additional sums to be devoted to improving out of hours payments for junior hospital doctors, have been accepted without reserve.

On
~~There remains the question of the abatement made in 1981 and carried forward since then.~~ *the government has* I considered very carefully with my colleagues whether we could restore this immediately, and I can assure you it was our earnest wish that we should be able to do so. But economic realities have to be faced, in particular the very considerable full-year cost of restoring the abatement. As against that, we were very conscious

✓ As I announced on 12 May, the government has accepted all the Review Body's

of the possible effects on the Review Body system of continued withholding of this money, and of the importance of setting the pay of doctors and dentists fully up to the recommended levels in time for next year's review. After weighing these conflicting considerations against one another, we concluded that the right course was to restore the abatement with effect from 1 January 1984 ~~by which time we judge that the economy will have picked up sufficiently to bear the additional cost.~~

I hope you will feel that, although this may in certain respects be a disappointment to you and to the professions, you will, in all the circumstances, ^{this is} see it as a fair and reasonable outcome.

NATIONAL HEALTH : Doctors + Dentists
Pay
Pt 3

19 MAY 1983
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should not be entrusted with secret Government work. Had she acted differently, Prime's spying could have been brought to an end in 1973.

The commission says that it can attach no blame to the investigation officer who carried out the 1973 review. The officer concerned is no longer living, but he seems from the records to have put all the relevant questions to Miss Barsby, and there appears to have been no reason why he should have suspected that Miss Barsby was deliberately lying to him, or should not have accepted her assurances as to Prime's character and reliability.

One other matter which, if it had emerged during the PV review, might have resulted in Prime's clearance being withdrawn was the fact that he had consulted a psychiatrist in November 1972. The psychiatrist's report cast doubt on Prime's stability. Prime should have reported this visit under staff regulations but he did not do so, and GCHQ had no other means of finding out.

The commission also identified weaknesses in physical and document security at GCHQ. In particular, it criticises the control of photocopying facilities at one period in the past and refers to infrequency of spot musters of particular documents. Tighter controls in this area would have been unlikely to lead to Prime being detected, but they might have restricted his activities.

The commission recognises that personnel security measures, no matter how rigorous, can never provide an absolute guarantee against disloyalty. It has nevertheless recommended a number of measures to improve our defences. The Government accept the commission's recommendations, and will implement them as quickly as possible.

Some of these recommendations fall within the framework of the existing security system. These cover:

- the wider use of random searches of staff leaving Government buildings where staff handle highly classified material in substantial quantities;
- more emphasis on the responsibility of managers for security supervision; and
- procedures for access, with the individual's consent, to medical records.

These recommendations are of general application to all Government Departments and staff with access to highly classified information. The commission recommends that more radical screening procedures should be applied to staff in intelligence and security agencies with access to the most sensitive categories of information. These recommendations include:

- more rigorous standards for PV in those agencies;
- consideration of the introduction of psychological testing in security screening of applicants for employment in these agencies who would have access to information of the highest classification;
- the extension of PV investigations in relation to such applicants to include interviews with independent witnesses other than the referees named by the person to be vetted; and
- a pilot scheme to test the feasibility of polygraph security screening in the intelligence and security agencies.

The commission concludes that the polygraph is the only measure of which it could be said with any confidence that it would have protected GCHQ from Prime's treachery, because it would either have deterred him from applying to join or could have exposed him in the course of examination. In view of this and of the extreme gravity of the damage caused by Prime, the Government accept the commission's recommendation that a full and thorough pilot scheme should be carried out. The commission recognises that a polygraph examination is generally

regarded as a disagreeable experience and would be seen by some as an unwarranted invasion of their privacy. But we are dealing with matters of the highest national security, and those who have access to the nation's most sensitive secrets must expect to be subject to the most rigorous vetting procedures. Moreover, the commission proposes that questioning under the polygraph should be limited to counter-intelligence examination — such as exposure to approaches by hostile intelligence services — and should not extend to questions of life-style, such as criminality, drug taking, sexual matters and financial affairs. It also recommends that in no case should a supposedly adverse polygraph indication be treated by itself as a ground to withhold clearance without independent confirmation from some other source. The Government are in full agreement with the commission that safeguards of this nature must be incorporated in the pilot scheme.

All security procedures imply some degree of encroachment upon the rights and freedom of the individual. We have to decide how to strike the balance between those considerations and the need to protect national security, in laying down security procedures that will be as effective as possible within the limits of what is acceptable in a free and democratic society. In doing so we have to bear in mind that no system of security can be guaranteed to confer absolute protection. I believe that the commission's recommendations are reasonable, and I commend them to the House as necessary to strengthen the security arrangements which exist to protect our free and democratic society.

Pay Review Bodies

Mr. Buck asked the Prime Minister if she will make a statement on the reports of the review bodies on the pay of the armed forces, the doctors and dentists and top salaries.

Mrs. Dunwoody asked the Prime Minister when she intends to announce the decision on the Doctors and Dentists Pay Review Body; and if she will be accepting the recommendations of the board.

The Prime Minister: The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on parliamentary pay and allowances have been laid before the House today and will be published as Command Papers shortly. Copies are now available in the Vote Office. The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report of the Armed Forces Pay Review Body recommends new rates of pay for service men and women applicable from 1 April 1983 which will add 7.2 per cent. to the estimated pay bill for 1983-84.

The Government accept the report, and the necessary steps to implement the new rates of pay, and inform service men of the details of the report, will be taken as soon as possible.

The report of the Doctors' and Dentists' Review Body recommends with effect from 1 April 1983 increases in the pay of doctors and dentists which the review body estimates would add 6 per cent. to the pay bill over and

above the costs of implementing in full its recommendations for 1 April 1982; in addition it recommends changes in certain supplementary payments to take account of the hours worked by junior hospital doctors and dentists, which will add a further 1 per cent. to the total pay bill.

The House will recall that since 1981 there has been an abatement of the review body's recommendations for doctors and dentists which now amounts to 2.7 per cent. of the pay bill. The review body has strongly urged that this abatement should now be made good. The Government accept the recommended increases for this year with effect from 1 April 1983. It proposes to make good the abatement with effect from 1 January 1984.

The scales and rates resulting from these decisions will be promulgated as soon as possible.

The two reports from the Top Salaries Review Body, one dealing with the salaries of the higher Civil Service, senior officers in the armed forces and the judiciary, and the other dealing with the salaries of Members of Parliament and of Ministers and other office holders and parliamentary allowances, will be for consideration after the election.

So far as the proposed salaries for Cabinet Ministers are concerned, members of the Cabinet take the view that the increases proposed are of a magnitude which they could not possibly accept, and trust that Members of Parliament will take a similar view about recommendations affecting their own salaries. The Government believe that any decisions which are reached in the new Parliament about resettlement arrangements should apply also to Members of the present Parliament in relation to their present salaries. The Government acknowledge the need to consult opinion widely before the House reaches a conclusion on the recommendations.

Cruise Missiles

Mr. Buck asked the Prime Minister whether she will make a further statement with respect to the arrangements for joint control of cruise missiles in the event of their deployment in the United Kingdom.

The Prime Minister: The existing understandings between the United Kingdom and the United States governing the use by the United States of nuclear weapons and bases in this country have been jointly reviewed in the light of the planned deployment of cruise missiles. We are satisfied that they are effective. The arrangements will apply to United States cruise missiles based in the United Kingdom whether on or off bases. The effect of the understandings and the arrangements for implementing them is that no nuclear weapon would be fired or launched from British territory without the agreement of the British Prime Minister.

OVERSEAS DEVELOPMENT

Public Opinion (Survey)

Mr. Forman asked the Secretary of State for Foreign and Commonwealth Affairs whether his Department has recently sponsored any survey of public opinion in the United Kingdom towards overseas aid; and if he will make a statement.

Mr. Raison: A public opinion poll sponsored by the Overseas Development Administration and commissioned by the Office of Population, Censuses and Surveys, was

recently undertaken as part of a Gallup poll omnibus survey. The fieldwork was done in January 1983 and based on a sample population of 1,862. I have placed copies of the results of the survey in the Library of both Houses.

Population Projects

Mr. Farr asked the Secretary of State for Foreign and Commonwealth Affairs what percentage of gross public expenditure on overseas aid was represented by expenditure on population projects in each of the financial years from 1976-77 to the latest available date.

Mr. Raison: As I explained to the hon. Member on 28 April—[Vol. 41, c. 408]—population aid statistics are compiled on a calendar year basis. In 1976, population projects represented about 0.8 per cent. of gross public expenditure on overseas aid; in 1977—0.9 per cent.; in 1978 and 1979—1.0 per cent.; 1980—0.9 per cent.; and in 1981—0.6 per cent.

FOREIGN AND COMMONWEALTH AFFAIRS

Spain and Portugal

Sir Anthony Meyer asked the Secretary of State for Foreign and Commonwealth Affairs if he will publish in the *Official Report* a table showing the state of negotiations on each of the main dossiers relating to the accession of Spain and Portugal to the European Community.

Mr. Hurd: The information for which my hon. Friend asked is set out in the following table:

Chapter	Portugal	Spain
Capital Movements	Agreed in full	Agreed in full
Transport	Agreed in full	Agreed in full
Regional Policy	Agreed in full	Agreed in full
Euratom	Agreed in full	To be negotiated
Rights of		
Establishment	Substantially agreed	Agreed in full
Ecofin	Substantially agreed	Substantially agreed
Taxation	Substantially agreed	Good progress
Customs Union	Substantially agreed	Good progress
ECSC	Substantially agreed	Good progress
External Relations	Substantially agreed	Good progress
Harmonisation of		
Laws	In progress	Substantially agreed
Social Affairs	In progress	To be negotiated
Agriculture	To be negotiated	To be negotiated
Fisheries	To be negotiated	To be negotiated
Own Resources	To be negotiated	To be negotiated
Institutions	To be negotiated	To be negotiated

Republic of Ireland

Mr. Arthur Lewis asked the Secretary of State for Foreign and Commonwealth Affairs whether he will make a statement on the official complaint made by the Government of the Republic of Ireland at the United Kingdom's condemnation of the Republic's attitude to the North Atlantic Treaty Organisation; and what reply Her Majesty's Government have sent or intend sending to the Government of the Republic of Ireland.

Mr. Hurd: The Irish authorities have been left in no doubt of the Government's position on this question.



10 DOWNING STREET

From the Private Secretary

12 May 1983

Doctors' and Dentists' Review Body

I enclose a copy of a letter dated 8 April which the Prime Minister has received from Sir Robert Clark, with which Sir Robert enclosed the Review Body's Report on Doctors' and Dentists' Remuneration which we published today.

BK / I would be grateful for a draft reply for the Prime Minister's signature, by Monday 16 May.

M. C. SCHOLAR

Steve Godber, Esq.,
Department of Health and Social Security.

Prime Minister (1)



They are recommending a 6% increase over and above the 3% they didn't get last year.

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY
Telephone 01-405 5944

CONFIDENTIAL

Content for me to circulate to a limited list as we have with TSRB?

Mus 8/4

Yes
not

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1A

8 April 1982

Dear Prime Minister,

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION : TWELFTH REPORT

I enclose the Twelfth Report of the Review Body on Doctors' and Dentists' Remuneration, which recommends the rates of pay we judge appropriate at 1 April 1982.

Yours sincerely
Robert Clark

ROBERT CLARK, CHAIRMAN
REVIEW BODY ON DOCTORS'
AND DENTISTS' REMUNERATION



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

8 April 1983

Dear Prime Minister,

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

I enclose our report on the levels of remuneration we consider to be appropriate, with effect from 1 April 1983, for doctors and dentists in the National Health Service. The report, I hope, makes clear the basis on which we have arrived at our conclusions. Three sets of considerations have combined this year to affect the total cost of our recommendations:

- (i) the need to recommend levels of remuneration that we can be satisfied are adequate as at 1 April 1983 and which are intended to avoid further significant deterioration in the relative position of these groups;
- (ii) the need to face the special problems arising from the long hours of some junior hospital doctors of which we have now completed the examination we began last year; and
- (iii) the shortfall in doctors' and dentists' remuneration arising from the fact that our recommendations in the Eleventh and Twelfth Reports have yet to be fully implemented.

We have felt it essential to take account of each of these matters in the present report.

Yours sincerely
Robert Clark.

ROBERT CLARK, CHAIRMAN
REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

✓ CH Nat Health
CO
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LES
LP's office
J. V. [unclear]

file

10 DOWNING STREET

From the Private Secretary

27 April 1982

cc Civil Service Pay
Armed Forces Pay
Doctors & Dentists Pay
TSRB

Dear John,

The Prime Minister held a meeting with Ministers this morning about a number of pay issues. The Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence Scotland, the Lord President, the Secretary of State for Social Services, the Lord Privy Seal, the Secretary of State for Employment, the Chief Whip, the Minister of State, Treasury, Mr. Hayhoe, Sir Robert Armstrong and Mr. John Sparrow were present.

