

cc BUP

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PRIME MINISTER

12 May 1986

REVIEW BODY RECOMMENDATIONS

The Chancellor proposes three tests which your decision must pass: PES, knock-on and politics. His packages A and B pass the first of these but fail at the second and third. Staging fools nobody - it is simply a delay in awarding 7½-8%. Politically and economically there is a case for discriminating between (a) the nurses (b) armed forces, doctors and dentists and (c) TSRB. It is important that you do not support the Review Body recommendations pro rata - as they were based entirely on the criterion of comparability.

We would therefore suggest a third package. Pay the nurses in full, cut the other groups down to the civil service level of 6% and make sure that the TSRB get less than everyone else - preferably nothing but at most no more than the cost of living 4.2%. This meets all of the Chancellor's criteria - plus moral justice!

Clearly the TSRB has to be abolished - there is no reason why their salaries cannot be dealt within the civil service as a whole or in the AFPRB (although the judiciary may still need a special approach). Tactically the best time to announce the abolition of the TSRB must be when you announce these other pay awards.

*BG.*

BRIAN GRIFFITHS





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PRIME MINISTER

**REVIEW BODY RECOMMENDATIONS**

We are to resume consideration of the Review Body reports tomorrow. Our decisions must pass three tests. They must not increase public expenditure this year or in future years. They must not give any wrong signals on pay generally that would affect negotiations in the rest of the economy. They must be politically acceptable.

I have been thinking about a way forward that meets those criteria and, at the same time, takes account of some of the concerns expressed by colleagues on Thursday. For example, there was a general desire to be seen to treat the nurses fairly and to treat the TSRB groups less favourably than the rest. The two following packages meet these criteria.

Package A

All except TSRB get the full award from 1 July. TSRB held to March RPI (4.2 per cent).

Package B

All get four per cent from 1 April; Nurses and PAMs the balance from 1 September; Armed Forces and Doctors and Dentists the balance from 1 October. TSRB held to four per cent.

... I attach a table setting out the details. For either package I believe that we should not second-guess the



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Review Bodies' recommendations but preserve, pro rata, the structure of individual increases they recommended.

Either package would be substantially cheaper in 1986-87 than implementing all the recommendations in full from 1 April 1986 and I hope that the Health Departments would be able to afford it within existing public expenditure provision.

Obviously there are a great many possible permutations. In particular, option A (the deferment option) could have a later date for the Armed Forces and Doctors and Dentists than for the nurses and PAMs and option B (the staging option) could have a common date for the second stage.

I am copying to Willie Whitelaw, Quintin Hailsham, George Younger, Norman Fowler, Keith Joseph, Norman Tebbit, Kenneth Clarke, Richard Luce and to Sir Robert Armstrong.

*Rachel Womersley*

N.L.

12 May 1986

*(approved by the Chancellor  
& signed in his absence)*



## COSTING OF ALTERNATIVE PACKAGES

| <u>Review Body</u> | <u>Recommendation (%)</u> | <u>1986-87<br/>Cost (£m)</u> | <u>(%)</u> | <u>PACKAGE A<br/>1986-87 Cost (£m)</u> | <u>(%)</u> | <u>PACKAGE B<br/>1986-87 Cost (£m)</u> |
|--------------------|---------------------------|------------------------------|------------|--|------------|--|
| NURSES             | 7.8                       | 325                          | 5.85       | 244                                    | 6.22       | 259                                    |
| PAMs               | 8.2                       | 30                           | 6.15       | 22                                     | 6.45       | 24                                     |
| DDRB               | 7.6                       | 185                          | 5.7        | 139                                    | 5.8        | 141                                    |
|                    |                           | —                            |            | —                                      |            | —                                      |
| NHS TOTAL          |                           | 540                          |            | 405                                    |            | 424                                    |
|                    |                           | —                            |            | —                                      |            | —                                      |
| AFPRB              | 7.46                      | 234                          | 5.6        | 175                                    | 5.73       | 180                                    |
| TSRB               | 6.5                       | 5                            | 4.2        | 3                                      | 4.0        | 3                                      |
|                    |                           | —                            |            | —                                      |            | —                                      |
| TOTAL              |                           | 779                          |            | 583                                    |            | 607                                    |
|                    |                           | —                            |            | —                                      |            | —                                      |



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