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NHS

Finalist

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I think they should announce
the 6 and 11% now, as
proposed by the Chancellor?

MR. LANKESTER

cc. Mr. Ingham

CIVIL AND HEALTH SERVICE PAY

Yes - I think it should be announced.
So let's do it. I agree subject to changes.
I think concerned will be helpful to report this.
17/2

See attached
minutes

I understand that the Chancellor has been advised to propose to the Prime Minister that he announce the 6 per cent pay factor by written reply early next week.

If he does so, there are conflicting considerations:

- (i) Everyone will interpret that as a 6 per cent pay norm, which will make it harder to present a 7-7½ per cent settlement (if that can be achieved) as being consistent with Government policy. In the case of the NHS there is some flexibility as between pay and non-pay elements; in the case of the Civil Service the extra amount might be squeezed out of the normal shortfall of staff below manpower ceilings (in which case the Treasury has to accept the risk of breach of cash limits involved in budgeting for more personnel than can be afforded). And if 7-7½ per cent cannot be achieved, there would have to be a very public climbdown.
- (ii) But it will strengthen the hands of negotiators, and quell rumours in the media of Government willingness to go still further. Mr. Ingham thinks it would be helpful to have 6 per cent on the record.

The Lord President should be given the opportunity to comment (and will be advised to resist, I think); but the balance of advantage does seem to lie with making the announcement.

J.V.

13 February 1981

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