The Chancellor of the Exchequer said that a number of pay issues required decisions. The award of the Civil Service Arbitration Tribunal (CSAT), which gave an average increase of 5.9%, and a range for individuals from 4.75% at the bottom of the scales to 6.25% at the top, was lower than had been feared and higher than had been hoped. In his judgment it was at about the limit of acceptability. He believed that it would involve an addition to the 4% cash limits, although he hoped colleagues would be able to absorb no less than 5% of the 5.9% within existing departmental cash limits by finding further administrative or manpower savings. The Armed Forces Review Body Report (AFPRB) recommended a range of increases which would add 6.1% to the estimated 1982/83 pay bill. He believed that these recommendations should be accepted. The Doctors and Dentists Review Body (DDRB) recommendations, which would add 6% to the pay bill, or 9% when the 3% deducted from the 1981 recommendations was taken into account, would if implemented in full create very considerable difficulties for the negotiations currently in progress with other National Health Service groups. The Top Salaries Review Body (TSRB), which recommended on average a 21.9% increase over current levels, also posed considerable problems. The most logical course was, perhaps, to accept all these recommendations; but this would make the National Health Service negotiations very difficult. If the DDRB recommendations were not fully accepted, there would be a strong case for a less than full acceptance of the TSRB recommendations. There were a number of options here: it would be possible to deduct 3% from the recommended increases, numerically in line with what was being done with the DDRB. An alternative approach would be to deduct 5% on the grounds that the TSRB recommendations were in part making good the 5% shortfall of the salaries awarded in 1981 as against the 1980 recommendations.

/Further

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Further in the background were the issues of teachers' and police pay. English and Scottish primary and secondary teachers were now subject to arbitration. The English further education teachers' negotiations were probably now stalled awaiting the result of arbitration, but there seemed to be a case for conceding 5.5%, or even 5.9%, given that Scottish further education teachers had settled at an average of 5.5%, with Scottish local authority further education teachers receiving 5.9%.

In discussion there was general acceptance of the Chancellor's conclusions, as regards the CSAT award. There was, too, a general disposition to accept in toto the recommendations of the AFPRB. The following points were made in discussion:

- a) There were strong grounds for implementing the recommendations of the TSRB in full. This group, unlike other groups, had never had a full catching-up operation. Problems of recruitment and retention of people of the right calibre were beginning to make themselves felt, and it was of the highest importance to maintain the quality of those who held these posts. The levels of remuneration recommended by the TSRB were low in relation to the private sector. The public expenditure cost was of little importance in the decision. The differentials between these grades and the grades immediately below them had become excessively compressed. There would, certainly, be political difficulty in accepting the TSRB recommendations. There would not be very much less criticism if 3-5% were deducted from these recommendations; to avoid criticism it would be necessary to implement a very much smaller figure, and this was not a practicable option in 1982, bearing in mind the recent history. In any year it would be politically difficult to grasp this nettle; the time had come to do so.
- b) Against this it was argued that acceptance of the TSRB recommendations would make the NHS pay negotiations very hard to handle. It would not be possible to justify offers in the 4-6.4% range to the NHS groups at the same time as 19.4% was offered to senior civil servants and service officers. Nor would it be possible to accept all the Review Body Reports except the DDRB. If the doctors and dentists were held at 6% there was some prospect of sticking successfully to the present NHS offer. To make this one-third reduction on the DDRB recommendations acceptable to the doctors and dentists it would be necessary similarly to cut the TSRB recommendations, by one-third or more. Alternatively, both the DDRB and TSRB recommendations could be accepted in full, but paid in two stages with an abatement of, respectively, 3% and, say, 5% this year.
- c) There was arguably less scope in the NHS than in the Civil Service to squeeze a higher pay increase from a given cash limit. The NHS was a labour-intensive service, and

/the

the Government's policy, in successive public expenditure reviews, had been to budget for a real improvement in the NHS. Demographic trends also worked in the same direction.

d) Departments would not find it easy to absorb part of the cost of the CSAT award within their cash limits, as proposed by the Chancellor. There would be particular difficulties in relation to the prison service, and the defence programme, where the 4% cash limit pay factor was itself already under great pressure as a consequence of the Falkland Islands dispute.

e) On the other hand, the proposal to absorb only part of the CSAT award within existing cash limits would create difficulties with local authorities. The Government's stance with them was that no extra money was available to finance higher pay increases. Their argument would be that the Government was prepared to raid the contingency reserve to finance its own employees' pay increases.

f) With the Task Force at sea it would be unfortunate if there were any suspicion that the Government was holding back its response to the AFPRB recommendations. Ideally all these pay decisions would be announced together. But if this were not possible, there was a strong case for going ahead with the AFPRB in advance of the rest.

The Prime Minister said there were a number of principles to be followed in these matters. It was necessary for broad economic reasons to restrict the level of pay increases. There must, too, be justification for each of the Government's decisions on pay. It was essential that there should be effective management at the top in the public sector. The Prime Minister said that it was agreed that the award of the CSAT, and the recommendations of the AFPRB, should be accepted. The balance of opinion also firmly favoured a full acceptance of the recommendations of the TSRB and the DDRB. There was a good case for announcing all these decisions at the same time, and soon; if this was not possible it would be desirable to go ahead separately with the AFPRB and CSAT. It was recognised that these conclusions would cause very great difficulties with the NHS pay negotiations. The Chancellor of the Exchequer and the Secretary of State for Social Services were, therefore, asked to consider what changes might be necessary to the Government's stance in the NHS negotiations in the light of the meeting's conclusions generally. The results of this consideration together with the group's other conclusions should be put to Cabinet on Thursday 29 April. The Chancellor of the Exchequer should also discuss with the Home Secretary and Defence Secretary the problems which had been raised in relation to the effect of the CSAT award on existing cash limits for the prison service and the defence budget; the general presumption for Departments, however, should be that no less than 1% of the award should be absorbed within existing cash limits. As regards police pay, inter-departmental consideration of the official side report on the police pay system was necessary; when this was concluded she would be grateful if the Home Secretary would bring the matter to colleagues again.

I am sending copies of this letter to John Halliday (Home Office), Michael Collon (Lord Chancellor's Office), Imogen Wilde (Department of Education and Science), David Omand (Ministry of Defence), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office), David Clark (Department of Health and Social Security), Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment), Murdo Maclean (Chief Whip's Office), Adrian Carter (HM Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS). I would be grateful if you and they would give this letter the most limited possible circulation.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

Prime Minister

(2)

To note.

Not Health

MR. SCHOLAR

MUS 15/4

cc: Mr. Hoskyns

DDRB REPORT

I have now had a look at the latest Report of the Review Body on doctors and dentists, which came in over Easter. Like the AFPRB Report, it contains many helpful elements, and in particular frequent references to the satisfactory recruitment and retention position - as, for instance, in paragraphs 20 and 68; and in general rather little is made of direct comparisons. The DDRB even comes clean about their miscalculation last year which resulted in an underestimate of the amount that should be paid for doctors' and dentists' pensions. And the opening paragraphs make it clear that this latest Report is an entirely independent judgement.

But the actual recommendations are, as we expected, unhelpful. The estimated addition to the pay bill is 6 per cent over the levels recommended in their last Report, and those levels were of course cut back by 3 per cent, so that the average increase in earnings now recommended is some 9 per cent. However, the presentation of the figures is, no doubt deliberately, put in terms of recommended additions to their last Report, so that GPs would get an extra 5.52 per cent, dentists an extra 5.50 per cent, and hospital training grades rather more; last year's 3 per cent loss is not re-asserted in each case. This will naturally encourage Ministers to ask whether the right way to treat these recommendations is to say that by-gones are by-gones, the 3 per cent is gone for ever, and the Report really justifies only an extra 6 per cent. Whether or not even that much can be accepted depends on all the other developments in public service pay over the next two weeks, and it will of course have a direct impact on pay negotiations elsewhere in the NHS. As with the other Review Body Reports, I recommend that this be considered by Ministers at the same time as, or after, the recommendation of the Civil Service Arbitration Tribunal.

J.V. 

14 April 1982

CONFIDENTIAL

CONFIDENTIAL



File DS
Nat Health

10 DOWNING STREET

From the Private Secretary

13 April 1982

Doctors' and Dentists' Pay Review Body

I enclose two copies of the Review Body's latest Report. I should be grateful if you, and those to whom I am copying this letter, would ensure that no further copies of the Report are made at this stage, and that for the time being the Report is shown to no-one except the copy addressees of this letter and their Ministers.

When we receive Press enquiries as to whether this Report has been received by the Prime Minister, we intend to confirm its receipt, and to say that, as in the past, its contents will not be disclosed until the Government has reached a decision on these matters.

I am copying this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office). Copies are also going to Peter le Cheminant (HM Treasury) and Peter Gregson (Cabinet Office).

MICHAEL SCHOLAR

A handwritten signature in dark ink, appearing to be 'MS' or similar initials.

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



10 DOWNING STREET

THE PRIME MINISTER

11 February 1982

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CO

Thank you for your letter of 7 January. I am grateful for the further consideration you and your colleagues have given to the salaries of District Medical Officers. We accept your recommendation that the salaries of DMOs in England and Wales should be set at the same levels as those currently applying to Area Medical Officers. With the agreement of the profession we will take steps to implement this although, of course, on the basis that the benchmarks will be the actual salaries which equivalent AMOs have received this year, not the recommended sums.

(SGD) MARGARET THATCHER

Sir Robert Clark, D.S.C.

vb



3

10 DOWNING STREET

Prime Minister

District Medical Officer Salaries

Norman Fowler has approved
this letter, and neither the
Treasury nor the Policy Unit offer
any objection.

Mcs 10/2

Copy to DHSS

Other members of E(PSP)
+ David Wright
BC



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
 ELEPHANT AND CASTLE
 LONDON S.E.1

TELEPHONE: 01-407 5522

Michael Scholar Esq
 Private Secretary
 10 Downing Street
 London SW1

*Asked J Kerr
 if Tony content
 2/2.*

2 February 1982

Dear Michael

DDRB : DISTRICT MEDICAL OFFICER SALARIES

The DDRB's recommendations concerning District Medical Officers' salaries, contained in Sir Robert Clark's letter of 7 January are in response to joint evidence submitted by the Health Departments and the medical profession. Their principal recommendation - that DMOs should be paid at the same levels as those currently applying to Area Medical Officers (whom they will effectively replace in the forthcoming NHS restructuring) - is in line with this evidence. In view of this, the Secretary of State considers that the recommendation can be accepted without further ado. A draft letter for this purpose is attached.

The actual amounts recommended by the Review Body are the same as those which they recommended for Area Medical Officers in their last Report. These were, of course, reduced before implementation and the same will need to be done in this case.

I am sending copies of this letter to the Private Secretaries to the other members of E(PSP), and to David Wright (Cabinet Office).

*Yours ever
 Mary McVerry*

MARY McVERRY (MRS)
 Private Secretary

DRAFT

P1 type for PM

149

Sir Robert Clark
Review Body on Doctors' and Dentists' Remuneration
Office of Manpower Economics
22 Kingsway
LONDON WC2

DISTRICT MEDICAL OFFICERS

Thank you for your letter of 7 January. I am grateful for the further consideration you and your colleagues have given to the salaries of District Medical Officers. We accept your recommendation that the salaries of DMOs in England and Wales should be set at the same levels as those currently applying to Area Medical Officers. With the agreement of the profession we will take steps to implement this although, of course, on the basis that the benchmarks will be the actual salaries which equivalent AMOs have received this year, not the recommended sums.



cc. Beal
+
TV.

SW

Nat Health

10 DOWNING STREET

From the Private Secretary

8 January, 1982.

I attach a copy of a letter the Prime Minister has received from the Chairman of the Review Body on Doctors' and Dentists' Remuneration about District Medical Officers.

I have acknowledged this letter, and would be grateful if you could let me have advice on what reply, if any, the Prime Minister should send.

I am sending copies of this letter to the Private Secretaries to the other members of E(PSP), and to David Wright (Cabinet Office).

M. C. SCHOLAR

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

A

8 January, 1982.

I am writing on the Prime Minister's behalf to thank you for your letter of 7 January about District Medical Officers' remuneration.

I will place your letter before the Prime Minister at the earliest opportunity.

Sir Robert Clark, D.S.C.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

From: Sir Robert Clark *Doc.*

7th January, 1982.

Dear Prime Minister,

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION: DISTRICT MEDICAL OFFICERS

During our eleventh review, representatives of the medical profession and of the Health Departments asked us to recommend appropriate salary scales for the new grade of district medical officer (DMO) which will formally replace that of area medical officer (AMO) when the reorganised National Health Service comes into operation from 1 April 1982. In our Eleventh Report (paragraph 151), submitted to you on 15th April 1981, we made an interim recommendation setting the remuneration of DMOs somewhat lower than that of AMOs, but undertook to examine the matter again when further decisions on reorganisation had clarified the management structure and responsibilities.

The profession's representatives subsequently asked the Review Body to receive further joint evidence from the Health Departments and themselves on this matter in advance of the twelfth review. They reported that the nature of the interim recommendation in the Eleventh Report was giving rise to considerable anxiety at a time of uncertainty during NHS reorganisation, and when applications for the new DMO posts were about to be invited. The Review Body agreed to this request.

