



NBPM

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3 December 1981

The Rt. Hon. Norman Fowler, MP.,
Secretary of State for Social Services

Dear Norman

DOCTORS' AND DENTISTS' REVIEW BODY: ECONOMIC EVIDENCE

Thank you for your letter of 30 November enclosing a draft economic evidence to the DDRB.

I am content with the draft, subject to one point which has already been put to your Private Office. I take your point that the professions are sensitive to suggestions that their pay should be held down as an example to others; but I think that there are reasonably tactful ways of putting the argument about repercussions, which is really no more than commonsense. I suggest inserting after the second sentence of paragraph 8 in the draft:

"Pay increases beyond this level are unjustified in themselves, and reduce the standards of service which can be afforded; they also have wider effects through repercussions on other groups and lead to self-defeating "leap-frogging".

It would then be convenient to put what follows (on job security) into a separate paragraph.

I am sending copies of this letter to the other recipients of yours.

Geoffrey Howe

GEOFFREY HOWE



JS

10 DOWNING STREET

From the Private Secretary

3 December 1981

DOCTORS' AND DENTISTS' REVIEW BODY:
ECONOMIC EVIDENCE

You sent me a copy of your Secretary of State's letter to the Chancellor of the Exchequer dated 30 November, enclosing a draft of the economic evidence for the Doctors' and Dentists' Review Body.

The Prime Minister is content for this evidence to be submitted as proposed by your Secretary of State.

I am copying this letter to the Private Secretaries to members of E(PSP), to the Secretaries of State for Defence, Scotland and Wales and to Sir Robert Armstrong.

M. C. SCHOLAR

Don Brereton, Esq.,
Department of Health and Social Security.

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MR. SCHOLAR

DOCTORS AND DENTISTS REVIEW BODY: ECONOMIC EVIDENCE

I saw, and commented on, the economic evidence for the DDRB at the drafting stage, and I am content with it in the form enclosed with Norman Fowler's letter of 30 November.

In his letter, Norman Fowler suggests that it would be harder to persuade the professions to accept a low pay award on the basis of the argument that a high one could have repercussive effects. This seems to me questionable, partly because the repercussion argument is so obvious, and partly because it is the implied basis for the first half of the economic evidence. Indeed, when the Prime Minister saw Sir Robert Clark on 5 May of this year, Tim Lankester recorded that she went out of her way to explain her concern on this score. The assurances given "by the Prime Minister and by Patrick Jenkin" appear to have been given by Mr. Jenkin (only) at a meeting with the BMA on 15 May, although the Prime Minister was present.

1 December 1981



nat health

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE LONDON SE1 6BY
TELEPHONE 01-407 5522 EXT

(2)

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
LONDON SW1

Prime Minister

ms 23/12

21 December 1981

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Geo Geoffrey

DOCTORS' AND DENTISTS' REVIEW BODY: ECONOMIC EVIDENCE

Thank you for your letter of 3 December, suggesting an addition to the draft economic evidence. The point about repercussions clearly is valid, and as you say is really no more than commonsense. I am nonetheless convinced that it would be tactically disadvantageous to make it in our written evidence, no matter how tactfully.

The DDRB will be well aware of the point, and I doubt whether an explicit reference to it will have any significant effect on their recommendations. There is a very real risk, however, that such a reference could make it materially more difficult to persuade the profession to accept a low recommendation if one emerges. The Pilkington Royal Commission said in terms that the fear of repercussions should not be a factor in setting the professions' pay. Whatever we may think of the argument, I am sure the professions would be a good deal more hostile to a low award which they thought was based on such a fear. They raised precisely this point with the Prime Minister when they met her following rejection of the last report, and made it again with some force at the subsequent meeting with Patrick Jenkin. On both occasions they were given assurances that this had not been a factor in the rejection.

I would therefore be very reluctant to include the suggested paragraph. The point can be put to the Review Body when my officials give oral evidence, and I hope that on this basis you will agree the evidence can go forward as drafted.

I am copying this letter as before.

Norman Fowler

NORMAN FOWLER

22 DEC 1981

