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PRIME MINISTER

THE NHS DISPUTE

Mr Fowler, and I believe Mr Tebbit, thinks the time has come to attempt a settlement; Sir Robert Armstrong's note of 7 September outlines possible options. The options are unattractive even in the immediate NHS context where, as the note makes clear, the dispute is far from having an alarming effect; seen in the wider context of the Government's strategy for handling public sector pay and disputes, they appear to us to carry unacceptable penalties. But we do need to make a further effort to retain public support.

The Options

NHS union leaders are not about to climb down. Nor is the Government anywhere near having to make a straightforward increase in the offer, which it has repeatedly denied it can or will do. all the options bring us into fudge territory - Sir Robert Armstrong's note mentions a multi-year settlement, staging, and arbitration; other possibilities include a further attempt to settle separately with the nurses, perhaps by restructuring of nurses' grades, setting up an independent review, or tying future pay to a Megaw-type system. They all have substantial drawbacks, with which you are, I think, familiar, as summarised in the attached note. At a time of declining inflation, and when the Government will again be seeking a real fall in public sector wages, it is highly unlikely that a commitment about NHS pay increases next year could satisfy the unions without punching a big hole in our pay policy. I understand that the Chancellor will be bringing to Cabinet on 30 September his proposals for next year's pay factor, and that he may be thinking of 4%, but not announced. As you know, we think even 4% is too high - but it is certainly a lot lower than any assumption the unions will be prepared to make at this stage.

The Wider Perspective

Nor do I believe that any of these options can be so cleverly presented as to make it seem that the Government, having successfully stood firm, is now providing the unions with a face-saver to hide their climbdown. On the contrary, my clear impression yesterday and this morning in Brighton was that it is the unions who believe they have the Government on the run: several - most notably Scargill - have left no

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doubt of their intention to take any opportunity to present the outcome as a defeat for the Government in the face of organised union resistance. So I think the wider considerations are these:

- i. We must expect that <u>union behaviour this winter</u> will be more militant if the unions think they have won substantial concessions. So far under this Government, strikes have seldom proved worthwhile: we should keep it that way.
- ii. It is true that the Government's <u>trade union legislation</u> is threatened with being proved ineffective on 22 September. But it wasn't designed to deal with token sympathy strikes, and it remains to be seen whether sympathetic action on 22 September, and after, will inflict measurable damage.
- determination post-Megaw must not be forced: as you know, we have serious reservations about Megaw, which the Civil Service unions may anyway throw out at their forthcoming special conferences. But we are close to making commitments on long-term arrangements for the NHS that would prejudice what we can do for the Civil Service. In particular, an undertaking to review absolute Levels of NHS pay would make it hard to avoid the Megaw 4-yearly review in the first year, and we would be right back in a Clegg situation.
- iv. Finally, the Government is publicly committed to an attack on unemployment through lowering real wages. The Chancellor made that clear in Toronto; and it is the main theme of the CPRS report.

 That commitment is meaningless if such a large group as the NHS is given exceptional treatment.

Conclusions

1. There is much to be done to defend a pay offer which is certainly no worse, and for the nurses considerably better, than the going public service rate; and to put it in the context of the massive support the Government is giving the NHS - higher manpower, shorter waiting lists, more hospital beds, and more resources spent in real terms than the previous Government.

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2. But none of the options for attempting a settlement are sufficiently attractive. They risk being offered and rejected; they will be widely seen as succumbing to pressure, and notably to the 22 September "General Strike"; and they would seriously damage our longer-term approach to pay. The Government should continue to ride out the dispute.

Ji.