We have considered the additional evidence and, in the light of this, accept that the salaries (including the annual rates of chief officer supplement) payable to DMOs in England and Wales should be set at the same levels as those currently applying to AMOs. We recommend accordingly. The salary supplements arising from this recommendation, replacing those recommended earlier and appropriate in our view from 1 April 1981, are set out in the annex to this letter. They are put forward on the same basis as the recommendations in our Eleventh Report.

I think it appropriate to advise you now of this revised recommendation, so that the appointment of DMOs to the new 'shadow' district health authorities can go ahead on the basis of the revised salary scales. We shall record it formally in our Twelfth Report which we will be submitting to you in the Spring. It will be necessary for us to deal at that stage with a number of related matters raised in evidence which has been put to us recently for the twelfth review. These include the population banding for chief officer supplements payable to AMOs and DMOs; the supplement payable to DMOs in new district health authorities which include a teaching hospital; the 'lead payments' to DMOs in Wales and to chief administrative medical officers in Scotland; and the supplements to new district dental officers.

Encl

*Yours sincerely
Robert Clark.*

Chairman, DDRB

The Rt.Hon.Margaret Thatcher MP
10 Downing Street
London SW1



RECOMMENDED SCALES OF SALARY SUPPLEMENT FOR DISTRICT MEDICAL OFFICER

1. The incremental scales of annual rates of chief officer supplement payable to district medical officers in addition to the district community physician scale maximum salary should be as follows:

District medical officer	Recommended scales of supplement payable from 1 April 1981
	£
Band E	150
(District, 150,000 - 450,000 population)	480
	810
	1,140
	1,470
Band D	910
(District, 450,000 - 800,000 population)	1,240
	1,570
	1,900
	2,230
Band C	1,530
(District over 800,000 population)	1,860
	2,190
	2,520
	2,850

2. Scales of supplement for district medical officers in districts with a population of less than 150,000 should be agreed on an ad hoc basis so as to produce a total salary within a range formed by the district community physician scale maximum and that maximum plus the maximum of the scale of supplements for district medical officers in districts with a population of 150,000 - 450,000.

178 JAN 2

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nat health

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE LONDON SE1 6BY
TELEPHONE 01-407 5522 EXT

(2)

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

Prime Minister

ms 23/12

21 December 1981

mt

Geo Geoffrey

DOCTORS' AND DENTISTS' REVIEW BODY: ECONOMIC EVIDENCE

Thank you for your letter of 3 December, suggesting an addition to the draft economic evidence. The point about repercussions clearly is valid, and as you say is really no more than commonsense. I am nonetheless convinced that it would be tactically disadvantageous to make it in our written evidence, no matter how tactfully.

The DDRB will be well aware of the point, and I doubt whether an explicit reference to it will have any significant effect on their recommendations. There is a very real risk, however, that such a reference could make it materially more difficult to persuade the profession to accept a low recommendation if one emerges. The Pilkington Royal Commission said in terms that the fear of repercussions should not be a factor in setting the professions' pay. Whatever we may think of the argument, I am sure the professions would be a good deal more hostile to a low award which they thought was based on such a fear. They raised precisely this point with the Prime Minister when they met her following rejection of the last report, and made it again with some force at the subsequent meeting with Patrick Jenkin. On both occasions they were given assurances that this had not been a factor in the rejection.

I would therefore be very reluctant to include the suggested paragraph. The point can be put to the Review Body when my officials give oral evidence, and I hope that on this basis you will agree the evidence can go forward as drafted.

I am copying this letter as before.

Norman Fowler

NORMAN FOWLER

22 DEC 1981

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



NBPM

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

3 December 1981

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

Dear Norman

DOCTORS' AND DENTISTS' REVIEW BODY: ECONOMIC EVIDENCE

Thank you for your letter of 30 November enclosing a draft economic evidence to the DDRB.

I am content with the draft, subject to one point which has already been put to your Private Office. I take your point that the professions are sensitive to suggestions that their pay should be held down as an example to others, but I think that there are reasonably tactful ways of putting the argument about repercussions, which is really no more than commonsense. I suggest inserting after the second sentence of paragraph 8 in the draft:

"Pay increases beyond this level are unjustified in themselves, and reduce the standards of service which can be afforded; they also have wider effects through repercussions on other groups and lead to self-defeating "leap-frogging".

It would then be convenient to put what follows (on job security) into a separate paragraph.

I am sending copies of this letter to the other recipients of yours.

Geoffrey Howe

GEOFFREY HOWE



JS

10 DOWNING STREET

From the Private Secretary

3 December 1981

DOCTORS' AND DENTISTS' REVIEW BODY:
ECONOMIC EVIDENCE

You sent me a copy of your Secretary of State's letter to the Chancellor of the Exchequer dated 30 November, enclosing a draft of the economic evidence for the Doctors' and Dentists' Review Body.

The Prime Minister is content for this evidence to be submitted as proposed by your Secretary of State.

I am copying this letter to the Private Secretaries to members of E(PSP), to the Secretaries of State for Defence, Scotland and Wales and to Sir Robert Armstrong.

M. C. SCHOLAR

Don Brereton, Esq.,
Department of Health and Social Security.

B.

Nat Health



MR. SCHOLAR

DOCTORS AND DENTISTS REVIEW BODY: ECONOMIC EVIDENCE

I saw, and commented on, the economic evidence for the DDRB at the drafting stage, and I am content with it in the form enclosed with Norman Fowler's letter of 30 November.

In his letter, Norman Fowler suggests that it would be harder to persuade the professions to accept a low pay award on the basis of the argument that a high one could have repercussive effects. This seems to me questionable, partly because the repercussion argument is so obvious, and partly because it is the implied basis for the first half of the economic evidence. Indeed, when the Prime Minister saw Sir Robert Clark on 5 May of this year, Tim Lankester recorded that she went out of her way to explain her concern on this score. The assurances given "by the Prime Minister and by Patrick Jenkin" appear to have been given by Mr. Jenkin (only) at a meeting with the BMA on 15 May, although the Prime Minister was present.

1 December 1981



CJV
AD

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

Prime Minister

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

John Vercher was involved in
the preparation of this evidence, and
30 November 1981

thinks it satisfactory.

John Geoffrey

*Yes not content for this evidence to
be submitted?*

DOCTORS' AND DENTISTS' REVIEW BODY : ECONOMIC EVIDENCE

MUS 2/12

I attach a draft of the economic evidence for the Doctors' and Dentists' Review Body. It would be submitted with two annexes: the Government's memorandum to the Inquiry into non-industrial Civil Service Pay (Megaw), and the Treasury Press Release of 15 September on Public Expenditure Planning: Cash Factors (including the notes for editors).

The draft is basically the version prepared by your officials: the only significant change is the omission of any reference to the possible repercussions a large award for the professions could have for other pay settlements. The professions are extremely sensitive to suggestions that their pay should be kept down as an example to others and in the last pay round they asked for - and were given - assurances on this point by the Prime Minister and by Patrick Jenkin. I feel that any introduction of this idea into our evidence would make it significantly harder to persuade the professions to accept a low award in due course.

Not quite right, I think:

I am copying this to the Prime Minister, to the members of E(PSP), to the Secretaries of State for Defence, Scotland and Wales, and to Sir Robert Armstrong. To meet the Review Body's deadline of 4 December, I must ask for any comments by close on Wednesday 2 December.

Tim Lankster's record of

the meeting says

that you went out of your way to stress the repercussive effects of a high pay award for the professions.

MUS

Norman Fowler

NORMAN FOWLER

DOCTORS AND DENTISTS REVIEW BODY
GENERAL ECONOMIC BACKGROUND

In their Eleventh Report, the Review Body confirmed that, in framing their recommendations, they take account of the economic circumstances affecting the nation generally. The Government welcomes this statement. In this section of the evidence the Government sets out its views on the nature and the importance of the economic considerations relevant to pay determination generally.

2. The financial instability caused by persistent and rapid inflation undermines the prospects for sustained economic growth. The Government's aim is to bring down the rate of inflation, and its monetary and fiscal policies have consistently been directed to this end. Considerable progress has already been achieved; and inflation is now around half the peak level of nearly 22 per cent reached in May 1980.

3. Monetary and fiscal policies create the overall context within which total income within the economy is determined. Excessive increases in pay reduce the scope for growth in output and employment. The international context is also important. The UK exports ^{around} 30 per cent of its total production against fierce overseas competition. And our home market is also vulnerable to imports. Our international competitiveness is therefore a key determinant of the level of employment and of the prospects for improved living standards.

4. Our past performance illustrates the damage which excessive pay settlements can cause. Over the five years to 1980 labour costs per unit of manufacturing output nearly doubled in the UK. In contrast, they rose by one-half in Canada, by one-third in the United States, by one-sixth in Germany and not at all in Japan. Almost all of the deterioration in UK competitiveness since the Government came to power can be put down to the higher rate of increase of UK labour costs compared to those of our competitors.

5. The Government has constantly emphasised the need for pay settlements to be kept as low as possible in order to improve the prospects for employment: realistic pay awards are an essential pre-condition for any lasting reduction in unemployment. Some progress has already been made. Since the beginning of this year lower pay settlements, together with increased productivity, have meant that unit wage costs in manufacturing have shown little increase. But this is only a beginning. Pay settlements which bear a proper relationship to productivity need to become a feature of our economy, as they are in the . . . strongest economies.

6. Some employees are not directly subject to the rigours of international competition. But no group can or should be immune from the need for realistic pay settlements compatible with what the country as a whole can afford and, in the case of public service employees, what the government and taxpayer can afford. Pay in the public services has a major influence on the health of the economy. It accounts for about 30 per cent of public expenditure. Excessive increases in this pay bill are bound to lead to increased taxation or borrowing (and, therefore, higher interest rates) with a damaging effect on private sector investment and costs, and on the prospects for economic recovery and employment.

7. While concepts such as productivity or output raise certain questions of definition in relation to the professions, the considerations set out above provide a frame of reference against which all questions of the determination of remuneration must be considered. The application of these considerations to the question of pay in the public services is discussed more fully in the memorandum submitted to the Inquiry into non-industrial Civil Service pay under the Chairmanship of Sir John Megaw. (The memorandum is attached as Annex A). That Inquiry is directed to Civil Service pay; but the general arguments in the memorandum are relevant to the public services outside the Civil Service.

8. The Government attach especial importance to the discussion in this memorandum of the necessity to give full weight in determining pay to market factors such as recruitment and retention. Rates of pay should not exceed what is necessary to recruit and retain staff of the right quality in the right numbers. ^{A further important factor is job security.} In their Eleventh Report, the Review Body recognised the high degree of job security enjoyed by the professions relative to other groups, and took account of this in reaching their recommendations (paragraph 43). The Government consider that these considerations are of crucial importance at a time of high unemployment and widespread redundancies, and they particularly welcome the announced intention of the Review Body to undertake a comprehensive examination of recruitment, retention and workload in the professions as part of the current review.

9. Finally, the Government wish to draw paragraph 4c of the memorandum at Annex A to the attention of the Review Body. This stresses that it is unrealistic to attempt to determine pay rates without regard to the resources available to finance them. What can be afforded is an essential consideration. In the public services, this fact has been expressed through the system of cash limits. The Government announced on 15 September the basis on which it had decided to provide for pay costs at the current stage of planning public expenditure. (A copy of the relevant statement and supporting material is

/attached

attached at Annex B). Ministers have not yet decided the cash limits for the National Health Service, but the Departments expect to be able to give the Review Body up-to-date information on this subject at the stage of giving oral evidence.

MEMORANDUM ON FUTURE PAY ARRANGEMENTS
FOR THE NON-INDUSTRIAL HOME CIVIL SERVICE

Submitted to the
Inquiry into non-industrial Civil Service Pay
under the chairmanship of the
Rt Hon Sir John Megaw

Civil Service Department
Whitehall
LONDON
SW1A 2AZ

OCTOBER 1981

Introduction

1. The Committee of Inquiry into Civil Service pay has asked* for "a memorandum setting out the main issues you believe the Committee should tackle and any views on them which you wish to place before the Committee". This memorandum is a first response to that request.

Background

2. About 7½ million people are employed in the public sector of the United Kingdom economy (broadly the nationalised industries, local authorities, National Health Service, the Civil Service and the Armed Forces of the Crown). Within this total the Government is directly responsible for the pay and conditions of service of some 690,000 civil servants (of whom 150,000 are industrial civil servants), some 323,000 members of the Armed Forces, and some 1.2 million employees of the National Health Service. The methods used to settle pay throughout the public sector vary. They reflect both the history and the particular nature of the service or industry concerned.

3. The factual background memorandum already submitted to the Committee by the Civil Service Department (Chapters 5-7) describes the arrangements for pay determination in the non-industrial Home Civil Service (which is the subject of the present inquiry) and their historical development. The pay determination system for the bulk of this service was embodied in formal Pay Agreements, negotiated with the unions, from which the Government has now withdrawn. The system derived from the recommendations of the Royal Commission on the Civil Service ("Priestley") which reported in 1955. The Committee will no doubt wish to study that report in detail. Its main conclusion was that the primary principle governing Civil Service pay should be "fair comparison" with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service.

