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29 September 1982

PRIME MINISTER

Prime Minister

Nall

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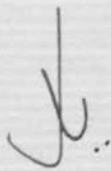
CABINET: NHS PAY DISPUTE

MUS 29/7

Health

Mr Fowler will no doubt be reporting to Cabinet tomorrow on the developments in the NHS pay dispute while you have been away. You will not want to have to read tonight a detailed analysis of the prospects, but it may be helpful for you to have in mind these four thoughts:

1. It is doubtful if it is worthwhile offering further concessions to try and settle separately with the nurses. It is, of course, valuable in presentational terms to keep the talks going; but, largely because of pressure from the other unions, the nurses are unlikely to be prepared to do a separate deal acceptable to us.
2. The minimum that the affiliated trade unions (those representing NHS groups other than the nurses) are prepared to settle for is still much too high for a settlement. In particular, they want a significantly higher offer for next year. They see no urgency to re-opening discussions with the Government, and feel under no pressure to make concessions.
3. But, as time passes with no movement from the Government, pressure on the unions will grow. They will face the increasing strain of running the dispute, mounting pay losses, and the possibility of declining support for days of action. Developments in the economy as a whole, such as the pay factor, and the RPI, will help.
4. For several more weeks, therefore, there is no real need for, or likelihood of, initiatives in the dispute. Clearly, the Government will need to avoid mishandling its presentation, or particular pieces of industrial action; but the main task will be to assess when and what will change the firm positions at present taken up by the parties. Officials, or MISC 80 under the Chancellor's chairmanship, could be asked to do that.


JOHN VEREKER

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"(Assembly) NHS ... Health
PA 7

MR. MOUNT

The NHS Dispute

Peter Gregson chaired an extensive discussion this morning of the prospects in the NHS dispute. This was an informal meeting of the senior officials concerned - Pat Benner (the DHSS Deputy Secretary doing the negotiations), Michael Quinlan, Douglas Smith and Alan Bailey, and there will not be the usual Cabinet Office record.

Mr. Fowler apparently saw the Chancellor yesterday, principally to discuss future arrangements for the nurses, in pursuit of his strategy of splitting them off. At present he is inclined towards appointing another Megaw type inquiry, with a remit to report urgently. The official discussions with the nurses are continuing, but getting nowhere. The Treasury, and Mr. Tebbit, who was also present, expressed scepticism as to whether the Government could expect such a proposal, and as to whether it would do the trick. They were right to do so: we have already identified the possibility of leap-frogging the decisions on Megaw as a significant danger, and I know of no-one who feels that doing a separate deal with the nurses is either feasible (because they will be leant on by the affiliated unions) or likely to lead to a settlement of the rest of the dispute.

Pat Brenner gave a brief justification of the DHSS's attempts to make a two-year deal, concluding that they had good reason to feel that Spanswick had been acting in good faith, but that developments in Brighton and the TUC reluctance to commit themselves to 4 per cent for next year had wrecked the agreement. There are, of course, no surprises there. Benner and Douglas Smith agreed that the TUC now felt under no urgency to reopen discussions, or to make concessions.

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Meanwhile, the discussions with the nurses were making very slow progress, even though the nurses themselves kept on referring to the April, 1983 target date agreed by the Prime Minister. They might well favour an independent inquiry, and the prospect of agreeing favourable new arrangements before the Election, and might even be held to an interim formula which the Government could swallow. But the affiliated unions would almost certainly see to it that any long term arrangements recognised the need for ~~the~~^a step change in NHS salaries generally, which is of course unacceptable to us. Douglas Smith concluded from all this that we should write off in our own minds the prospect of a separate deal with the nurses, even though it is, of course, highly desirable to go on talking to them.

This discussion led to a number of conclusions about the handling of the dispute over the next few weeks, which I have recorded in a separate note, attached, for the Prime Minister. The purpose of that note is principally to advise the Prime Minister not to look for immediate new initiatives, in preparation for Mr. Fowler's report to Cabinet tomorrow.

We then went on to discuss the possible strategies for the longer term. One, which is quite widely favoured, and which we have already identified, is for the Government to sit on the present offer indefinitely, not to seek to reopen negotiations and ~~wait~~^{until} the unions sue for peace. I understand that this course is favoured by Mr. Tebbit. A second, and contrary, course which would be desirable, if the Government perceived wider political reasons for settling the dispute, would be to seek a basis for agreement on the main issue - the pay offer for this year and next. That would probably require increasing the offer for next year by 2 per cent or so. A ~~short~~^{third} course, and one which I think officials must be encouraged to examine over the next few weeks, is a variant on the first: the Government should sweat it out, but consider certain unilateral actions at the appropriate time.

