

cc Mr Wolfson  
Mr Ingham  
Mr Ouguid

Prime Minister

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Mr Jenkin argues that NHS staff growth has been in line with manifesto commitments to some real growth in NHS service; and that this has been concentrated on delivery of services, not bureaucratic back-up.

PRIME MINISTER

NHS MANPOWER

I think that I should circulate a minute in order to try to get into clearer focus the question of manpower growth in the NHS. (intent?) Several Cabinet colleagues have recently expressed critical surprise that NHS staff are growing in numbers; they should not be surprised and I hope the following explanation will help to clear minds.

MAD  
16/2

Government Policy Towards the NHS

Our policy on expenditure on the NHS, based on our Manifesto Commitment, is that it should continue to enjoy a limited measure of real growth, broadly in line with the projected development planned by the previous Administration. This will be of the order of 2% per year on average over the next 2 years. As Cabinet has accepted in our PESC discussions, this growth is needed to cope with the effect of population changes, in particular the increase in the number of very old people; to tackle certain serious deficiencies in the Service, eg waiting lists; and to meet some of the costs of continued medical advance. We agreed before the Election that for all these reasons planned expenditure on the NHS should be maintained and we have earned some credit by sticking to that promise. (The NHS contribution to helping with the PSBR problem has mainly been in the form of increased charges and next April's rise in employees' NHS contributions).

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Labour-intensive Service

Manpower accounts for 70% of NHS spending and, in such a labour-intensive business, financial growth must mean more staff. Indeed, it would be extraordinary to increase facilities and equipment and refuse to recruit the additional doctors, nurses and supporting staff required to use them.

A rough count suggests that between June 1979 and June 1980 NHS staff in England grew by about 19/20,000 (though many of these were part-timers). This is an increase of about 2.2% per annum. A broad breakdown of the figures points to an increase of around 2,000 doctors (including doctors in shortage specialties such as geriatrics and anaesthetics), 10,000 nurses and 3,000 professional and technical staff (physiotherapists, radiographers, laboratory technicians etc) - all of them staff who give services directly to patients. In addition, about 4,000 administrative and clerical staff were recruited. But in my view this increase in support staff is equally justifiable. Proper support for doctors, nurses and others giving services to patients - for example, medical secretaries and ward clerks - is essential. The trend over the years has been for a reduced length of stay in hospital, involving more sophisticated and intensive patterns of care from increasingly specialised staff. Without adequate support staff, specialists would be required to spend their own time on routine clerical activities such as maintaining medical records.

#### Reduction of Bureaucracy

The overall control on the use of resources in the NHS is of course financial and since we came into office the Service has lived within its cash limits. The cash limit is without doubt an effective stimulus to efficiency and better management. In order to reduce "bureaucracy", where criticism of the existing structure has rightly been focussed, we are not only streamlining the structure of the Service, but also operating tight controls on the proportion of NHS expenditure devoted to management. These controls cover staff in the administrative and clerical grades who are not in direct support of patient services. Against a set target for management costs for March 1980 of 5.25%, the proportion actually achieved nationally was 5.05%. I am seeking a further significant reduction in the proportion (to about 4.5%) by 1984/85 from the new, slimmed down, structure.

We are concerned also to increase efficiency in the ancillary grades and the ambulance service where the Clegg Report pointed to restrictive practices and over-manning. There has been a continuing real reduction in the numbers of ancillary staff since 1976, but I am following up personally with the Chairmen of Health Authorities evidence of inefficiency and restrictive practices. I have accepted already a reduction of £25 million for 1981/82 in recognition of our determination to squeeze out such practices and to secure other economies. We are in the process of mounting several experiments in how efficiency monitoring at all levels can be made more effective.

#### Summary

In brief, NHS staffs have continued to grow in total as a consequence of our policy of continuing to give the Service some measure of real growth each year. But the Service has lived within tight cash limits; it is reducing the cost of the "management" element of its administrative and clerical staffs to a very low proportion of total revenue expenditure; and it is exploring further ways of improving efficiency while embarking on a reorganisation designed to streamline the structure of the Service as a whole. This is the policy on which we fought the election and I want to carry it through.

Copies go to Cabinet colleagues, the Chief Whip and Sir Robert Armstrong.

16 February 1981

PJ

From: Secretary of State for Social Services



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10 DOWNING STREET

*From the Private Secretary*

16 February 1981

We had a word this morning about your Secretary of State's letter of 12 February covering the draft document on priorities and policies for the health and personal social services.

As I told you, the Prime Minister wants to understand the basis on which the National Health Service staff count has apparently increased by some 25,000 since the Government came to power. She is not ready to approve publication of the document until she has seen the staffing points satisfactorily clarified.

I am sending copies of this letter to Peter Jenkins (H.M. Treasury), Stephen Boys-Smith (Home Office), Jim Buckley (Lord President's Office), Nick Huxtable (Office of the Chancellor of the Duchy of Lancaster), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

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