*In a letter from the Chairman of the Inquiry, Sir John Megaw, to the Lord President of the Council dated 6 August 1981.

Why a new system?

4. The Committee will wish to know why the Government believes that the system derived from Priestley should now be brought into question. There are four main reasons -

a. Whatever its abstract merits, the Priestley system has not in practice worked well in recent years, and the resulting damage to its credibility has led to a loss of Civil Service and public confidence in it, as a means of settling Civil Service pay. In nine out of the last fifteen years the system has been over-ridden or implemented only after delay, often because its straightforward implementation would have conflicted with the formal incomes policies adopted by previous Governments. This in itself suggests that the system is no longer satisfactory: on more occasions than not it has not provided a means of solving the problem of pay for the Civil Service. This is partly because economic circumstances have changed since the mid-1950s, when there was near full employment, inflation was not a serious problem and pay increases indicated by the system were generally modest. It is also because of some characteristics of the system. There are two particular defects. First, a system based on comparability is almost bound to be "backward-looking" to some degree, and so is likely to generate increases which may be out of line with increases taking place elsewhere in the economy at the time. This poses particular problems at a time when the national interest requires a substantial reduction of inflation and inflationary expectations. And second, because any such system tends to establish expectations of entitlement to an increase in pay - but does nothing to take account of the fact that the cash allocations to meet these expectations cannot necessarily be made available.

b. An essential element in any pay system must be an attempt to assess the market and to consider whether pay rates are at the level required to recruit, retain and motivate the appropriate number of staff of the right quality. In the Priestley system it has been assumed, in effect, that the pay rates indicated by "fair comparisons" are a reasonable proxy for the market.

But it is increasingly questioned whether the system provides an

adequate reflection of the market rates of pay. It has tended to insulate Government employees from the realities of life as they exist in the private sector, partly because intangibles such as job security, which cannot be easily reduced to a cash value, are under-rated. The Government believes that the information available in the pay determination process should include a systematic analysis of recruitment and wastage. Such statistics need to be interpreted with care in relation to a service which is traditionally regarded as a lifetime career, because the results of failure to recruit and retain staff of sufficient quality may not be fully reflected in the performance of the service except over many years; but the ability to recruit and retain staff, as demonstrated in statistics, can help to show whether pay rates are in line with the market for each particular type of labour and thus "fair" both to employees and to the taxpayer.

c. We live in a world in which rapid economic changes - for example drastic changes in the price of oil - may require equally rapid and often harsh reaction. In such a setting "fairness" - certainly desirable - may not always be sustainable. Trading concerns have to react to such circumstances by laying off employees, or by acknowledging that no pay increase at all is possible. The public service cannot expect to be insulated from the impact of adverse economic developments simply because the money to meet the wage bill comes from the taxpayer. The questions of availability of finance and what can be afforded were treated as secondary in the old system and introduced, if at all, only as reasons for overriding the system and not as part of it. Outside Government, the ability of the employer to pay is inevitably a crucial part of the process of determining pay. It is true that the question of the Government's ability to pay involves judgements which are different from those which have to be made by private sector employers and often more complex. But the question is no less important for the Government for that reason. It involves the interests of every taxpayer and the economic health of the country. A system which ignored this and appeared to generate pay rates which were in some abstract sense, and without relation to availability of finance, "correct" was artificial and unreal. The Government's judgement of what it is justified in paying, taking account of financial and macroeconomic considerations and the competing claims of other elements in public expenditure, as well as of managerial considerations, must necessarily play an essential part in the process of determining what pay should be.

d. Even on its own terms, the old comparability system no longer commands confidence that it gives truly "fair" results. In the Government's view it is questionable whether comparisons were made with the right outside analogues; whether the wider problem of "circularity" - which has to be faced in any case if there is any tendency among private sector firms whose employees are taken as analogues automatically to reflect Civil Service pay increases - was not compounded by the use of public sector analogues; whether, given the growth of fringe benefits in the private sector, the valuation placed on them had not become too detailed and mechanistic; whether adequate allowance was made for the benefit to civil servants of index-linked pensions; and whether the methods used to evaluate pay research evidence, and to bring it up-to-date as a basis for negotiation, were justifiable.

Approach to a new system

5. As the Committee's terms of reference make clear, the Government starts from the proposition that there is a substantial public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service; in the orderly conduct of the business of Government and its services to the public; and in the maintenance of good industrial relations in the Civil Service. On the other hand there is an equally clear public interest in the provision of essential public services at maximum efficiency and minimum cost. The Government recognises that in a free society it is not possible in the long term to impose pay and conditions of service by fiat; and that there is an inevitable cost to the Exchequer and to society if pay in sensitive areas is settled by the process of industrial confrontation. It is therefore the Government's intention when the Committee's report is available to seek to negotiate a new Pay Agreement with the Civil Service unions which will be informed by the Committee's findings. In these negotiations the Government will aim to arrive at an ordered and agreed arrangement for determining Civil Service pay which, so far as possible: can endure; provides a sound basis for good industrial relations; is acceptable to the staff concerned; commands the confidence of both Parliament and the public; and takes proper account of broader economic considerations. The Government is under no illusions that it will be easy to reconcile these objectives but it looks to the Committee to help it to do so.

6. In negotiating any new agreement the Government will be seeking a means of arriving at rates of pay which are adequate but not excessive, to recruit, retain and motivate sufficient numbers of staff of satisfactory quality. The Government recognises that, in the longer term, Civil Service pay rates must bear a reasonable relationship to those of outside employers if serious management problems, including industrial relations difficulties, are to be avoided. The Government also recognises that comparisons with outside rates of pay and conditions of service in comparable employment provides a useful broad indication of what is required for these purposes. Comparability in some form plays a part in pay negotiations in the public and private sector alike. Accurate information about the labour market is a valuable management tool particularly for an employer like the Civil Service which has to recruit and retain a very wide range of employees in a wide variety of locations with different skills, aptitudes and qualifications.

7. At the same time, the Government strongly believes that it would be undesirable for any new arrangements to give rise to a presumption of an automatic entitlement to rates of pay based on pay comparisons without adequate regard being paid to other relevant considerations, including the Government's duty to control public expenditure and to manage the economy in the interests of the population as a whole.

8. This means that the process for determining civil service pay must take proper account of financial and macroeconomic considerations. The Government must in any event retain the right, in the last resort, to decide whether on any particular occasion the wider national interest should take precedence over the operation of any system, however well constructed. But the Government would prefer to have procedures which should make it possible for agreed settlements to be the general rule and for resort to "override" to be necessary only in exceptional circumstances. The Government would be grateful for the Committee's advice on how and at what stage financial and macroeconomic considerations can best be taken into account in the process of pay determination.

The basic issues

9. In carrying out its remit to make recommendations on the process by which the remuneration of the non-industrial Civil Service should be determined there are a number of important general issues which the Committee will want to examine and on which the Government would welcome the Committee's views -

a. The form of a new pay system.

It is obviously desirable that a new pay system should be agreed by the Government with the unions and it has already been made clear that it is the Government's intention to seek to achieve this. But how far should the new pay system be a highly structured one? How far should prior agreement on the use to be made of agreed factual analysis determine the outcome and how much should be left for negotiation?

b. The relative weight which should be attached in any new system to comparisons of pay and other conditions of service and to other factors such as the position on recruitment and retention, relative efficiency and relative job security.

Under the old system other factors besides those based on direct comparisons could be, and were, introduced into the negotiations which followed pay research but this was not done on a quantified or structured basis and the influence of such factors on the final outcome was relatively modest. The Government would particularly welcome an assessment of the practicability of evaluating such factors and recommendations on methods for doing this.

c. The scope under a new process of pay determination for keeping pay increases for the Civil Service more in phase with those in the community generally.

As explained in paragraph 4a. this problem has caused considerable difficulty in the past.

d. The reconciliation of any arrangements for pay determination in the Civil Service with the Government's general economic responsibilities for controlling public expenditure and maintaining the value of money.

This is an area of particular difficulty not only in deciding how financial and macroeconomic considerations can best be taken into account

in the process of pay determination but also at a more technical level in reconciling procedures and timetables for fixing cash limits and for negotiating Civil Service pay. The Treasury is ready to provide more detailed evidence on the public expenditure procedures involved, including the fixing of cash limits.

e. The reconciliation of the Government's ultimate accountability to Parliament for expenditure on Civil Service pay with an ordered pay system agreed with the unions.

Clearly if a new pay process is to be negotiated with the Civil Service unions and to have a reasonable prospect of long term acceptability it would need to pass two tests. First, it must be capable, in normal circumstances, of serving as the basis for pay settlements which are justified on management grounds and acceptable not only to the negotiating parties, but also to Parliament and the public. Second, it would need to contain as clear an indication as possible of the circumstances in which, and the manner by which, it could exceptionally be overridden by Government on wider policy grounds of the national interest. In considering these matters the Committee will wish to consider, for example, the role which Parliament might be invited to play.

f. The role of arbitration.

The Government accepts that arbitration will have a role to play in any new system for settling Civil Service pay as it has done since the Arbitration Agreement of 1925. The present Arbitration Agreement provides for unilateral access to arbitration, although successive Governments have consistently and publicly reserved the right to refuse access to arbitration on grounds of policy. It has also been accepted over the years that, while preserving the constitutional position that Governments cannot commit Parliament to expenditure without its approval, Governments would not invite Parliament to approve the setting aside of an arbitration award.* The Government has not withdrawn from the Arbitration Agreement

*The special arrangements to which the Government is committed for next year's pay settlement differ from this. The Government has accepted in advance of these negotiations that there should be access to arbitration should negotiations fail. It has however also expressly reserved the right to ask the House of Commons to approve the setting aside of any resulting arbitration award should the Government judge this to be necessary in the national interest. The arrangements derive from the particular circumstances of 1981 and should not necessarily be regarded as a precedent for the future.

with the Civil Service unions as it has from the Pay Agreements with them. But clearly the role of arbitration under any new system will need to be considered in the negotiation for any new Pay Agreement following the Committee's report. For the avoidance of misunderstanding, however, it should be made clear now that the Government attaches the greatest importance to ensuring that, whatever the future arrangements may be, it cannot be forced into an arbitration process with an award which it is required to implement regardless of circumstances. This could be achieved either by the Government reserving the right to withhold agreement to go to arbitration (making resort to arbitration subject to the consent of both sides) or by the Government reserving the right - perhaps subject to the agreement of the House of Commons - to override an arbitration award; or indeed by a combination of the two. There are arguments for and against each course, and the Government would be grateful for the Committee's views on the options. But it is in the Government's view essential to retain in the process of pay determination some safeguard preserving its right of ultimate decision in exceptional circumstances.

Technical issues arising in the process of comparison

10. If the Committee considers that a new system should provide for structured pay comparisons a number of technical questions would arise about how this should be done. The Committee's views would be particularly welcome on the following points -

a. Should comparisons be made with actual outside pay rates or with percentage movements in pay?

Comparison with percentage movements in pay could ease the problem of mis-match between the movement of Civil Service and outside pay referred to in paragraph 9c. But it is outside rates of pay for comparable work which reflect the real position in the labour market and hence affect the employer's ability to recruit and retain employees. Moreover, information on rates can be collected in much more detail so as to establish separate and more valid comparisons for different groups of staff.

b. What outside analogues should be used and how should they be selected?

Comparisons need to be as representative as possible. But any process of comparison runs the risk of circularity, with all major employers being influenced by the rates which others set. It has been suggested that this risk may be acute where comparisons are made with other public

sector analogues. The Scott Committee on the Value of Index Linked Pensions recommended the exclusion of public sector analogues from the field of comparison for both pay and pensions purposes. It has also been argued that the fields of comparison used by the PRU were biased in favour of large and "good" employers and took insufficient account of the realities of the wider labour market. There are also particular problems in using pay comparison where the Civil Service is itself the main employer of a particular type of staff; and, as with some professional staff, where significant numbers of the profession as a whole are self-employed.

c. Is "whole job" comparison the best approach?

This approach, used by the PRU, involved the identification of jobs in external organisations whose functions and responsibilities taken in the round were closely similar to Civil Service jobs. The Committee may wish to consider how far "whole job" comparisons are appropriate for all types of Civil Service work particularly at the higher levels where difficulties were experienced under the pay research system in making reliable comparisons. The Pay Research Unit Board for example suggested that the cut-off point for pay research should have been lower under the old system.

d. How should "fringe benefits", including index-linked pensions, be taken into account in the comparison process?

Outside pay rates need to be adjusted for differences in other benefits and conditions of service. The Committee will wish to satisfy itself that any new arrangements provide for these elements to be properly and stringently valued. The Scott Committee made recommendations on the evaluation of index-linked pensions. These are at present being considered by the Government.

e. What, if any, arrangements should there be to ensure that any data collected are "up to date"?