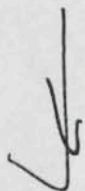
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We ran briefly through what these actions might be. Imposition of the settlement would be a waste of time unless accompanied by other measures, but could be contemplated, together with the imposition of an independent inquiry with terms of reference established by the Government. The Government could swallow its objections to ~~writing~~^{writing} in favour of the lower paid, and adjust the present offers so as to bring basic rates up to a pre-determined minimum earnings level (this is quite a common trick in the private sector, effectively guaranteeing earnings above basic rate, even to those not on over-time or bonuses). The Government could see whether the offer of arbitration for next year would do the trick, and how much damage it would have on the rest of the pay round. All those ideas involve significant Government concessions. On the other side of the coin, there was not much enthusiasm for management sanctions. The problem is, of course, that the Government is not the employer; I understand that many RHAs are being very firm with employees not working properly, but some less so - and unlikely to be amenable to pressure. Mr. Tebbit is apparently strongly opposed to the Government leaning on other employers, such as the RHAs, to dismiss strikers. The DHSS do not think that the outcome of a management ballot of the nurses could ever be foreseen with sufficient certainty to justify it. No backdating is not considered to be a credible threat. But as time passes, the cumulative effect of loss of backpay, and loss of pay during industrial action, should work to our advantage.



J. M. M. VEREKER

29 September, 1982

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MR. MONCKTON

PA

cc Ref - I don't know if anything'll
come out of this, but you'll
may like to see that
wire typing. ✓

FUTURE OF THE NATIONAL HEALTH SERVICE

I have been reflecting on the presentational difficulties the Prime Minister will be facing when Parliament reassembles, and it is clear that the Opposition's attack will be on two main fronts: unemployment, and the Health Service.

I know that you have been and will be giving considerable thought to the future of the NHS. The Opposition will be trying to penetrate the two chinks in our armour created by the continuing NHS dispute, and by the opening of the public debate on the possibility of saving substantial amounts of public spending by reducing the scale of the NHS. We do not want the Prime Minister to close off important options by repeating too often the line Mr. Fowler has been using; but we need to be clear how far she can go without both spreading alarm and despondency and raising expectations that cannot be fulfilled. It is not just the hysterical left wing press that regards talk of privatising the welfare state as a blow against the foundations of society: you may have seen, for instance, the leader in this week's Tablet, which concludes that the whole basis of the post-war attempt to create a fairer society in Britain is now at risk.

I shall be grateful for any thoughts you may have, both in the light of your thinking about the NHS and or your experience as a journalist. Are there useful international comparisons of secular trends in health care that the Prime Minister could make? How far can we go in pointing to the way in which increased demand for private health care relieves the burden of taxation? Can we develop the argument that less state resources might mean better health care for all?

J. M. M. VEREKER

27 September 1982

PRIME MINISTER'S BRIEFING - 1 OCTOBER 1982

Nat Health
Prime Minister (2)

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MAJOR INDUSTRIAL DISPUTES

Mus

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. Following up the 'Day of Action' on 22 September 1982, the TUCs Health Services Committee has instituted a 'rolling programme' of action intended to affect successively each of the 16 Health Authorities. Next week's timetable is:-

- 4 October 1982 - Merseyside
- 5 October 1982 - Northern Region
- 6 October 1982 - Yorkshire
- 7 October 1982 - Northern Ireland
- 8 October 1982 - South East

It is to be expected that other groups of workers in these regions will take some sort of action in support of the NHS workers.

2. At the end of the rolling programme, the NHS unions will on 19 October stage a mass lobby of Parliament. Additionally, the TUC has called for a 1-day transport strike on a day in early November. It is not yet clear that all transport unions will support the call.

3. The TUC's NHS unions have rejected an offer of a long-term pay deal, but talks are continuing with the Royal College of Nursing.

4. The NHS dispute began after the unions rejected offers ranging from 4% for ancillary workers to 6.4% for nurses (later increased to 5% and 7% and then to 6% and 7½%) and, as part of a co-ordinated campaign in support of a common pay claim of 12.5%, embarked on a series of 1-day strikes (later increased to 3 day and 5 day strikes) with varying kinds of local action. Sporadic local action began on 14 April, with COHSE members introducing a ban on the admission of non-emergency cases. Other local action has included working to rule, overtime bans and non-cooperation with management on plans to re-organise hospitals.

Water Services (35,300 - GMWU, NUPE, TGWU)

5. The unions have called for a national strike in the water industry on 18 October 1982, with unspecified industrial action to follow.

6. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [This was subsequently quantified informally as being in the upper quartile of published earnings figures.] At a meeting on 21 September 1982, when the unions lodged the annual pay claim, they insisted on an early reply from the employers and rejected the suggestion that they wait until 11 November to discuss the matter further.

7. Press reports in May this year suggested that the GMWU was ready to use industrial action in connection with this claim.

Department of Employment

MAJOR INDUSTRIAL DISPUTES

NHS Nursing and Ancillary Workers - (COHSE, NUPE and other unions)

1. Response to the TUC's "Day of Action" was mixed, with great variation both geographically and between the public + private sectors. Within the NHS action seems to have been more widespread and more severe than hitherto. The TUC's Health Service Committee met yesterday to consider further action, and decided to institute a "rolling programme" of one-day strikes, beginning on 4 October, hitting successively each of the 16 Regional Health Authorities. Additionally, the unions intend to extend selective stoppages by key groups of hospital workers in pursuit of their aim to reduce all hospitals to accident and emergency services only.

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