JOHN VEREKER

8 September 1982

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CONFIDENTIAL NHS DISPUTE: DRAWBACKS TO THE SETTLEMENT OPTIONS

- (a) Multi-Year Settlement perhaps 10% from 1 October 1982 until 31 March 1984. Would be widely regarded simply as 10%. Might set a trend for the new pay round. Implies a 4% pay factor for 1983/4, probably lower than NHS unions will accept.
- (b) Staging perhaps 4% on each of 1 April 1982, 1 October 1982 and 1 April 1983. Government hitherto firmly against staging, which rapidly builds up costs in following year. As with (a), no guarantee unions would not ask for still more when the time came.
- (c) <u>Arbitration</u> for 1983/4 inconsistent with our major effort to bring public sector pay under Government, rather than outside, control. And would have to be conceded also to other groups.
- (d) Buying off the Nurses already tried (twice) and failed. Leads to delay (because of ballot procedure). Any formula, including grade restructuring, would cost more money this year, which we are committed not to give.
- (e) Independent Review may be highly desirable, eg in the Ralph Howell context of NHS efficiency; but a review extending to pay would not achieve a settlement unless Government committed to implement the outcome equivalent to arbitration.
- (f) Commitment to the Longer-Term risks leap-frogging decisions on Megaw. Unlikely to achieve a settlement unless fully-fledged comparability plus arbitration.

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PRIME MINISTER

National Health Service Pay

You will be receiving this afternoon a paper from the Secretary of State for Social Services about the handling of the pay dispute in the National Health Service (NHS) for discussion at your meeting at 9.15 am tomorrow. I understand that this paper is likely to discuss three main options for a new offer and also to comment on the proposal for an inquiry into the management of the NHS which you have asked him to consider following the approach from Mr Ralph Howell MP.

- 2. The three options for a new offer are likely to be broadly the same as those mentioned in Sir Robert Armstrong's minute to Mr Butler of 7 September, ie:
 - a. A settlement of 10 per cent with effect from 1 October 1982 to last until 31 March 1984.
 - b. A "staged settlement" of 4 per cent from 1 April 1982; a further 4 per cent from 1 October 1982 and a further 4 per cent from 1 April 1983, again to last until 31 March 1984.
 - c. An agreement covering 1982-83 on the "no more money" basis, plus an agreement to go to arbitration if necessary for the settlement due on 1 April 1983.

MAIN ISSUES

- 3. The main questions you will want to discuss are:
 - i. whether the Government should make a new offer;
 - ii. if so, whether this is the right time to make it;

iii. if a new offer should be made now, what the terms of the new offer should be.

Case for a new offer

4. It has to be admitted that the Government's strategy for handling the NHS pay negotiation, which was to detach the nurses from the rest of the NHS workers, has not succeeded. The Government is thus in the position which it wished to avoid of being seen as in conflict with a group of workers who command a great deal of public sympathy. Against this background, there are three main courses open:

i. to rest on the improved offer already made;

ii. to go onto the offensive and start applying sanctions to force a settlement;

iii. to make a new offer.

5. The Secretary of State for Social Services is likely to rule out course ii.. Sanctions which might be applied would be to withdraw altogether the offer made or say that, although the offer remained on the table, it would no longer be backdated from 1 April but would take effect only from the date when a settlement was reached. Mr Fowler will probably argue/in this particular dispute such tactics would be counter-productive in their effect on the attitudes both of NHS workers and of the public. Such action would be worth considering if it seemed likely that the unions were losing the support of their members and that the NHS workers had lost public sympathy. At present neither of these conditions appears to be fulfilled.

6. If the Government was to adopt course i. and rest on the existing offer, the chances of achieving a settlement would depend mainly on two factors. First the Government would have to demonstrate more successfully than it has so far the comparatively favourable treatment which has been offered to the nurses in particular and to the NHS workers as a whole by comparison with other workers. Secondly the Government would have to hope that financial pressures from NHS workers for a settlement would eventually grow. The

