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Public sector pay



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The Rt Hon Norman Lamont MP
Chie Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 01 210 5155
From the Secretary of
State for Health

05 APR 1990

Dear Norman,

I am becoming increasingly concerned about developments in public sector pay negotiations.

In your letter to me of 12 March you indicated that you were content with my proposals for an opening offer between 7 and 7.25% for NHS administrative and clerical staff and an overall full year cost for all non-Review Body NHS settlements at a maximum of 7.9%. The opening offer of 7.25% for administrative and clerical staff was rejected on 14 March and negotiations will be resumed on 11 April. In my letter of 1 March I referred to the likelihood of the RPI increasing in the coming months but at present we have the benefit of a fall to 7.5%.

It is disconcerting to see that British Rail unions rejected an opening offer of 8% (as against 7.9% authorised in your letter of 7 March). The Prime Minister commented that the proposed negotiating remit of up to 8.5% was very high and was justifiable only if it led to a quick settlement involving no reduction in the working week. Any reduction in the working week combined with concessions being made following industrial action in the Engineering Industry would have serious implications for other public sector pay negotiations. Cecil's reference in his letter of 30 March to various significant developments since the IFR was settled seems to suggest that affordability should be the paramount consideration for paybill costs in BR.

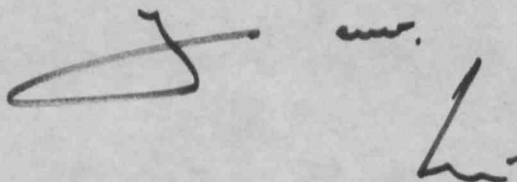
My concern is heightened by the suggestion in Cecil's other letter of 30 March that London Underground should make an identical opening offer at 8% with every expectation that it will also be rejected. Michael Howard in his letter of 7 March warned about the risk of the BR settlement again becoming the "norm" for other major sectors, including local government. It was no secret that the NHS ambulance unions had their sights set upon 8.8% when they started their dispute last year.

8.5% has been rejected in the Electricity Supply Industry and John Wakeham's letter of 16 March reported the unions' ballot for industrial action.

These opening offers are high, particularly if they are likely to be rejected. There is a further issue about the response to industrial action (or the threat of it). I firmly believe that last year excessive increases were too readily conceded and we are in danger of doing the same again.

Having stood firm through the ambulance dispute and secured an agreement where in a two year deal the second stage relating to this pay round was 7.9% I shall find it particularly regrettable if settlements elsewhere in the public sector give rise to rejections in the NHS for non-Review Body staff within the limits we have agreed as the maximum affordable from existing allocations without adverse effects on planned service provision. I imagine that the strategy for Post Office Counters set out in Eric Forth's letter of 30 March could also be jeopardised.

I am sending a copy of this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Peter Walker, Peter Brooke and Sir Robin Butler.

A handwritten signature in black ink, appearing to be 'K. Clarke', written in a cursive style.

KENNETH CLARKE