

Prime Minister

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SS Emp 6

cc RTA  
PGregson

John Vereker and Peter

\*together with  
Geoffrey Howe  
Norman Tebbit  
Robin Ibbs

Gregson are preparing notes for you  
on this. It may be that you will want to  
have a word with Norman Fowler\* after the  
Civil Service meeting on Tuesday morning?  
MS 26/2

Prime Minister

NHS PAY

Copy of note

In the light of the letter your Private Secretary sent to mine on 18 February, it may be convenient if I let you know how matters currently stand.

2. The Nurses and Midwives Whitley Council had a satisfactory meeting yesterday. The Management Side succeeded, without attracting serious criticism from the Staff Side, in refraining from making an offer. An offer on the basis approved in your Private Secretary's letter is likely to be made on 9 March, and there are indications that, although it is unlikely to be accepted immediately, there may not be undue delay. The meeting this week was in part devoted to discussion of how any offer might be structured, and I am hopeful that it may be possible to secure agreement to variable pay increases on the kind of lines we favour.

3. I shall be urging all Chairmen of Whitley Council Management Sides, both those which are being held to 4 per cent and those which are not, to consider using the money at their disposal in a selective way. I would expect many of them to be receptive to this approach, since it would merely be an extension of the practice which has been widely adopted in recent years of keeping back a limited amount of the available money for selective distribution. I cannot, however, guarantee what the outcome will be. NHS staff are employed by health authorities, not by the Government. Pay negotiations (including the structure of pay offers) are a matter for the Whitley Council Management Sides, and I have no power to direct them. There is of course also the question of what proves to be negotiable with the Staff Sides. But I shall certainly make clear to the Chairmen what our attitude is.



4. Against this background, perhaps I could comment on the specific points referred to in your Private Secretary's letter. First, ambulancemen. You will recall that last year's negotiations were difficult, and that there was some industrial action. Part of the problem was, and still is, that the ambulancemen see themselves as an integral part of the 999 services, along with the police and firemen; and the pay of the latter two groups, being indexed in various ways, has gone considerably ahead of theirs. Agreement was in the end reached on the basis of a 15-month settlement, involving moving the settlement date to 1 April, which allowed a pay increase in excess of the 6 per cent pay factor; and the Management Side also agreed, with the support of DHSS Ministers, to a joint examination of the scope for a new type of contract for ambulancemen. This was intended in effect to give them "professional" status, on the basis of an annual salary. It was made clear at the time that there could be no guarantee of extra money being available, should any be required.

5. The new type of contract would be of long-term advantage to the NHS, because it would reduce or even remove the need for the present system of special payments for out-of-hours work. Small extra costs would however be involved in introducing it. My proposals as agreed in principle last month by E(PSP) envisaged the provision of an extra £1.2 million in order to make possible the introduction of the new type of contract. I believe that this would both be desirable in itself and also increase the prospects of avoiding industrial action by a group of staff with whom pay negotiations are otherwise likely to be even more difficult this year than they were last. This is because last year's 15-month settlement cannot be repeated, while the ambulancemen will continue to look to the police and firemen (and, apart from that, will not forget that local government manual staff have secured a 7 per cent increase). Inability to introduce the new contract would be an additional adverse factor.



6. Second, hospital pharmacists. The proposal considered and agreed by E(PSP) was to provide £300,000 for financing the introduction of on-call payments for emergency work out of hours. There is no provision for such payments in the present agreement, and the pharmacists' organisation is at present advising its members not to undertake such work until payments are introduced.

7. Against this background, and bearing in mind the relatively small cost, I would like to suggest that there would be advantage in adhering to the original proposals for ambulancemen and hospital pharmacists.

8. Finally, the ancillary staff. Clearly our primary objective is to hold them to 4 per cent overall; and within that, I would hope that the Management Side would seize any opportunity which presented itself of securing a differential settlement. I believe however that it would be unwise to aim at a settlement costing less than 4 per cent of the pay bill for the group as a whole. This is purely a practical matter. The negotiations with the ancillaries will on this occasion be particularly difficult. Last year, by means of a  $15\frac{1}{2}$ -month settlement, it was possible to maintain their long-standing link with local government manual workers. There is no scope for that on this occasion, and the ancillary staff will have to accept the breaking of the link and an increase of 4 per cent as against the 7 per cent secured in local government. This by itself would have made for a very difficult negotiation. Our proposals for the nurses will, unavoidably, tend to add to the problems: partly because some ancillaries work closely with some nurses in hospital wards and therefore will draw comparisons, and partly because the ancillaries will see part of the cost of the improved offer to nurses as likely to be met at the expense of their jobs. Against this background, my assessment is that a settlement at less than 4 per cent overall is not obtainable, and that to broach it with the Staff Side would cause an immediate explosion which would make it much more difficult than it would already have been even to achieve 4 per cent.



9. I am sending copies of this minute to the Chancellor of the Exchequer, the Chief Secretary, the Secretary of State for Scotland and the Secretary of State for Wales.

24 February 1982

N.F.

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