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CABINET

COMMMITTEE ON ECONOMIC STRATEGY

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THE STANDING COMMISSION ON PAY COMPARABILITY

Note by the Chancellor of the Exchequer

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I attach a Report by an Inter-departmental Group of Officials, commenting on the third Report (on Nurses and Midwives) of the Clegg Commission.

2. I see no need, from this latest Report, for fresh comment or evidence from the Government to the Commission. It is understandable that the Commission did not have time to take significant account of the evidence submitted in November in concluding this Report. I understand that it is the intention of the Chairman to seek - informally in the first instance - discussions with Government about the evidence, and that will provide an occasion to test his reactions.

3. I also understand that there is no pressure at the moment for regular or further references to the Commission, whose programme, all deriving from the immediate post-incomes policy period of last year, is likely to keep them busy until the end of this year.

4. I suggest the Committee should simply take note of the Report and be ready to consider the matter again when the next major Report, on Teachers - is available around Easter.

G.H.

H.M. Treasury
1st February 1980

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STANDING COMMISSION ON PAY COMPARABILITY
REPORT NO.3 "NURSES AND MIDWIVES"

Comments by Officials

Officials have studied Report No.3 - Nurses and Midwives - by the Standing Commission on Pay Comparability. In general, they conclude that it is a good report. It contains little more than token acknowledgment of the evidence put to the Commission by the Government in November, but that is not surprising since the main work on the report had been completed by the time the evidence was submitted. In other respects, the report reflects credit on the care with which the Commission have approached their task, their willingness to tackle difficult judgments, their forthrightness in rejecting unsatisfactory arguments and their sense of the need for economy.

2. The cost to public expenditure was bound to be large, because some one-half million staff are concerned and it was widely recognised that their pay had over the previous four years fallen significantly behind pay in other occupations, in both public and private sectors. The total annual cost increase is just over £300 million, a little over 19 per cent of the previous pay bill. This was, however, very much at the lower end of the range of expectations. The unions are greatly disappointed: in particular, their hope for a simple updating of the recommendations made in 1974 by the Halsbury Committee has been disappointed, and in the light of the comments in the report that approach should be difficult to resurrect. (It is to be hoped that the Commission may take a similar view of the analogous historic Houghton Award for Teachers in their next reference.) Management has broadly welcomed the report, both for its overall recommendations and for its detailed treatment of particular issues and relativities, although they are very troubled about implications of the award being made appropriate to a 37½ hour week. Public comment in the press, etc., has not regarded the award as generous and has emphasised the disappointment of the unions. Even regular critics of the Commission and the principle of comparability have been silent in respect of this report.

3. In the absence of valid comparable work outside the National Health Service (plainly, to rely on standards in the much smaller area of private nursing would have been inappropriate), the Commission has resorted to factor analysis and general comparisons with rates of pay in occupations identified by consultants as being of comparable technical skill and responsibility, etc. In doing so, they have been closely critical of their own evidence, and have cross-checked extensively with other indications from internal relativities, from ease or difficulty of recruitment, and have made appropriate adjustments. Where doubts remained about the evaluation of particular features, the Commission have tended to choose the direction of caution and economy.

4. It is of interest that the Commission have again - as with the groups covered by their two previous reports, imported into their final pay calculations a deduction to reflect the value of inflation-proofed pensions, based on calculations by the Government Actuary, although repeating their comment that there is a case for reviewing the method. They have also begun to develop their approach to adjustments for other conditions of service, fringe benefits, etc., and for internal relativities, but these could still with advantage be made more precise for future references, particularly where the Commission will be making recommendations for subsequent negotiation by the parties to the reference as, for example, in the case of Teachers.

5. There is brief reference in the report to considerations of labour supply, efficiency and job security, the main points discussed in Government evidence to the Commission. As regards efficiency, they record their impression that there was no justification for abatement of pay of nurses on the ground that they are less efficient than other professional employees: if anything, the comparison is probably the other way round. On labour supply, they merely note that the general level of unfilled vacancies for nurses and midwives, which has been increasing, supports the need for substantial pay increases, without of course pointing to any particular figure. On job security, they say only that they have been unable to establish any useful measure and express doubt about the concept in an occupation, such as nursing, with a high labour turnover.

Further Action

6. It does not appear to officials that the report on nurses and midwives calls for any different comment or evidence from the Government from what was submitted in November. Professor Clegg has indicated a wish to have some informal discussion about that evidence and it may be possible in following this up to obtain a clearer view of what the Commission sees as feasible improvements in its methods.

7. Given the care and detail with which the Commission is carrying out its work, and the complexity of the task, the remaining programme of references, mainly teachers and university teachers, seems likely to keep the Commission occupied until the end of 1980. At present, there seems to be no disposition on the part of any unions to seek fresh or repeated references to the Commission, and the unions concerned with nurses and midwives are undoubtedly disappointed with the results of their reference. These attitudes could change but, on present evidence, the future role of the Commission beyond 1980 remains very uncertain.