

PRIME MINISTER

My private secretary has already been in touch with yours about pay and industrial action in the National Health Service.

Industrial action is continuing to cause damage to patients. The response to the national day of action on 8 June was uneven, but overall it was at a somewhat higher level than on previous occasions and a number of hospitals were severely affected. Locally organised action will continue, and again we can expect that there will be serious damage to patients' services in some places.

Against this general background, the public will expect us to be active in seeing whether there is any scope for a settlement, within the limit of the available resources, which would enable the service to return to normal. Our backbench supporters will, I believe, see it as sensible for us to do this, provided that it is clear that we are not contemplating a surrender to industrial action.

Before taking this any further, I thought it necessary to await the outcome of yesterday's meeting of the TUC Health Services Committee, which was taking decisions about the future course of industrial action in the NHS. In the event, they have called for another national day of action on 23 June, but have refrained from seeking any significant escalation in the meantime, although action will, as hitherto, continue at local level. Escalation does, however, seem likely after 23 June, in the absence of any development which would persuade the Committee that it would be inappropriate. The outcome of yesterday's meeting shows that the moderates were able - though I gather with considerable difficulty - to turn aside the proposals of the extremists for an immediate all out strike.

The TUC Health Services Committee have now, as we expected and had prepared for, asked for a meeting with me. It will be right to see them; but such a meeting will not be helpful without some prior preparation, and better knowledge than we now have, of the trade



E.R.

unions' thinking. There is no problem in relation to the non-affiliated trade unions. I had a useful meeting with the Royal College of Nursing yesterday, and may see them again when I have considered the points they made. It is, however, much more difficult to establish useful contact with the affiliated trade unions, and I believe that for this purpose we need the help of an intermediary. As you know, I therefore announced in today's debate in the House of Commons that I had asked Mr Pat Lowry to be ready to perform this function and that he is now starting work. His remit is merely to explore the ground and to report back. He is not empowered to undertake negotiation or conciliation (he is not aware of the possible offer which I have discussed with the Chancellor and Chief Secretary and which were reported to you) nor authorised to table any offers. He will be acting confidentially, informally and in his personal capacity, rather than as Chairman of ACAS.

I envisage that any settlement might contain four main elements:-

- (i) an undertaking to discuss with the trade union side the scope for long term improvements in the arrangements for negotiating pay in the NHS;
- (ii) on the basis that such arrangements cannot in practice be in place for the 1983 pay round, an agreed interim procedure for handling NHS pay in that year. Arbitration subject to parliamentary override might be an answer on the same basis as for the Civil Service;
- (iii) some very limited improvements in this year's pay offers - which would have to preserve the differentials we have established in favour of nurses and a few other groups;
- (iv) to help in financing these improvements, regional ceilings on NHS manpower for the rest of this year. These would then be succeeded by improved arrangements for NHS manpower planning and control.



E. R.

It would be particularly helpful to secure agreement on pay for this year and next year, taken together, and thus remove the issue from the political arena in 1983. I do not need to underline the practical and presentational usefulness of a control on manpower. I do not have any precise figures in mind in relation to the current pay round. Whether there would be any implications for doctors and dentists and how they might best be handled are secondary questions which we cannot address at this stage.

I shall, of course, report back to colleagues on the scope for progress on these lines as soon as Mr Lowry has completed his informal explorations. I hope that these will take no more than a few days.

I know how heavy are the pressures upon you, but I should much appreciate an opportunity of a short discussion with you if a suitable time can be found.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Employment, Scotland and Wales, the Chief Secretary, with all of whom I had, as you know, already discussed this approach to a solution, and to Sir Robert Armstrong.

10 June 1982

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