SECRET pressures are bound to be modest since little pay is being lost as a result of industrial action and the only loss is the postponement of the day when the backdated increase will appear in pay packets. If Ministers conclude that the chances of reaching a settlement on the basis of the existing offer are slim, it follows that a new offer will have to be made at some stage. The timing of a new offer must however be very carefully considered. Having been seen to have improved on the original 4 per cent pay factor twice already, the Government cannot afford to run a high risk that a third offer will not produce a settlement. Timing of new offer The Secretary of State for Social Services evidently now considers that it would be desirable to make a new offer now and in particular before the TUC day of action which has been called for 22 September. You will wish to weigh the arguments for and against this timing very carefully. 9. The main arguments for a new offer now appear to be: several of the NHS union leaders fear the militancy which may be whipped up on 22 September and would like to reach a settlement before then; whether or not an offer should be made before 22 September, one should be made quickly so as to keep up the constructive momentum achieved in informal contacts with the union leaders; iii. if the Government makes no further attempt to solve the dispute before 22 September, it will come under severe criticism from the public for the inconvenience and economic damage which results; an early settlement would prevent the NHS dispute being used to stir up militancy among the miners: if sympathetic action on 22 September could be avoided, this would V. lessen the chance of a damaging confrontation over the Employment Act 1980. 3 SECRET

- 10. The main arguments against would seem to be:
 - i. it may be more difficult to secure a settlement of the kind which would be acceptable to the Government before the action on 22 September than after it if, as many believe, the response to the TUC call for action will be patchy and limited;
 - ii. the Government ought not to appear to be running away in the face of the threat of sympathetic action on 22 September;

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iii. too much weight should not be placed on the contacts with NHS union leaders; they have everything to gain and nothing to lose by encouraging the Government to make a new offer which they might subsequently reject, pleading pressures from the rank and file;

iv. the Government would have a better chance of securing an acceptable settlement by appearing reluctant to make a new offer and drawing out the union leaders to be more forthcoming about the kind of settlement which they might be prepared to deliver.

Terms of the offer

- 11. If Ministers feel that they are ready to decide now on the terms of a new offer, they will need to keep in mind the criteria by which a proposed offer might be judged. The main criteria would seem to be:
 - i. does the offer have a reasonable chance of being accepted by the unions?
 - ii. how harmful is the impact on the next pay round?
 - iii. how far is it consistent with the statement that "there will be no more money this year"?
 - iv. how much would the offer cost this year and next?

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12. In considering the three options likely to be proposed by the Secretary of State against criterion i. there must be some doubt as to whether, at this stage at least, any of them have a strong chance of being accepted. The thinking which lies behind all of them is that the unions will be content to have no more money than that already offered in 1982-83, so long as they are offered something for 1983-84 and can present the new offer as an improvement. Putting aside the option involving the promise of arbitration next year, the unions are unlikely to be willing to commit themselves to agreeing now to increases of only 4 per cent next April. It may be realistic to assume that any settlement on these lines would have to include some understanding explicit or implicit that if the going rate next year turned out to be significantly greater than 4 per cent, the NHS workers could come back for more.

- 13. In judging the three options against the other criteria, the main considerations seem to be as follows:
 - i. a promise of arbitration next year may be thought too risky since it could not be combined with any realistic possibility of Parliamentary override; it might also set a pattern of arbitration early in the next pay round which would be damaging;
 - ii. the option giving a 10 per cent increase from this autumn would be preferable to the option involving 3 instalments of 4 per cent on the cost criterion; although the cost would be the same in 1982-83 the 3 instalment option amounts in practice to an increase of around 12 per cent rather than 10 per cent and the extra cost next year would be around £150 million;
 - iii. the 3 instalment option might appear better presentationally because it would avoid an apparent settlement in double figures at the outset of the next pay round; on the other hand the unions would have a strong incentive to maximise the presentational effect of any offer and it is not easy to predict how the outcome would be perceived by the public.

The 10 per car muse med also imply -4 per car pay factor for 1983-84.

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14. If Ministers are not attracted by the strategy of compensating for no more money this year by offering something (arbitration or an actual settlement) for 1983-84, the only other approach would be to contemplate a small increase in the offer for 1982-83. The main penalty in such a course would be a loss of credibility by the Government and by the Secretary of State for Social Services in particular; against this the Government would not have reduced its room for manoeuvre in the next pay round.

