



10 DOWNING STREET

From the Private Secretary

5 February 1982

NHS PAY

The Prime Minister had a discussion on 4 February about the Chancellor of the Exchequer's minute to her of 1 February reporting on the conclusions of the Ministerial sub-Committee on Public Service Pay about the pay offer to the National Health Service. The others present were the Secretaries of State for Defence, Social Services and Employment, the Chancellor of the Duchy of Lancaster, the Minister of State, HM Treasury (Mr. Heyhoe), Mr. Le Cheminant (HM Treasury) and Sir Robert Armstrong.

The following points were made in discussion:

(a) There was a strong case for a pay offer to the nurses of more than 4 per cent. It was, however, doubtful whether such increases should be available to the most senior nursing grades or to all the NHS groups earmarked for special treatment in the Secretary of State for Social Services' proposals. So far as the other NHS employees were concerned, the proposal was for an increase of 4 per cent. There might, however, be a case for an increase of less than 4 per cent on recruitment and retention grounds, for example for some administrative, clerical and ancillary grades. It was recognised that the Government was not involved in the detail of the negotiation but it might be possible to indicate to the Whitley Council the Government's views on where the extra money should be directed.

(b) Although discussions were still in progress between the Secretary of State for Social Services and the Chief Secretary on the public expenditure implications, it would be difficult to accommodate the proposals within cash limits. Further work would need to be done to minimise as far as possible any excess over cash limits. In addition to the desired restructuring of the offer it would be necessary to examine the scope for further economies, for example through reduced manpower, especially in non-medical grades, and improved efficiency.

SUBJECT

Gw. M.

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(c) If the outcome of the pay negotiations with the NHS involved a substantial increase over cash limits, it might be necessary to consider announcing a corresponding increase in revenue, for example from an increase in the National Health charge, even though this could not take effect for some time.

(d) The presentation and timing of the NHS offer could have a considerable impact on the Civil Service pay negotiations. There were clear difficulties in the proposal that the NHS and Civil Service pay offers should be announced simultaneously.

The Prime Minister, summing up the discussion, said that, in addition to his discussions with the Chief Secretary about the public expenditure implications, the Secretary of State for Social Services should consider urgently with the Chancellor of the Exchequer the structure, presentation and timing of the pay offer to the National Health Service. In the light of the outcome of these further consultations, the issues would need to be considered again by the Prime Minister and the other Ministers principally concerned.

I am sending copies of this letter to the Private Secretaries to the members of E(PSP) and to David Omand (Ministry of Defence), Muir Russell (Scottish Office), Terry Mathews (HM Treasury) and Robin Ibbs and Sir Robert Armstrong.

John Kerr, Esq.,  
HM Treasury.