The techniques of adjustment to current rates used in the latter stages of operating in the old pay agreement were the subject of much criticism and especially the "uprating" of the outside rates collected by the PRU by reference to price movements. There are questions here of both principle and practice.

f. What organisational arrangements would be best suited to the collection of data under any new system and what role should any data collection agency play?

In examining this question the Committee will wish to consider the nature and status of any new data collection organisation. Should it be free-standing and visibly independent of management and unions? Could it be grafted on to an existing organisation like the Office of Manpower Economics? The Committee will also wish to consider the role of any new agency. Should the role be confined to the collection of data or extended into processing and analysing?

g. To what degree should the data collected for purposes of pay comparisons be made publicly available?

Much of the data collected by the Pay Research Unit was provided on a confidential basis by individual employers. But public confidence depends on public information. This problem links in with the role to be assigned to any new organisation charged with data collection.

Other issues

11. In addition to those described above there are other issues about the future pattern of Civil Service pay arrangements on which the Government would welcome the Committee's views -

a. What role should internal relativities play in settling pay rates?

Internal relativities are an important secondary factor in the determination of Civil Service pay rates. It is inevitable that in a structure as complex as that of the non-industrial Home Civil Service the pay of some groups of staff will need to be settled on the basis of an agreed internal pay relativity with that of another. In some areas there are also questions of vertical relativities with the industrial Civil Service. The arrangements which are made must enable pressing management problems to be dealt with by pay adjustments where these become necessary. There are also wider questions about the relationship between pay and grading structure. The problem is to achieve the best balance between considerations of internal management structure and the matching of pay rates for different groups to the outside market.

b. Is there a place for using merit pay in the Civil Service, and if so how should it be applied?

Outside the Civil Service, particularly in the private sector, extensive use is made of merit pay arrangements. But there are special management difficulties about the application of merit pay systems in the public service.

c. Is the use made of incremental scales in the Civil Service justified and are modifications desirable?

Apart from their possible use as an instrument for rewarding merit, questions arise here on the use of incremental scales as such.

d. Is there a case for introducing productivity bargaining into the pay system for the Civil Service?

Successive Governments have taken the view that the pursuit of improvements in productivity and efficiency of Civil Service operations is a management function with which staff are expected

to co-operate without special payment on the basis that such co-operation should be given in return for a fair rate of pay. This links with the problem of assessing comparative efficiency inside and outside the Service in making pay comparisons.

e. Is there a case for wider geographical variation in rates of pay for civil servants?

The system of "provincial differentiation" was abandoned in 1958, and Civil Service pay rates now apply nationally, with extra payments ("London weighting") to staff employed in Inner and Outer London. National rates are logical and convenient where there is an obligation or widespread practice of mobility; but for types of employment where there is considerable regional variation in pay levels (eg clerical and typing staff) it can lead to anomalies and distortions: over-payment in some areas and inability to recruit and retain staff in others. It is for consideration whether Civil Service rates for at least some (eg the non-mobile) grades, if not for all grades, should attempt to match local pay conditions more closely.

f. Is there scope for the introduction of "no industrial action" agreements into the Civil Service?

It is sometimes suggested that long term agreements on mechanisms for settling pay in the public services should be associated with some form of agreement restricting the right of staff to take industrial action. The Committee may wish to consider this possibility either in relation to the Service as a whole or for limited groups of staff engaged on particularly sensitive work.

Higher Civil Service Pay

12. The terms of reference of the Committee cover the non-industrial Civil Service as a whole. The Higher Civil Service have not been covered by the process of pay determination and negotiation which applies to the rest of the non-industrial Civil Service; recommendations on pay rates

for the Higher Civil Service are made by the Top Salaries Review Body (TSRB). This difference of treatment reflects both the difficulty of settling the pay of these senior management grades by any process of negotiation and the fact that rather different considerations apply in the settling of their pay, including not only relativities with senior levels in other public services but also relativities with Ministers. Nonetheless, problems have arisen from the co-existence of two separate processes of pay determination covering different parts of a unified career structure, and particularly at the "interface": the grades of Assistant Secretary (covered by the general system) and of Under-Secretary (covered by the TSRB) and their equivalents. The Committee will no doubt wish to have discussions about the position and the problems with the Review Body.

Conclusions

13. The Committee has been asked to advise both on the principles which should form the basis of a new pay arrangement for the Civil Service and on practical arrangements for applying it. Naturally both the principles and the practical arrangements will need to take account of other conditions of service and of other aspects of Civil Service management which bear on the question of appropriate remuneration. Accordingly the Committee has been given terms of reference which leave it free to examine any aspect of Civil Service management and practice which it regards as relevant to its task.

14. It will be apparent to the Committee that this first paper on issues is in part simply an annotated agenda. The Government is ready to provide fuller evidence on any of the points covered by it and indeed on any other matters where the Committee would find further information helpful to its work.



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15.9.81

PUBLIC EXPENDITURE PLANNING: CASH FACTORS

The Chancellor of the Exchequer announced in his Budget statement on 10 March, 1981 that the Public Expenditure Survey this year would, for the first time, be conducted in terms of prospective cash expenditure, rather than in terms of "constant prices". For this reason, the plans in the last Public Expenditure White Paper (Cmnd 8175) were, at the outset of the Survey, put onto a prospective cash basis, which included an allowance for cost increases between now and future years.

In the spring a provisional allowance was made for general increases in costs of 7 per cent between 1981-82 and 1982-83 and of 6 per cent and 5 per cent respectively for the following two years.

In now preparing for the main decisions on the cash totals for each programme, the Government has reviewed the provisional allowance for 1982-83 and has decided to use separate factors for pay and for other cost increases. These factors will be, for earnings, an increase of 4 per cent from due settlement dates in the coming year, and for other costs an increase of 9 per cent between this financial year (1981-82) and next (1982-83). This change has little net effect on the overall cash total of public expenditure, but it does affect the distribution between programmes.

The pay factor does not imply that all public service pay increases will or should be 4 per cent. Some may be less, and some may be more. There is no automatic entitlement to any particular pay increase: each must be justified on its merits. The pay factor is a broad measure of what the Government thinks reasonable and can be afforded as a general allowance for increases in pay, at this stage of fixing the programme from which the public service wage bill has to be met.

All public service wages are paid for from rates, taxes or borrowing. Excessive wage increases can only mean higher rates or taxes or further cut-backs, for example in public sector capital investment, which will cost jobs in both public and private sectors. The lower the level of pay settlements, the more there could be available for job creating investment throughout the economy.

The cash expenditure figures arrived at by applying these pay and price factors provide a framework for the further Ministerial decisions to be taken later. The final cash provisions for individual programmes, and where appropriate cash limits for next year, will follow from those further Ministerial decisions to be taken subsequently.

The Rate Support Grant paid to the local authorities for 1982-83 will be determined by Ministers' decisions on the cash provision for local authority services which may themselves be affected by overspending in the current year. But the

framework will be the plans revalued using these factors of 4 per cent for pay increases and 9 per cent for increases in other costs.

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Notes for Editors

Public expenditure surveys, Ministerial decisions on them, and public expenditure White Papers have hitherto been expressed throughout/prices in ruling at an earlier time, known as "constant prices" or "survey prices", rather than the prices which might be expected to rule at the time the money is actually spent. For example the March 1981 White Paper set out the plans for 1981-82 and later years in terms of "1980 survey prices": these were broadly the prices ruling in autumn 1979. The Chancellor announced in his Budget/speech the decision to express plans in future in terms of the prospective cash spend. He explained the objectives of the move to be to get away from the presumption inherent in the old volume system that what was once planned could always be afforded, however much its costs might have risen, to focus much more closely on the money actually spent, and to relate decisions to the cash that would be available. (Hansard, 10 March 1981, Col 768-9)

2. This year, as part of the change to cash planning, it is necessary to convert the existing plans in constant prices - 1980 survey prices - in the last public expenditure White Paper (Cmd 8175) to the new prospective cash basis, to act as a starting point for this year's survey.

3. This conversion was done on a provisional basis in the Spring so that work on the survey could be in cash from the outset. It allowed for a general increase in all costs of 7% between 1981-82 and 1982-83, and increases of 6% and 5% respectively for the following 2 years.

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It was envisaged from the outset that this provisional basis of revaluation would be reviewed at this point before the final stages of the survey, in which Ministers take their decisions. This review has now been made.

4. The 7% general factor provisionally applied for increases in all elements of cost between 1981-82 and 1982-83 is, as the notice says, to be replaced by separate factors of 4% for pay and 9% for other costs. The weighted average of these two factors is close to the provisional 7%. The change therefore will have very little net effect on the total for expenditure plans in 1982-83 in the last White Paper revalued to cash. But it does affect the split of totals by programmes.

5. The single factors for general increases in the subsequent 2 years, 6% and 5% respectively, are not changed.

6. The switch to cash planning has changed the sequence of decisions.

Decisions are no longer taken first on the plans in terms of "survey prices" and then on the cash limit factors to be used and Estimates. as part of the conversion of those decisions to cash limits/ Discussions and decisions on the survey are taken in cash throughout. This requires, at least for this year of the change, the general cash factors used in revaluing the existing plans from the old price basis to be confirmed - or to be revised - before the main decisions are taken. (This is some weeks earlier than the first cash limits factors would have been settled under the old system.)

7. Decisions on programmes may lead to reductions in some, increases in others compared with the last White Paper converted to cash. Such

decisions may include among other things, an adjustment upward or downward to the cash provision for a particular programme to allow, in whole or in part for movements in pay and prices which are especially affecting that programme and which are expected to differ significantly from these general factors.

8. As the decisions will be in cash, it will be possible to derive the cash limits from them without any further change in price basis. The presumption will be that cash limits will be set to correspond exactly to the decisions on programmes. Also, as now, the presumption will then be that cash limits, once set, will not be changed. If in an exceptional case, Ministers decide later to provide more cash than allowed in their original decisions on the programmes, that increase will have to be met from within the Contingency Reserve.

9. The 9% price factor represents what is considered realistic provision, on the basis of the information at present available, for the prices to be paid by departments. It is not a precise forecast.

10. The pay factor applies to the increase in earnings (basic pay plus overtime etc), not basic rates, and applies from settlement dates.

11. If a reduction in ^{manpower} numbers is planned (as in the Civil Service) that will be taken into account in the calculation of the provision for the relevant programmes.



*Dept ringing back
with name*

Nat Hlt

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

Michael Scholar Esq
Private Secretary
10 Downing Street

12 October 1981

*M type for pm. ww
12/10*

Dear Michael

Tim Lankester wrote to Don Brereton on 25 September enclosing correspondence from the Secretary of the General Dental Practitioners Association. I now enclose a draft reply the Prime Minister may wish to use.

*Yours ever
Mary McVerry*

MRS MARY McVERRY
Private Secretary

Alan G. Oakes

DRAFT REPLY TO THE GENERAL DENTAL PRACTITIONERS ASSOCIATION

Thank you for your letter of 21 September about the Doctors' and Dentists' Review Body and for the enclosed memorandum on the future of NHS General Dental Services.

I understand the disappointment of your Council at the Government's decision not to accept the Review Body's Report in full. I should like to reiterate the assurances given to you by Gerard Vaughan that we recognise the value of the Review Body system. The Government sees a fully independent Review Body as the best way to determine the pay of the professions. However, ever since the Review Body was set up some 20 years ago, it has been recognised that circumstances can arise in which the Government will be unable to accept its recommendations. This year the Review Body took national economic factors into account, but it still remains the case that ^{the} Government, and ^{a government} they alone, ^{is} are faced with the task of making the public expenditure sums add up. And we were convinced that there was no acceptable way of finding the money to implement the recommendations in full this year. I ^{know} fully recognise that reconciling the independence of the Review Body with strict cash limits has put the system under considerable strain this year. As Dr Vaughan mentioned, we are exploring ways of easing the problem for the future and this will require very careful consideration over the next few months.

I am sure you would not expect me to comment in detail on your note on the future of NHS General Dental Services but there are one or two issues I should like to touch on. First, you make the point that the formal channel between Government and the dental profession is through the British Dental Association and that your Council finds this unduly restrictive. I should like to stress that the arrangements for negotiation between the Health Departments and the dental profession are not set out in any agreed 'book of rules' but are largely based on convention and informal understandings. ~~In the Government's review,~~ ^{in fact} representation is ^a matter for the profession itself to decide. We would not ^{touching that} ~~consider it appropriate~~ ^{would} to intervene in ~~what~~ is an internal question for the different bodies representing dentists' interests.

Secondly, I do recognise the valuable contribution made by dentists to our health services. I should like to reassure you that this Government is committed to a mixed economy of NHS and private practice. The dentist's freedom to practise privately has been clearly recognised since the inception of the NHS and we would certainly not wish to see this changed.

Thirdly, in discussing the Eleventh Report of the Doctors and Dentists Review Body, you refer to the delayed implementation of the 1981/82 award. In fact a 6 per cent award on net pay has been made retrospectively to 1 April, although there has also been a deduction from dentists' expenses provision representing partial recovery of the payments above target average net income (TANI) in 1977/78 and 1978/79. In view of your concern about security for dentists, I should also say that from next year a new arrangement will apply whereby dentists' remuneration will be adjusted retrospectively to allow them to catch up for a year when they receive, on average, less than target income as well as allowing for recovery in other years of any payments above TANI.