OTHER ISSUES

- 15. Two other issues which are likely to be discussed are:
 - i. how far a differential for the nurses should be included in any new offer;
 - ii. whether there should be an inquiry into the management of the NHS and what, if anything, should be said about this in the context of a new offer.

Nurses differential

16. We understand that the present thinking of the Secretary of State for Social Services is that there is nothing more to be gained by trying to favour the nurses in a new offer. He will therefore probably propose that the $1\frac{1}{2}$ per cent differential already offered to the nurses for 1982-83 should not be withdrawn but that this should be regarded as a one-off payment and that any increase in respect of 1983-84 should be the same for nurses as for other NHS workers.

Management inquiry

17. Many Ministers may feel that an inquiry into the management of the NHS is attractive on its own merits and without reference to this particular dispute. In the context of the dispute it could however cut both ways. On the one hand the announcement of an inquiry might help the Government to improve its offer with less loss of face. On the other hand the inclusion of the inquiry in the package might make it more difficult to get the unions to agree to the level of pay increases which the Government would find acceptable. The balance of advantage might lie in announcing the inquiry separately and later. This is, I undertain what he becaute where her is and.

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CONCLUSIONS

- 18. You will want to reach conclusions on the following points:
 - i. whether the Government should make a new offer;
 - ii. if so, whether this is the right time to make it;
 - iii. if a new offer should be made now, what the terms of the new offer should be;
 - iv. how the nurses should be dealt with in any new offer;
 - v. whether there should be an inquiry into the management of the NHS and if so when such an inquiry should be announced.

Pcs

P L GREGSON

8 September 1982

Ref: A09383 CONFIDENTIAL AND PERSONAL MR. BUTLER National Health Service Pay National Health Service pay dispute. are various options:-(a) to last until 31st March 1984.

The Secretary of State for Social Services would like to discuss with the Prime Minister and colleagues most closely concerned the handling of the

- It appears that there may be a possibility of a settlement which complies with the condition that there is "no more money this year" and is also within the public expenditure provisions already allowed for in respect of 1983-84. There
 - A settlement of 10 per cent with effect from 1st October 1982
 - A "staged settlement" of 4 per cent from 1st April 1982; a (b) further 4 per cent from 1st October 1982 and a further 4 per cent from 1st April 1983, again to last until 31st March 1984.
 - (c) An agreement covering 1982-83 on the "no more money" basis, plus an agreement to go to arbitration if necessary for the settlement due on 1st April 1983.
- Although any of these options would satisfy the financial criteria, they could carry certain penalties:-
 - (a) A settlement reached now to cover the next financial year might not prove durable in the face of events.
 - (b) Though a 10 per cent settlement from 1st October for 18 months would imply a pay factor of only 4 per cent in 1983-84, the NHS unions would undoubtedly make the most of the double figure.
 - (c) A commitment to go to arbitration next year could produce embarrassments then.
- Against these considerations Ministers will need to weigh the political advantages of settling this dispute (if it is possible to do so), which has now run along for several months, in the reasonably near future. The Government ought

CONFIDENTIAL AND PERSONAL not to seem to be being rushed by the threat of the "day of action" on 22nd September, but there could be something to be said for getting this dispute settled before the miners' pay claim begins to be actively pursued. The unions may not be too reluctant to contemplate a settlement on "no more money this year" terms, if it provides them with some presentational way of climbing down. Though the dispute is messy and there has been publicity for the disruption, the actual effect on the operation of the National Health Service seems to have been less than the unions must have hoped for, and support within the National Health Service does not appear to be growing. Clearly the implications of this for public service pay, both this year and next year, are such that the discussion ought to take place with the Chancellor of the Exchequer present; and the Secretary of State wants it to take place before the Prime Minister's departure for the Far East. Secretary of State wondered whether he should discuss it in Cabinet on Thursday, 9th September. It seems to me that, though there will no doubt have to be a report to Cabinet, the matter is of such delicacy it should not be discussed in detail in full Cabinet. I believe that the best arrangement might be for the Prime Minister to hold a meeting with the Chancellor of the Exchequer,

the Secretary of State for Social Services, the Secretary of State for Employment (with whom the Secretary of State for Social Services has been keeping in close touch) and perhaps the Secretary of State for Scotland, before Cabinet on Thursday, 9th September, say, at 9.15 am. Such a meeting could not only decide upon the line which the Secretary of State for Social Services should take in the handling of the dispute, but could also agree upon how much should be

said to the full Cabinet.

