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Prime Minister

NHS Pay Dispute

You asked for a note as a basis for discussion at your meeting tomorrow evening.

The background to the present position on pay and industrial action in the National Health Service was set out in my minute of 10 June.

The TUC Health Services Committee next meets on 24 June and, if no further progress in negotiations is made by then, we can expect escalation of the industrial action. There will also be increasing politicisation of the dispute, with sympathetic action by other industries and issues being raised about the application of the Employment Act 1980 and about the principles of the further legislation now before Parliament.

The main weaknesses of the Government's stance are:-

1. The rejection of the 6.4 per cent pay offer by the Royal College of Nursing. Acceptance would have greatly helped us, though it would not necessarily have secured an agreement because the RCN does not command a majority on the Staff Side of the Nurses Whitley Council. The leaders of the RCN did not expect rejection, which was probably caused largely by the erosion of special treatment for nurses by later pay awards, eg. to the Civil Service.
2. The offer of 4 per cent to 40 per cent of the staff is seen by many of the public as unrealistically low compared with the 6 per cent which is becoming established in the public services generally. It is becoming clear that a number of our colleagues in the House share this view.



I believe that by 24 June we should aim either to have made sufficient progress towards a settlement to enable industrial action to be called off or restrained, or - if a settlement cannot be achieved - to enable us to improve our public stance and therefore our prospects of winning a prolonged confrontation.

Mr Lowry does not believe that he will be able to secure from the trade unions any more than a negotiating position as to the extent of the improvements in this year's offers which are needed to achieve a settlement. He considers that progress can be made only through a meeting between myself and the trade union leaders. It should take place this week if the desired time-table is to be possible.

I believe that we need to include in any package all the elements referred to in my minute of 10 June. They each support one another, and the longer-term elements will help to hold down the price we shall have to pay in this round, as well as removing NHS pay from the political arena next year.

The Chief Secretary said this afternoon that he was prepared to make available £45m. from the contingency reserve and I am grateful for this. A further £30m. would come from the regional manpower ceilings which I propose to impose this year. One effect, however, will be that further new hospital beds will have to remain unopened - because the squeeze we are already applying has already largely exhausted the scope for improving efficiency within the time-scale of which we are talking. There will also be other effects which will lay us open to criticism.

Turning to the figures the position is that it would be possible at a cost of £90 million to envisage a maximum offer this round of $7\frac{1}{2}$ per cent to nurses and the professions supplementary to medicine, 6 per cent for the groups which have been offered 4 per cent, and say $6\frac{1}{2}$ per cent for the groups - ambulancemen is the

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only important one - which have received intermediate offers. This would imply us finding another £15 million. To the extent that the money available fell below £90m, these figures would have to be reduced. The prospects of securing a settlement would necessarily also be reduced.

If we are able to reach a settlement then most NHS staff groups would receive pay increases at a level no higher than has applied in the public services generally. The fact that the NHS has during the past months firmly adhered to the 4 per cent offer, has been a major factor enabling other groups to be settled at acceptable levels. We would also pave the way for a new system of manpower control.

I am copying this minute to Geoffrey Howe, Norman Tebbit, George Younger, Nicholas Edwards, Leon Brittan and Sir Robert Armstrong.

CONQUEROR

15 June 1982

N.F.