

SECRET

MR SCHOLAR

8 27 October 1982

cc Mr Mount
Mr Walters

Not: Health

PAY DETERMINATION ARRANGEMENTS FOR NURSES

I participated in the work of the Official Group which has now submitted its report to E(PSP) on permanent new pay arrangements for nurses and related groups; and I agree that there are three possibilities, as summarised in paragraph 33. But I would like to draw the Prime Minister's attention to what we see as the dangers of going for option (iii) - a Pay Review Body.

These problems are summarised in paragraph 32 of the report. First, a Review Body may make recommendations higher than can be afforded from the cash limit. Second, a Review Body award for a group as large as the nurses would inevitably be taken as the going rate for the NHS as a whole. Third, and more generally, establishing yet another Review Body, and one with such wide repercussions, would substantially reduce the Government's control over public service pay and would thus be a move in the opposite direction to that which we are seeking elsewhere.

Nor, in my judgment, will giving the nurses a Review Body, in order to reach a settlement over the current dispute, contribute to a settlement of the NHS dispute as a whole. Indeed, I would expect Bickerstaffe to raise his sights as a result of yet further special treatment being given to the nurses; and resistance to the present pay offer might well be hardened.

But if it is not to be a Pay Review Body, what can the nurses be offered? I think the best course is option (i). (Option (ii) is, of course, essentially a Megaw-type system.) The nurses could be told that after extensive discussion with them, and careful examination of all possibilities, the Government has concluded that the best method would be free collective bargaining in the context of the Whitley system; and that to give it permanence and structure, the Government proposes systematic data collection, and access to binding arbitration by mutual agreement. If the nurses were to reject such an offer, the Government's position would be all the stronger. And I think such a system is perfectly consistent with the commitments that have been made by Ministers, as summarised in Annex B of the paper.

This would be represented as the absence of any permanent arrangements.
MCS
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JOHN VEREKER

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ACTION

Prime Minister (2)

To note.

This paper canvasses 3 options

for long term nurses' pay: ---

(i) free collective bargaining + data
collection(ii) a Megaw-type system

NOTE

The circulation of this memorandum has been restricted. Recipients are accordingly asked to ensure that the secrecy of its contents and the need to know principle is strictly observed.

(iii) a Review Body:

Mr Fowler will be arguing for (iii) and will hope^{so} to persuade you after E (PSP) on Monday next week.

John Verchev's note (Flag A) gives the Policy Unit view.

I fear that the nurses will ask (and that Mr Fowler will be tempted to concede) that the new arrangements start in autumn 83, so that there will be pressure for the 11% offer to last only for 12 months.