7. I should be grateful if you could let me know whether the Prime Minister would be content to handling the matter in this way.

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Robert Armstrong



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SEI 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

Michael Scholar Esq 10 Downing Street LONDON SW1

8 September 1982

Dear Michael

NHS PAY

I enclose a copy of a paper prepared by my Secretary of State for discussion at the Prime Minister's meeting at 9.15 tomorrow.

Copies also go to Peter Jenkins (Treasury) and Barnaby Shaw (Employment), and to David Wright in Sir Robert Armstrong's office.

your ever,

D J CLARK Private Secretary

HEALTH SERVICE PAY DISPUTE

1. Colleagues will want to be brought up to date on the latest position in the NHS pay dispute and to discuss the next steps.

Position in the Hospitals

- 2. Clearly the dispute which has now been running for four months had had an effect on patients. Operations and hospital consultations have been postponed; and waiting lists have grown larger. In some areas the hospital service is operating with very great difficulty and accepting only "emergency" cases. Against that it is clear that union claims on the impact of the action are greatly exaggerated. In England the latest position is that out of 269 district general hospitals only 13 are now reduced to emergencies only; a further 102 are admitting emergency and urgent cases; and 154 are admitting non-urgent cases.
- 3. These figures are cold comfort to patients who are being affected and they are not reflected in the media; but they certainly affect the perception of some of the union leaders and give them an incentive to settle. There are also clearly powerful reasons why we should seek an end to this dispute provided that we can maintain our essential interests. The public want an end to the dispute and our position has not been helped by the two lengthy ballots of the Royal College of Nursing which leaves us in dispute with the nurses who have so far refused to take industrial action and have played a major part in keeping the services going. (We should note that general secretary of the RCN has now changed.) Equally we should note the fears of industry including the newspaper industry of being brought into this dispute.

Possible Ways Forward

4. The position now is that offers of between 6.0 per cent (for ancillary staff, administrative and clerical staff etc) and 7.5 per cent (for nurses and midwives and professions supplementary to



medicine) have been made. The total cost of this package is £420 million (Great Britain, 1982/83) and we have made it clear that no further resources are available for this year. For that reason we have rejected arbitration or mediation for this year. Any change from that position would bring immediate attack from, for example, the medical profession who would say (quite rightly) that industrial action inside the health service had been seen to pay. Many others would also take that view and the long term effect on the health service would be extremely serious. I therefore do not believe we should move from the position that no further resources are available this year.

- 5. It is now clear to me, however, that there are some on the health services committee of the TUC who want to see this dispute ended and are prepared to accept that no more money is available this year provided that they can achieve some advantages to present to their members.
- 6. One such advantage would be an agreement to discuss long term arrangements for pay determination in the NHS. These would be on Megaw lines (as has been made repeatedly clear) but clearly cannot be settled now. I shall be circulating a paper to E(PSP) later this month on this but in essence what we would be agreeing to would be to have talks under ministerial chairmanship with an April 1 1984 deadline. (Talks on nurses and midwives are already going on but the prospect of reaching agreement by April 1 1983 look remote.)
- 7. The problem then becomes how to build a bridge between the present and April 1984 and to find an arrangement which effectively removes the danger of a further dispute over NHS pay next year. By far the most promising way forward here is a two year arrangement which in principle also has the support of the RCN. Four possible options are set out and costed in the Annex. Broadly, the options are for a two year settlement running to 31 March 1984 which offers:
 - (a) a flat increase of about 10 per cent from September 1982, or 12 per cent from October 1982; or

