

Prime Minister



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PRIME MINISTER

You and other Cabinet colleagues may wish to know that at yesterday's meeting of the Nurses' Whitley Council the Staff Side took away for consideration a reconstructed pay offer at 6.4 per cent after the Management Side had rejected a proposal that the matter be referred to arbitration. The Staff Side's representatives from the affiliated trade unions now have to consult their executives; but there seems a reasonable prospect that they, like the non-affiliated trade unions, will decide to ballot their members on the offer. If so, balloting will begin on 23 April, the results will be due in by 11 May, and the Staff Side will meet finally to settle its response to the offer on 18 May.

The Chancellor of the Exchequer suggested in paragraph 5 of his minute to you of ³⁰31 March that if we could secure a settlement with the nurses it would help us with other public services' pay issues currently before us. In fact, the boot is on the other foot, in the sense that unhelpful developments elsewhere in the public services - more specifically pay settlements, or the prospect of settlements, at rates significantly above the pay factor - could prejudice the outcome of the nurses' ballot and cause the offer to be rejected. I believe this to be a real risk. Contacts with the Staff Side suggest that there is a good deal of discontent amongst nurses about pay; and it would be unwise to take it for granted either that all the trade unions will decide to ballot their members, or that the outcome of such a ballot will be favourable.

This reinforces my conviction that we should be firm in adhering, as closely as we can, to the pay factor we have chosen for the public services. This is not only because I believe it is right to do so on merits, but also for the



tactical reason that, owing to the interaction of the pay issues which will shortly be before us for decision, a failure to hold one part of the line will make it doubtful whether we can hold any of it. I am, for example, quite clear that if we allow the Civil Service and the teachers to receive pay increases in the region of 6 per cent, it would be very difficult indeed - unless perhaps it was made clear that the excess cost would be met entirely from job losses - to suppose that it would be possible to secure settlements with NHS staff at 4 per cent. This is quite apart from the repercussions I have already mentioned on nurses and the other NHS groups which we have agreed should receive special treatment.

The cost to the NHS of the higher pay settlements which could be expected to ensue would be considerable - probably more than £100 million; and it would be out of the question to look for this to be met from the existing NHS cash limit, since we have already gone at least as far as is practicable this year in demanding economies from health authorities.

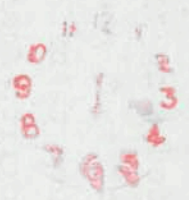
I support the Chancellor of the Exchequer's proposal that there should be some collective discussion on the handling of public services pay. In the meantime, I hope that, in relation to each decision which has to be taken, we shall do our utmost to avoid giving ground or appearing to do so.

I am sending copies of this minute to other Cabinet colleagues and to Sir Robert Armstrong.

13 April 1982

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