Finally, I know that the Review Body welcomes comments from interested parties and I am sure they would be interested to receive a copy of your memorandum.

jfh

25 September 1981

In the Prime Minister's absence en route to the Commonwealth Heads of Government meeting in Australia, I am writing to thank you for your letter of 21 September.

This is receiving attention and a reply will be sent to you as soon as possible.

TPL

A.G. Oakes, Esq.

jfh

Nat Health

e

25 September 1981

g/c
I think the Prime Minister will need to reply herself to the enclosed letter from the Secretary of the General Dental Practitioners' Association. Could you please let us have a draft reply by Friday 9 October.

TPL

Don Brereton, Esq.,
Department of Health and Social Security.



CF

Not Health

RH

cc: DHSS

10 DOWNING STREET

26 June, 1981

THE PRIME MINISTER

Dear Dr. Rees,

Thank you for your letter of 13 June. I am afraid that a very full diary prevents me from being able to meet you and your colleagues. However, I do not think that I could add very much to what has already been said to the profession's representatives about the issues which you raise.

You ask whether the scales recommended by the Review Body could be implemented from some later date so as to keep within cash limits. As you will know, the Chairman of Council put this same point to me at my meeting with him, and I explained then why it would not be possible. I understand that the subject was also discussed in some detail at the meeting between Patrick Jenkin and the professions on 3 June. Staging or delaying pay awards has given rise to serious problems in recent years, and these devices were strongly criticised by the Select Committee on the Treasury and the Civil Service. In his response, the Chancellor of the Exchequer gave an undertaking that phasing would not be used to reconcile public service pay settlements with cash limits. In view of this, I do not feel further discussion of this point would be helpful. If there are other detailed points about this year's pay settlement which you would like to raise, this can probably best be done through the normal negotiating machinery.

I fully understand your Conference's anxiety about next year's Review Body award. As I have said, we are very conscious that we will need to find a more appropriate way of reconciling cash limits with the Review Body system. This is not only a matter of concern to junior doctors of course, but one affecting all members of the

/medical

RH

medical and dental professions as well as those groups covered by the other Review Bodies. In fact, consideration of possible approaches will have to be in the wider context of public sector pay generally. A great deal of ground clearing will thus be necessary before it is sensible for Ministers to get involved in discussions with individual groups. I know Patrick Jenkin is very aware of the particular problems of junior doctors, but if there are any points - apart from those you have already made in your letters to me - which you feel should be kept in mind, perhaps you would like to let him have a note of them.

Yours sincerely

Margaret Thatcher



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

Tim Lancaster Esq
Private Secretary
No 10 Downing Street

23 June 1980

Dear Tim

You wrote to Don Brereton on 16 June enclosing correspondence the Prime Minister had received from Dr Michael Rees, Chairman of the Hospital Junior Staff Committee.

I now enclose a draft the Prime Minister may wish to send on her reply to Dr Rees.

ENC

Yours ever

Mary McVerry

MARY McVERRY (MRS)
Private Secretary

CF
Nat Health

SM

MSM

✓

Thank you for your letter of 13 June. I am afraid that a very full diary prevents me from being able to meet you and your colleagues. However, I do not think that I could add very much to what has already been said to the profession's representatives about the issues which you raise.

You ask whether the scales recommended by the Review Body could be implemented from some later date so as to keep within cash limits. As you will know, the Chairman of Council put this same point to me at my meeting with him, and I explained then why it would not be possible. I understand that the subject was also discussed in some detail at the meeting between Patrick Jenkin and the professions on 3 June. Staging or delaying pay awards has given rise to serious problems in recent years, and these devices were strongly criticised by the Select Committee on the Treasury and the Civil Service. In his response, the Chancellor of the Exchequer gave an undertaking that phasing would not be used to reconcile public service pay settlements with cash limits. In view of this, I do not feel further discussion of this point would be helpful. If there are other detailed points about this year's pay settlement which you would like to raise, this can probably best be done through the normal negotiating machinery.

I fully understand your Conference's anxiety about next year's Review Body award. As I have said, we are very conscious that we will need to find a more appropriate way of reconciling cash limits with the Review Body system. This is not only a matter of concern to junior doctors of course, but one affecting all members of the medical and dental professions as well as those groups covered by the other Review Bodies. In fact, consideration of possible approaches will have to be in the wider context of public sector pay generally. A great deal of ground clearing will thus be necessary before it is sensible for Ministers to get involved in discussions with individual groups. I know Patrick Jenkin is very aware of the particular problems of junior doctors, but if there are any points - apart from those you have already made in your letters to me - which you feel should be kept in mind, perhaps you would like to let him have a note of them.



10 DOWNING STREET

THE PRIME MINISTER

19 June 1981

Dear Dr. Fradd

Thank you for your letter of 2 June. I am sure that most doctors understand the reasons why the Government could not accept the recommendations of the Doctors' and Dentists' Review Body this year, and that they will consider our decision in a responsible way. I am pleased that your Association has also taken this view and accepts the need for restraint.

Like you, we welcome the Review Body's decision to undertake a comprehensive examination of workload and manpower. The survey of junior doctors' hours of work will actually be undertaken by the Office of Manpower Economics, on behalf of the Review Body, rather than by the Government, and it is for them to decide exactly what it should cover. We certainly want to be as helpful as possible, however, and Patrick Jenkin has already made clear that his Department will assist OME in whatever way they can.

I should also mention that the current enquiry by the Select Committee on Social Services will be very relevant - particularly in relation to career prospects in the hospital service - and their Report should provide much valuable material.

signed

MT

Dr. S.O. Fradd

jfh



*A type for pm
wa
vs la*

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

Willie Rickett Esq
Private Secretary
10 Downing Street

17 June 1981

Dear Willie

You wrote to Mike Tully on 4 June enclosing correspondence the Prime Minister had received from Dr Fradd Chairman of the Executive of the Hospital Doctors Association.

I now enclose a draft the Prime Minister may wish to use in her reply to Dr Fradd.

*Yours ever
Mary McVerry*

MARY MCVERRY (MRS)
Private Secretary

DRAFT REPLY TO HDA

Thank you for your letter of 2 June. I am sure that most doctors understand the reasons why the Government could not accept the recommendations of the Doctors' and Dentists' Review Body this year, and that they will consider our decision in a responsible way. I am pleased that your Association has also taken this view and accepts the need for restraint.

Like you, we welcome the Review Body's decision to undertake a comprehensive examination of workload and manpower. The survey of junior doctors' hours of work will actually be undertaken by the Office of Manpower Economics, on behalf of the Review Body, rather than by the Government, and it is for them to decide exactly what it should cover. We certainly want to be as helpful as possible, however, and Patrick Jenkin has already made clear that his Department will assist OME in whatever way they can.

I should also mention that the current enquiry by the Select Committee on Social Services will be very relevant - particularly in relation to career prospects in the hospital service - and their Report should provide much valuable material.

FILE

R H

Aut Health

16 June, 1981

BF 24.6.81

I enclose a copy of a letter the Prime Minister has received from Dr Michael Rees, Chairman of the Hospital Junior Staff Committee.

I should be grateful if you could provide us with a draft reply for the Prime Minister to send to Dr Rees stating that she will not be able to meet a small deputation from the Hospital Junior Staff Committee to discuss their pay award. It would be helpful if this could reach us here by Thursday, 25 June.

L. P. LANKESTER

CS

D Brereton, Esq
Department of Health and Social Security

vb

15 June 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 13 June. This is receiving attention and a reply will be sent to you as soon as possible.

TPL

Dr. Michael Rees





10 DOWNING STREET

Prime Minister

This is a further
letter from the junior doctors,
which I fear you will
have to reply to.

They want -

a) DDAB recommendations
implemented from 1 August
for junior doctors, no
increase before then. This
would amount to staging,
so has to be resisted.

b) a meeting with
you. I think we should
resist this.

Resist not

It is

BRITISH MEDICAL ASSOCIATION

TAVISTOCK SQUARE LONDON WC1H 9JP

Telephone: 01-387 4499
Telegrams: MEDISECRA LONDON WC1H 9JP

Secretary: J. D. J. Havard
MA MD LLB

Your Reference
Our Reference MRR/SJH

13th June, 1981.

cc Ann Min

The Rt. Hon. Margaret Thatcher M.P.,
10 Downing Street,
London.
SW1.

Dear Mrs. Thatcher,

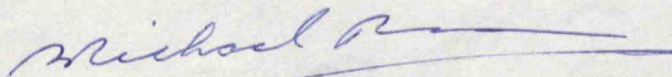
Thank you for your letter of 9th June, about the latest report of the Doctors' and Dentists' Review Body.

At its annual meeting today the Conference of Representatives of Junior Hospital Doctors noted the imposition of an award this year within the cash limit of 6% set by the Government. However, it could see no good reason why the award should be implemented by means of a 6% addition to the salary scales from 1st April, as has been proposed by Officials of the Department of Health & Social Security. I have been asked to request that the pay scales as recommended by the Review Body be implemented, so far as hospital junior doctors are concerned, from 1 August, 1981. The total salary increases for this group would thus remain with the 6% limit.

I was pleased to note the importance which the Government attaches to the continuing existence of the independent Review Body, and that you wish to explore ways of introducing greater flexibility in the future. We are greatly concerned about the possibility of interference with Review Body recommendations for next year, and my Committee has today been instructed to review plans for the action it would have to take in the event of any future Government interference.

I would, therefore, be grateful if you would agree to receive a small deputation from my Committee to discuss both the way in which the reduced award is to be implemented this year and the question of the operation of a fair system for reviewing the pay of junior hospital doctors in future.

Yours sincerely,



MICHAEL R. REES
CHAIRMAN HOSPITAL JUNIOR STAFF COMMITTEE



file

cc: DHSS
Nat Health
DSG

10 DOWNING STREET

THE PRIME MINISTER

9 June 1981

CR

Dear Mr. Rees,

Thank you for your letter of 20 May about the Eleventh Report of the Doctors and Dentists Review Body. I understand the disappointment of your members at the Government's decision not to accept the Report in full, and I am particularly conscious of the difficulties this decision will cause in the year that saw your return to the Review Body system.

Like you, I recognise the value of this system and the Government attaches great importance to maintaining a fully independent Review Body as the best way to determine the pay of the professions. Our decision was not taken lightly. Ever since the first Review Body was set up some twenty years ago, however, it has been recognised that circumstances can arise in which the Government will be unable to accept its recommendations.

As you say, the Review Body took national economic factors into account. But the Government must look at matters from a different perspective: they, and they alone, are faced with the task of making the public expenditure sums add up. Any award must be paid for, and any Government must decide what level of public expenditure the country can afford. Within this total, increased spending on one item must be balanced by reductions elsewhere and this year we are convinced that there is no acceptable way of finding the money to implement the recommendations in full. These are the "clear and compelling" reasons for

/ our

BIC

our decision. I must stress that there is no sense in which this decision indicates less sympathy for junior doctors than other groups. They are being treated in the same way as all other doctors and dentists, as other staff in the NHS and as others in the public sector generally. Indeed, nearly 2 million public sector employees have already reached settlements consistent with the same 6 per cent pay factor in the cash limit.

The Review Body recommendations are relatively favourable for junior doctors compared to other groups, and we are willing to maintain this relative advantage within a 6 per cent average if the profession so wishes. We will also accept the recommendations not directly related to overall remuneration which will be of advantage to your members - payment of the Miscellaneous Expenses Grant from 1 April without off-setting, and additional leave for house officers. Most importantly, we welcome the planned survey of junior doctors' hours and workload, and I believe Patrick Jenkin has already told you his Department will assist with this in whatever way they can.

In conclusion, let me emphasise once again the importance we attach to the continuing existence of the Review Body. We recognise that reconciling the independence of the Review Body with strict cash limits has put the system under considerable strain this year, and that we will have to explore ways of introducing greater flexibility in the future: this is obviously a problem to which we must devote a great deal of thought over the next few months.

Yours sincerely,

(sgd) MT

M. R. Rees, Esq.



File 16

10 DOWNING STREET

From the Private Secretary

4 June 1981

I am writing on behalf of the Prime Minister to thank you for your letter to her of 2 June.

Your letter is receiving attention, and you will be sent a reply as soon as possible.

MAP

Dr. S. O. Fradd.

PPWR

801

3rd rem. FILE
15/6

VLB

DR. FRADD

11/6

4 June 1981

I enclose a letter to the Prime Minister from Dr. Fradd, Chairman of the Executive of the Hospital Doctors' Association. He warns of possible industrial action over the pay award for doctors and dentists. He suggests that implementing the Review Body's recommendation for an investigation into the hours worked by junior doctors is the only way of avoiding this.

The Prime Minister has seen this letter. Since the Review Body reports to her, she wishes to reply herself. I should be grateful if you would provide a suitable draft by 11 June. Dr. Fradd has copied his letter to the national press.

