

SUBJECT

File



10 DOWNING STREET

From the Private Secretary

17 June 1982

SC SV/DW

NHS PAY DISPUTE

The Prime Minister discussed the next steps in the National Health Service pay dispute with your Secretary of State yesterday evening. The Chancellor of the Exchequer, the Secretary of State for Wales, the Chief Secretary, the Secretary of State for Employment and Mr. Kenneth Clark, Minister of State (Health) were also present.

Your Secretary of State said that the TUC Health Service Committee met next on 24 June and, if no further progress in negotiations was made by then, escalation of the industrial action could be expected, with increasing politicisation of the dispute. The rejection by the Royal College of Nursing of the 6.4 per cent pay offer had weakened the Government's position. The offer of 4 per cent to 40 per cent of the NHS staff was seen by many as unrealistically low compared with the 6 per cent which was becoming established in the public services generally. The discussions with Mr. Pat Lowry were likely to come to an end shortly, and it was necessary to maintain progress through a meeting with the trade union leaders, probably this week. He believed that it was necessary to improve the Government's public stance, and that four new elements were required: a new pay offer, new arrangements for determining the pay for the NHS staff groups other than nurses and midwives (the long term arrangements for the latter groups already being under discussion), agreement in advance that arbitration could figure in the pay procedure for 1983, and manpower ceilings for the Health Service. On pay it would be possible, taking account of the £45 million which the Chief Secretary had made available from the Contingency Reserve together with the savings which would accrue from the new regional manpower ceilings, to envisage a maximum offer of 7.4 per cent for nurses and the professions supplementary to medicine, 6.25 per cent for ambulance-men and the groups which had received intermediate offers, and 6 per cent for those which had been offered 4 per cent.

The Prime Minister said that 7.4 per cent for the nurses would make them very clearly a special case this year, given the concentration of public service pay settlements around 6 per cent. It would be essential, if this were conceded, to make it clear that, having been a special case this year, nurses and midwives could not expect special treatment next year. With growing NHS staff numbers, a settlement at the level proposed was not compatible, as it was in the case of groups whose numbers were reducing, with the 4 per cent pay factor. The new offer which the Secretary of State was proposing, therefore, was a generous one.

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On the proposal for talks on new arrangements for settling the pay of NHS groups generally, the Prime Minister said that she was strongly opposed to the extension of any special arrangements to groups other than nurses and midwives. The commitment on the long term arrangements for the latter groups arose out of Clegg, and was confined to those groups. There must be no implication that the Government was contemplating arrangements of the kind which had been conceded for the armed forces or the police. Your Secretary of State said that the present arrangements were wholly unsatisfactory. The Management Side in Whitley councils had, on occasions, actively worked against the Government's efforts to secure acceptance of the pay offer. Some new arrangement was necessary. It should be devised in the wake of the post-Megaw arrangements for the Civil Service. The emphasis would need to be on market factors and affordability. After discussion, the Prime Minister said that there would be no objection to your Secretary of State holding talks about improving the arrangements for pay discussions in the NHS generally, providing it were made clear that there was no question of favourable treatment for these groups, and no move towards indexation or automaticity in links with other groups.

There followed some discussion about the arrangements for 1983. On the one hand, it would be a great prize to settle now an acceptable arrangement, given the risk of damaging industrial disputes as the General Election approached. The arrangement could be on the lines of that which had operated with reasonable success for the Civil Service this year. It would be a question of securing the right arbiter; and there would be the protection that his arbitration, like that of the Civil Service arbiter, would be subject to Parliamentary override. Against this it was argued that it would be most difficult to override an arbitration in the run-up to the Election. There were great risks in the choice of an arbiter. Further, to agree now to an arbitration procedure would in effect be to give up responsibility for securing an acceptable pay settlement next year.

On manpower numbers, your Secretary of State outlined the absence of controls and of information which had been revealed in the NHS at large. The regional manpower ceilings he proposed to introduce would show immediate financial benefit, but it would take a little longer, perhaps twelve to eighteen months, to secure effective control of manpower. In discussion, it was argued that the cash limit system had disguised an unacceptable and deteriorating position on manpower in the Health Service. It was necessary to reduce numbers and at the same time to improve the services offered: the Health Service should not be isolated from the pressures applying elsewhere in the economy. The Prime Minister said that she hoped that DHSS Ministers would make much use of the manpower figures which had been revealed by Mr. Ralph Howell, MP and Mr. Peter Hordern, MP. There was little point in claiming credit for the imposition of a manpower ceiling if that ceiling was clearly far too high.

/ Concluding

Concluding the discussion, the Prime Minister said that it was agreed that Mr. Fowler could make a new pay offer as he proposed. This was to be the maximum offer, and the tactics for extending it should be determined accordingly. This offer would provide manifestly defensible ground on which the Government could stand for however long it was necessary to settle the dispute. But she hoped it would be seen as a fair offer, and would settle the dispute quickly. On the longer-term pay arrangements, Mr. Fowler should avoid any commitment to arbitration in 1983, but he could offer discussions designed to investigate the scope for long term improvement in the arrangements for negotiating NHS pay, on the conditions agreed earlier in the discussion. She welcomed the moves that were now being made to introduce a proper system of manpower control. These were long overdue, and their first fruits, the savings in 1982/83 (together with the £45 million from the Contingency Reserve) were to finance the higher pay offer. She would be grateful if Mr. Fowler would consult her as necessary at any critical point in the dispute; she intended to convene again the Ministers most closely involved if this need should arise.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Wales and Employment, the Chief Secretary and Minister of State (Health); and to Muir Russell (Scottish Office) and David Wright (Cabinet Office).

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