- (b) a staged increase of say 4 per cent at each stage on 1 April 1982, 1 October 1982 and 1 April 1983; or
- (c) the existing offer plus arbitration for next year (1983/84).
- 8. For the Government the approaches in (a) on 10 per cent and (b) keep within the cash available for this year and settles next year on basis which still allows the Government to advance a 4 per cent "sign" for next year. For the unions they also have attractions. They allow them to claim that it is a higher percentage from October. But they have one major fear. In 1981/82 they settled at 6 per cent and then saw the rest of the public service do appreciably better. We are partly paying the price for that this year. They are likely to press for some "correcting" mechanism to take account of the fact that this could happen again, but I see no way of conceding this by any formal device. In both these options (a) and (b) it is assumed that the 1½ per cent differential in favour of nurses should be paid as a lump sum for 1982/83 but that there should be no differential for 1983/84. We would need to consider this point.
- 9. The arbitration option could, with inflation coming down, work out cheaper than either the others but clearly there is a risk of matters being taken out of the Government's hands. The arbitration process could, however, be set in motion early say at the end of this year so that it would be payable from April 1 1983 and the outcome would be known before the Budget.
- 10. The alternative to seeking a settlement is to sit out the industrial action. Imposing the pay offers which have been made is a further possibility in theory. In some circumstances it could be the right course, but I am sure that at present it would only exacerbate matters; and I do not have the power to impose retrospectively. It would be possible to sit out the industrial action for a considerable time and we might find that support for it crumbled in many areas. But it would be a slow process, probably taking a good many weeks. We may have to do this because NUPE in particular may prove intransigent. Nevertheless, both from the point of the health service and politically, I believe there is everything to be said for trying to bring this dispute to an end.

- 11. If we are to aim at a settlement, I believe that we should move quickly. There are elements on the trade union side who would welcome a settlement on the lines set out above. If we do not take advantage of this, then the NHS dispute will become incorporated into a much wider confrontation between the Government and the trade unions. Clearly there are others on the trade union side who would welcome this in particular because the nurses command much public sympathy and would therefore be a suitable 'front' for a dispute on industrial relations law.
- 12. I also have it in mind to combine with the announcement of any settlement along the lines indicated above an announcement of a management enquiry into NHS manpower.
- 13. We are now beginning to apply to the NHS, following its restructuring in 1981/82, measures designed to improve its management, efficiency and accountability. I have in the past year taken initiatives:
 - (a) to secure accurate and timely information about NHS manpower, which will shortly give us for the first time quarterly up to date returns;
 - (b) to require Regional Health Authorities to produce estimates of likely levels of manpower in March 1983 as a basis for working out future manpower targets;
 - (c) subsequently to require authorities to produce manpower targets for the main staff groups by early next year for the following financial year, which will then be reviewed centrally;
 - (d) to institute annual reviews by Ministers of the performance of each Regional Health Authority against agreed management objectives;
 - (e) to formulate and test performance indicators which will be utilised in the annual reviews; and

- (f) to introduce, with Derek Rayner's help, a programme of Rayner scrutinies into the NHS which is about to start.
- 14. What we are still lacking, however, is an incisive approach to manpower control at each level. The authorities need new objectives and the capability to achieve them. I propose, therefore, to set up a manpower enquiry to secure a more efficient use of manpower in the The enquiry would be led by a top level industrialist with relevant experience supported by a small mixed team drawn from the privatesector, my Department, the Treasury and the NHS - and able to use management consultants. It would report to me. envisage an academic analytical study taking months which would then have to be considered and made the basis for wide consultation. Rather I see this management enquiry as designed to formulate and introduce a progressive programme of action supplementing the initiatives already taken. My aim would be to have accomplished at least the initial task in time to be able to promulgate by the middle of next year well supported manpower targets for District Health Authorities who would have the capability for their achievement

15. I invite my colleagues:

- (i) to agree that I should pursue my discussion with the TUC with the aim of securing a settlement;
- (ii) to express a view as to the acceptability of the possible options outlined in paragraph 7; and
- (iii) that I should announce a management inquiry into NHS manpower when the dispute is settled.