M A PATTISON
(FOR W RICKETT)

Mike Tully, Esq.,
Department of Health and Social Security.

Wfo



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

*Typed for
PM 8/6
sl.*

Mike Pattison Esq
Private Secretary
10 Downing Street

4 June 1981

Den Mike MR

Thank you for your letter of 21 May, enclosing one the Prime Minister received from Dr Michael Rees, Chairman of the Hospital Junior Staff Committee of the BMA.

I attach, as requested, a draft reply which the Prime Minister may wish to send.

Yours ever
[Signature]

DON BRERETON
Private Secretary

Enc

Draft Reply to Dr M R Rees

Thank you for your letter of 20 May about the Eleventh Report of the Doctors and Dentists Review Body. I understand the disappointment of your members at the Government's decision not to accept the Report in full, and I am particularly conscious of the difficulties this decision will cause in the year that saw your return to the Review Body system.

Like you, I recognise the value of this system and the Government attaches great importance to maintaining a fully independent Review Body as the best way to determine the pay of the professions. Our decision was not taken lightly. Ever since the first Review Body was set up some 20 years ago, however, it has been recognised that circumstances can arise in which the Government will be unable to accept its recommendations.

As you say, the Review Body took national economic factors into account. But the Government must look at matters from a different perspective: they, and they alone, are faced with the task of making the public expenditure sums add up. Any award must be paid for, and any Government must decide what level of public expenditure the country can afford. Within this total, increased spending on one item must be balanced by reductions elsewhere and this year we are convinced that there is no acceptable way of finding the money to implement the recommendations in full. These are the "clear and compelling" reasons for our decision. I must stress that there is no sense in which this decision indicates less sympathy for junior doctors than other groups. They are being treated in the same way as all other doctors and dentists, as other staff in the NHS and as others in the public sector generally. Indeed, nearly 2 million public sector employees have already reached settlements consistent with the same 6 per cent pay factor in the cash limit.

The Review Body recommendations are relatively favourable for junior doctors compared to other groups, and we are willing to maintain this relative advantage within a 6 per cent average if the profession so wishes. We will also accept the recommendations not directly related to overall remuneration which will be of advantage to your members - payment of the Miscellaneous Expenses Grant from 1 April without off-setting, and additional leave for house officers. Most importantly, we welcome the planned survey of junior doctors' hours and workload and I believe Patrick Jenkin has already told you his Department will assist with this in whatever way they can.

In conclusion, let me emphasise once again the importance we attach to the continuing existence of the Review Body. We recognise that reconciling the independence of the Review Body with strict cash limits has put the system under considerable strain this year, and that we will have to explore ways of introducing greater flexibility in the future: this is obviously a problem to which we must devote a great deal of thought over the next few months.

26
3 June, 1981.

I write on behalf of the Prime Minister to thank you for your letter to her of 2 June. This is receiving attention, and a reply will be sent to you as soon as possible.

W. F. S. RICKETT

Dr. Simon Fradd

E. R.

X 1

PRIME MINISTER

c.c. Press Office

You ought to be aware of the attached letter from the Chairman of the Hospital Doctors' Association. Dr. Fradd has copied his letter to the national press. He says that it may be impossible to prevent industrial action over the 6% pay award for doctors and dentists unless the Review Body's recommendation for an investigation into the hours worked by junior doctors is implemented.

Content for Mr. Jenkin to reply on your behalf?

WPSH

No. the Review
 Body reports
 to me. I shall

3 June, 1981.

have to reply.
 not.

pm a Press

HDA

HOSPITAL DOCTORS' ASSOCIATION

Constituent Body of the British Hospital Doctors' Federation

Please note:

A COPY OF THIS LETTER HAS BEEN SENT TO
THE NATIONAL PRESS.

John Fradd

S.O.FRADD BSc MB BS. 2.6.81.

The Old Court House
London Road
ASCOT, Berks.

Telephone Ascot 26613

With Compliments

Formerly JUNIOR HOSPITAL DOCTORS' ASSOCIATION



HOSPITAL DOCTORS' ASSOCIATION

Constituent Body of the British Hospital Doctors' Federation

**The Old Court House
London Road
ASCOT, Berks. SL5 7EN**

Telephone Ascot 26613

SOF/PM

Mrs. Margaret Thatcher,
Prime Minister,
10 Downing Street,
London S.W.1.

June 2nd 1981.

23

Dear Mrs Thatcher,

You have probably heard that Dr. Micheal Rees, Chairman of the Hospital Junior Staff Committee of the B.M.A. is currently balloting junior doctors and encouraging them to support industrial action against your 6% pay award for doctors and dentists.

As Chairman of the Hospital Doctors Association which represents 2000 hospital doctors I should like to draw your attention to the fact that this association publicly accepted your 6% pay rise in November 1980 and reiterated this statement in our evidence to the Review Body on Doctors and Dentists Remuneration.

The association is of the opinion that junior hospital doctors are prepared to settle for a 6% pay increase in the present financial situation of the country. However, I feel that it may prove impossible to prevent industrial action if the Review Body recommendation for an investigation into junior doctors excessive hours of work is not rapidly implemented.

Furthermore, I feel that junior doctors concern with the withdrawal of study leave and the rapidly deteriorating career prospects in the hospital service is currently so great that the Government should include these in any investigation.

The Hospital Doctors Association Executive will continue to publicly support restraint at this time but we would value your assistance as indicated.

Yours sincerely,

S.O.FRADD BSc MB BS.
CHAIRMAN OF THE EXECUTIVE

Enc: Copy of HDA evidence to Review Body - 1981.

EVIDENCE SUBMITTED TO THE DOCTORS AND DENTISTS REVIEW BODY
BY THE HOSPITAL DOCTORS' ASSOCIATION - 1981.

INTRODUCTION

This Association is again submitting evidence for the DDRB's consideration. We are an independent group representing the interests of junior hospital doctors only. We firmly believe, and are sure that the DDRB and the DHSS will not disagree, that junior hospital doctors probably contribute more towards the smooth day-to-day running of British hospitals than any other group of workers within the NHS. However, the HDA is alarmed at the growing discontent amongst juniors about their own terms and conditions of service and the rapid deterioration in standards within the National Health Service as a whole. Today's junior is alarmed by deterioration in the Health Service due to the economic recession, spending cuts within the NHS appear to have more effect on the junior than any other worker: not only have there been direct consequences of cut backs in the almost total national withdrawal of study leave, locum cover for annual leave and loss of residential facilities, but also withdrawal of ancillary services such as out-of-hours laboratory and radiographic investigations has meant a greater amount of clinical responsibility and a considerable increase in the workload of junior hospital doctors. Added to this significant deterioration in the working conditions of junior hospital doctors there has been a very determined assault by most employing authorities on junior doctor overtime assessments, so that he now

..
finds himself working harder for less money.

In addition to the extra work and additional clinical responsibilities forced upon juniors by the economic recession there are several other factors adding to the air of general despondency amongst hospital junior staff. Although most of these issues concern matters beyond the brief of the DDRB we would like to bring them to the Review Body's attention and hope that you will bear these matters in mind when considering our evidence.

- 1) REDUNDANCY The Todd report recommended extravagant increases in medical student intake based on predictions of population and economic growth which we now know to be totally incorrect. Despite the proof that these forecasts were wrong the Government shows no willingness whatsoever to either freeze or reverse Todd's programme of medical education expansion and, similarly, is not prepared to expand the hospital doctor establishment to accommodate the extra students now qualifying. We have no doubt that the gloomy forecasts of widespread medical redundancy within the next few years will be proven correct.

- 2) CAREER STRUCTURE For those doctors lucky enough to have jobs , promotion prospects have been deteriorating gradually over the last twenty years. Today's career structure for hospital doctors is hopelessly outmoded, a fact that even the DHSS is prepared to admit. However, it is unlikely that any changes in career structure that the DHSS are now considering will have any significant affect

on promotion prospects for several years yet. We hope that the Review Body realises that the salary scales it recommends are geared to a career structure founded on the assumption that the average age when a hospital doctor is promoted to the grade of consultant is 32. In fact the average is now 38 years and is still rising.

- 3) STRESS-INDUCED DISEASES Perhaps this could be considered to be within the brief of the Review Body, as a significant improvement in the terms and conditions of junior doctors would almost certainly be reflected in a beneficial affect on the mortality and morbidity statistics for hospital medical staff. We assume that the Review Body is already aware of these figures which show that the average hospital doctor runs an increased risk of illness and/or death due to ischaemic heart disease, peptic ulceration and psychiatric illness including suicide, drug abuse, and alcoholism.

This Association has always approved of the principal of an independent Review Body to decide on the remuneration of medical staff. However, our colleagues in the Hospital Junior Staff Committee of the British Medical Association have refused to give evidence to the DDRB for the past two years. This year the HJSC has reversed that decision and will be presenting evidence on behalf of their members. Hopefully this will mean that the Review Body will not use the same excuse it used last year for failing to make any substantial decisions concerning the plight of junior doctors.

Especially in view of the fact that we are reasonably certain that there is little difference between the evidence that will be presented by the HJSC and this Association. We hope that the Review Body will now believe junior doctors when they say that their pay is totally inadequate for the appalling conditions of service they have to suffer.

Our submission this year, as in previous years constitutes a request for more pay and less hours. Although we are prepared to admit that we have this much in common with virtually every other trade union in the country, we seriously feel that our plea is considerably more justifiable than that of other workers.

BASIC SALARY

<u>COUNTRY</u>	<u>DOCTORS PER 10,000 POPULATION</u>	<u>SALARY*</u>
ITALY	19.9	150-200
W.GERMANY	19.4	120-180
CANADA	16.6	120-150
U.S.A.	16.5	150
NORWAY	16.5	120
SWEDEN	16.2	120
NETHERLANDS	14.9	150-250
FRANCE	13.9	180-250
AUSTRALIA	13.9	200-250
U.K.	13.4**	100
FINLAND	13.3	120
JAPAN	11.6	no figures available.

We hope that this table does not require any explanation, it shows fairly convincingly that junior hospital doctors in the United Kingdom work harder for less money than comparable grades of junior in countries with a similar hospital service to the NHS. In the past the Review Body has expressed its confidence in comparative pay analysis and this Association has replied by criticising their use of the New Earnings Survey and comparing us with other "professional" groups of workers. If the Review Body is not prepared to accept our submission that the N.E.S. was incomplete and ill-conceived then perhaps they will accept our submission that junior doctors are unique in having to work such long hours and with such unusual responsibilities that they can only be compared with their own kind. If the Review Body has any intentions of increasing junior doctor remuneration to suitably "professional" standards we suggest it undertake a pay analysis between juniors in this country and in other comparable health services, taking into account the average working week and responsibilities of each of the groups compared.

This Association has no desire to be branded as economically irresponsible. We accept the current economic recession and the Governments need for restraint at this time. We have already stated publicly and will repeat it here in our evidence to the DDRB that we are prepared to accept a pay rise within the limits set by the Government for the public sector. However, in return for this we demand assurances that junior staff pay will

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be reviewed independently, that the review be based on a method of comparative pay analysis that is both relevant to and acceptable to junior hospital doctors and that the review's recommendations be implemented as soon as economic circumstances permit. Only under these conditions can this Association agree to a pay settlement within Government spending limits.

HOURS OF DUTY.

In the past this Association and the Review Body have managed to agree on the basic principle of a maximum working week of 80 hours for junior hospital doctors. We have pointed out before that there is an anomaly in junior doctors working a 1 in 3 rota being required to cover for colleagues absent on annual leave as this will require juniors to work in excess of 80 hours per week for at least 13 weeks of the year (assuming each colleague takes 5 weeks annual leave, 1 week of study leave and 3 bank holidays in lieu).

However we are most seriously worried by the fact that the majority of employing authorities continue to flaunt their disregard of the Review Body's recommendation by continuing to employ a significant number of doctors working 80 hours a week or more. In a survey*** we believe to be representative, this Association has noted that 50% of junior doctors contracts are for more than 12A-UMT's. Taking into account a UMT allowance of 1 unit each for "flexibility" and cover for colleagues annual leave (but not taking into account the majority of A.H.A.'s reluctance to pay the full number of UMT's for the hours worked by their juniors)

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this would suggest that the majority of junior doctors are working more than 80 hours per week.

However, we are sceptical that anything the Review Body or the DHSS recommends will have any effect until employing authorities are penalised financially for forcing doctors to work long hours of duty.

OVERTIME PAYMENTS

For the reasons we have outlined above and in previous submissions to the Review Body we believe that the only way that hospital doctors will ever be able to work less hours of duty will be for them to be paid overtime at a minimum of Base Rate. We would further suggest that a Premium Rate in excess of Base Rate, be paid for any hours worked over 80 per week. We suggest a minimum Premium Rate of 150% i.e. time and a half.

We also suggest the abandonment of the B-unit system ; no junior on call at home " for telephone advice only" can ever be absolutely certain that he will not be required to go into the hospital to attend an emergency. Any doctor who refuses to attend a patient would be leaving himself open to charges of Professional Negligence.. The continued existence of the B-unit is not only unethical but also, by offering a potential spending cut by down grading A-units, represents one more method that area health authorities use to ignore the spirit of our Terms and Conditions of Service.

OTHER MATTERS

During previous submissions to the Review Body this Association has

listed several grievances concerning our Terms and Conditions of Service, but will not do so on this occasion, although these grievances still stand. We would be pleased to submit further evidence on these matters either verbally or in writing, if the DDRB wishes. We do not wish to detract from our basis submission that juniors work too hard, for too long, for too little and that this state of affairs needs to be changed.

CONCLUSIONS

Neither this Association nor our colleagues in the HJSC have ever supported the concept of industrial action by junior hospital doctors. Since the junior doctor work-to-rule in 1975 the DHSS has always been careful to maintain remuneration and conditions of service sufficiently acceptable to keep the majority of juniors apathetic to the idea of taking any definite action to improve their standards. However, the DHSS has seriously miscalculated during the past three years and junior medical staff moral has fallen significantly and the majority of junior doctors believe they are part of a persecuted minority and can see no way out of their dilemma.

This Association will continue to take a stand against any industrial action but if no guarantees are forthcoming that our pay and conditions will be significantly improved when the state of the economy permits we do not believe we will be able to give assurances on behalf of the medical profession that junior hospital doctors will not take industrial action again.

REFERENCES

- * Estimated average salaries of 4 year qualified hospital doctor expressed as percentage of U.K. value : HDA survey 1980.

- ** Figures derived from totals for Scotland, Northern Ireland and England and Wales: Royal Commission on the NHS (CMND 7615).

- *** Job descriptions for Junior Medical Staff, Coventry South AHA.

JJFH/PM

December 1980.

21 May 1981

The Hospital Junior Staff Committee of the BMA have sent the attached letter to the Prime Minister, objecting to the Government's decisions on the 1981 DDRB recommendations.

Could you please let us have a suitable draft reply by 4 June.

M A PATTISON

Don Brereton, Esq.,
Department of Health and Social Security.

21 May 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 20 May, about the recommendations of the 1981 Review Body on Doctors' and Dentists' Remuneration.

Your letter is receiving attention, and a reply will be sent to you as soon as possible.

M A PATTISON

M. R. Rees, Esq.



*Met
Hawth* 2

10 DOWNING STREET

PRIME MINISTER

The Junior Doctors have written to protest about the Government decisions on the DDRB recommendations.

We will let you have a draft reply - unless you would prefer Patrick Jenkin to respond on your behalf?

MP

*I must reply
mf*

21 May 1981

cc Press Office ✓

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BRITISH MEDICAL ASSOCIATION

TAVISTOCK SQUARE LONDON WC1H 9JP

Telephone: 01-387 4499
Telegrams: MEDISECRA LONDON WC1H 9JP

Secretary: J. D. J. Havard
MA MD LLB

Your Reference
Our Reference MRR/SJH

20th May, 1981.

The Rt. Hon. Margaret Thatcher M.P.,
10 Downing Street,
London.
SW1.

Dear Mrs. Thatcher,

I was extremely disturbed to hear of your decision not fully to implement the recommendations of the 1981 Review Body on Doctors' and Dentists' Remuneration.

My Committee will, I am sure, regard this decision with alarm. In discussing the Eleventh report prior to its publication the Committee made clear its view that if the Independent Review Body took all economic factors into account in arriving at its recommendations it could not see that there could be any "clear and compelling" reason for such an award to be overturned.

I, personally, have found this year's report has given sympathetic consideration to the evidence given by the Hospital Junior Staff Committee, and I am sure that my Committee would have seriously considered accepting the Review Body recommendations, and might well have seen the Report as a full justification of their decision to give evidence this year.

However, your decision not fully to implement the report will be bound to raise the question of the future credibility of the Review Body. Surely, the Review Body was set up to avoid strife in the settlement of doctors remuneration? Just as surely, the decision not to implement the Report will cause frustration and resentment among junior doctors, who already have developed the view that the Health Departments have been treating them with a great deal less sympathy than other groups of doctors since your Government took office; particularly in respect of the issues of greatly increased rents for doctors in hospital accommodation, which were also back dated, the refusal to grant the same car allowances that have been agreed with the Consultants and the refusal to agree to alterations in doctors terms and conditions of service unless they were off-set against salary.

I am sure that you are aware that junior doctors work an average of 90 hours per week and are paid 'over-time' at a maximum rate of one third of their basic salary. We are now seeing a decline in the career opportunities for hospital junior doctors as well as an increase in uncertainty over

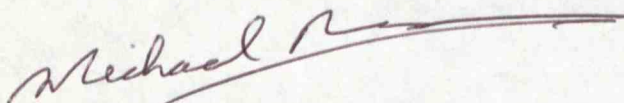
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continued employment.

Now junior doctors seem to be faced with the prospect of any independent review of their salary being disregarded. The Review Body clearly state in their report that they have taken the general economic circumstances of the nation into account in arriving at their recommendations. In so doing, they have reduced our original pay claim of 20%, which was based on sound economic advice, to a figure of 9%. Why then, does your Government feel it necessary further to reduce to a 6% pay offer? The only conceivable reason, must be to ensure that in so doing the pay settlements of other groups in the public sector would not be excessive. In taking this action you have brought doctors into a situation of direct negotiations and possible conflict with Government, a situation which junior doctors were anxious to avoid this year, and resulted in their decision once again to give evidence to the Review Body after a two year absence.

If doctors are faced with the need to take some form of industrial action to defend their livelihood they have to cope with the added ethical and moral problem of ensuring that patients do not suffer as a result, which was one of the main reasons for the establishment of the Review Body system. I therefore appeal to you to implement in full the recommendations of the 1981 Review, for in so doing you will ensure that doctors will continue to regard the Review Body as the most appropriate means of settling pay and avoiding disputes.

Yours sincerely,



MICHAEL R. REES,
CHAIRMAN, HOSPITAL JUNIOR STAFF COMMITTEE

Next Health

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10 DOWNING STREET

From the Private Secretary

18 May 1981

My record of the Prime Minister's meeting with the BMA and BDA representatives last Friday was circulated earlier today. I regret that there were some typing errors on pages 2, 3 and 5, and I now enclose a corrected version.

I am sending a copy of this letter and enclosure to John Wiggins (HM Treasury) and David Wright (Cabinet Office).

A. P. LANKESTER

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Don Brereton Esq
Department of Health and Social Security

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Mr Ingham
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SUBJECT

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND REPRESENTATIVES OF THE BRITISH MEDICAL ASSOCIATION AND BRITISH DENTAL ASSOCIATION AT 0900 HOURS ON FRIDAY 15 MAY AT 10 DOWNING STREET

Present:

Prime Minister	Mr. A. Grabham, Chairman of the BMA Council
Secretary of State for Social Services	Mr. J. Havard, Secretary to the BMA
Mr. T.P. Lankester	Mr. G. Daley, Chairman of the BDA Council
	Mr. S. Richardson, Assistant Secretary to the BDA

After welcoming the BMA and BDA representatives, the Prime Minister said that she and her colleagues had the difficult job of making the public expenditure sums add up while at the same time providing reasonable pay increases to public service employees. Public expenditure generally was higher than she would have wished, and spending on the Health Services was actually higher this year in real terms than last year. The Government had decided that it would accept in full the recommendations of the Armed Forces Review Body. This was because armed forces' personnel had to accept risks to life and limb; she believed that the public well understood that they were a special case. For the other review body groups, the Government had decided that their pay increases would have to be constrained by the 6 per cent cash limit. Accordingly, it had not proved possible to implement in full the recommendations of either the Doctors and Dentists Review Body or the Top Salaries Review Body on the pay of senior civil servants, senior armed forces personnel and judges. In fact, the pay of the TSRB groups would not rise to even the level which the TSRB had recommended would be appropriate for 1980. They, like the

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civil servants, would be getting 7 per cent - which was consistent with the 6 per cent cash limit because of the reduction in numbers. It was not possible to reduce the numbers of doctors and dentists, and consequently it was necessary to restrict their pay increase to 6 per cent. MPs and Ministers would be getting the same 6 per cent increase, on the staged payment which had been held over from last year. While reducing the total amount for doctors and dentists to 6 per cent, the Government believed it would be advisable to accept the Review Body's recommendations on the pattern of increases.

The Prime Minister said she realised that the 6 per cent was less than the doctors and dentists had hoped for. She wished that it had been possible to offer them more. But they had been very well treated last year when they had received more than many other groups. There appeared to be two outstanding issues. First, the schedule of fees and allowances for general practitioners and second, the question of clawback of previous overpayments of dentists' expenses. The Government's provisional view was that, subject to the professions' advice, it would be best to refer these issues back to the Review Body. She was very grateful for the great care which the Review Body had taken in preparing their report, and the Government wanted to preserve their independence.

The Secretary of State for Social Services added that the Government attached great importance to the survival and independence of the Review Body. This year's decision was an exceptional one, forced on the Government by exceptional circumstances.

Mr. Grabham said that he and his colleagues could not pretend that they had expected that the Review Body's recommendations would be fully implemented. He was most grateful to the Prime Minister for agreeing to see them. They were particularly heartened to hear that the Government attached importance to the continuing role and independence of the Review Body. He hoped that the Prime Minister's statement would make this plain. They

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were of course sad that the Review Body's recommendations had had to be reduced; but they understood the reasons for it, and they would do their best to persuade their members to look at it in a responsible way. He had two questions, First, could there be a firm commitment to implement the Review Body's recommendation at some later date? This would be consistent with staying within the cash limit for 1981/82. /^{Second} Could pension rights be based on the recommended increases?

The Prime Minister said that a commitment to implement at a later stage would be tantamount to staging. This would store up problems for the following year, and staging of previous awards for other groups had been strongly criticised by the Treasury Select Committee. Nor was she able to accept that pension rights should be based on the recommended increases. It would be indefensible to treat doctors and dentists any differently from MPs, Ministers and the TSRB groups. Mr. Jenkin added that there was a valid distinction here between those groups who had received staged awards, where their pension rights had been based on the fully recommended rates of pay, and groups for whom the Review Body's recommendations had had to be simply reduced.

Mr Havard said that the Pilkington Report had commented that doctors and dentists pay should never be kept down as an example to others, or for fear that other groups would take larger increases if their pay was not held back. He hoped that the Government decision was not motivated by any consideration of this kind. Mr. Jenkin said that there was no question of doctors' and dentists' pay being kept down as an example to others: the argument was entirely concerned with holding to the cash limits. Mr. Havard said that he hoped that the statement would make this clear.

/Mr. Grabham

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Mr. Grabham then referred to the two outstanding issues which the Prime Minister had mentioned. The professions would not want the Review Body to be seen to be doing the Government's "dirty work" for fear that this would compromise its independence. On the other hand, both issues were fairly technical. It was a fine question whether the Review Body or DHSS should be asked to sort them out.

Mr. Jenkin pointed out that the Review Body's recommendations on general medical practitioners' expenses were accepted; the work that had to be done was to convert these plus a 6 per cent increase on average net remuneration into a schedule of fees and allowances. The Review Body might be better placed to work out this schedule than DHSS. Mr. Grabham proposed that the question of how to proceed on the working out of the schedule should be discussed further between Mr. Jenkin, the Review Body and the professions. The Prime Minister agreed.

As regards the expenses clawback for dentists, Mr. Daley suggested that it should be reduced proportionately in relation to the reduction in the pay increase to 6 per cent. The Prime Minister said that this would seem sensible. Mr. Jenkin said that the matter would need to be discussed further with the professions and with the Review Body.

Mr. Grabham then said that, while they would try to be as helpful as possible in persuading their members to accept the Government's decision, there would be problems if next year's Review Body's recommendations were overturned. It would be difficult to sell a reduction on the recommendations for two years running. The Prime Minister commented that there were bound to be problems for the Government next year as well. Mr. Grabham went on to say they were able to be helpful this year partly because Mr. Jenkin and Dr. Vaughan had themselves been so helpful. They had listened to what they had had to say over the last two years. Sometimes they had been able to make concessions, sometimes not; but throughout, relations

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had been good. By contrast they had problems with the previous Government, which had treated them very unfairly. If there were going to be problems on the pay front next year, it was more likely that they would be able to be helpful if the present good relationship with Mr. Jenkin and his colleagues could continue. Mr. Jenkin said that one problem they would have to discuss was how to improve the arrangement for junior doctors' pay - though this would not be easy.

Finally, Mr. Grabham said that they would be telling their members that the Government had taken a serious step in intervening in the decision of the Review Body. But they accepted that there were compelling reasons for the decision, and they hoped that their members would consider it responsibly. The Prime Minister said that she was grateful to them for their understanding. If asked in Parliament about the meeting, she would say that she had explained the Government's position, and that they had discussed how the outstanding issues of the schedule of fees and allowances and expenses clawback should be handled.

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15 May 1981

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PART 2 ends:-

Edward DeCann Webster P. Q.

PART 3 - begins:-

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