NHS PAY: POSSIBLE OPTIONS

This note considers the following four options for new pay offers to National Health Service groups:

- (a) 4 per cent from April 1982, a further 4 per cent from October 1982, and a further 4 per cent in April 1983. Arithmetically, there are two versions of this option:
 - (i) Compound, in which each successive increase is applied to pay including the previous increases. This gives a total increase of 12.5 per cent;
 - (ii) Additive, in which each 4 per cent is calculated on present rates of pay. This, of course, gives a total of 12 per cent.
- (b) No increase until October 1982, 12 per cent from October 1982, and no further increase until 1984-85. This is in effect a variant of (a)(ii) above, giving the same amount in one increase rather than three.
 - (c) No increase until September 1982, 10.3 per cent from September 1982, and no further increase until 1984-85.
 - (d) 6 per cent/from April 1982 (as at present offered) and a commitment to arbitration (possibly subject to Parliamentary override) for the April 1983 settlement.
- 2. All of these options are expressed in terms of a basic offer, without additions for specific groups. But the nurses have already been offered an additional 1.5 per cent from April 1982 (7.5 per cent as opposed to 6 per cent for other groups*). There is also a question, therefore, as to whether a similar premium for the nurses should be added in each case.

^{*}Ambulancemen and hospital pharmacists have also been offered an additional 0.5 per cent, but this is a minor exception and is not considered further here.

- 3. All of the options give the equivalent of the present offer, 6 per cent, for 1982-83. In that year, therefore, their costs are also no different from that of the present offer, assuming a 1.5 per cent addition for nurses. (If it were decided to drop this addition, which would mean reducing this year's offer to nurses, the saving in 1982-83 would be about £50 million.) The differences between the options are presentational, and in what they offer for 1983-84.
- 4. Option (a)(i) would give the equivalent of 6.1 per cent for 1983-84. Option (a)(ii) gives the equivalent of 5.7 per cent, as does option (b). Option (c) gives 4.1 per cent for 1983-84.
- 5. Whether there was no addition for nurses in 1982-83, or there was and it continued into 1983-84, these 1983-84 percentage increases would also apply to them. If however the addition were paid only in 1982-83 (where provision for the cost has already been made), but it were discontinued in 1983-84, the percentage increases in paragraph 4 would be reduced by 1.5 per cent for the nurses.

Costs in 1983-84 (cumulating)

6. The costs of the different options in 1983-84 would be as follows:

TOTTOWS.	1	2	Cost to NHS,	Great Britain 4
	Total cost (excl nurses' 12%)	Present offer + 4% from 1.4.83	Col 1 less	Col 3 plus nurses 12%
Option (a)(i)	790		95	147
Option (a)(ii) Option (b)	755	695	60	112
Option (c)	650		_ 45	- 7

The cost of option (d) - arbitration - is of course unpredictable.

7. Column 2 in the table broadly represents what is provided for within the public expenditure baseline, on the assumption that

£70 million of the cost will be financed by the NHS itself from increased efficiency and/or reductions in planned level of service. (The assumption is that those savings would be available under any of the options.) The figures in columns 3 and 4 show that DHSS could also accommodate option (c), with or without an addition for the nurses. DHSS would, however, still want an increase in the baseline to finance the separate cost (£28 million) required to restore the 3 per cent abated from the DDRB award to doctors and dentists in the past two years.

8. DHSS would not feel able to accommodate the costs of options (a) or (b) unless bids for additions to the baseline - depending on the options these are of the order of £100 million - were agreed. Even the costs accommodated would be those in column 3 rather than column 4: the nurses' addition would not be affordable in 1983-84 and DHSS would envisage limiting it to a once-for-all payment in 1982-83 (see paragraph 5 above).