

CONFIDENTIAL

Prime Minister

Shall I ask that you be

MR SCHOLAR

24 March 1983

cc Mr Mount

consulted, as recommended at

X? M/S 24/3

PAY DETERMINATION ARRANGEMENTS IN THE NATIONAL HEALTH SERVICE

in last night's folder M/S 24/3
Norman Fowler has submitted a paper - E(PSP)(83)6 - on this subject setting out three possible approaches which the Government might adopt in the discussions which were promised to the NHS trade unions on 'improved pay determination arrangements'.

i.e. a Megaw-type system
It is unfortunate that Mr Fowler has got himself into this position. He eventually achieved, after all, a good settlement with the non-professional NHS groups without such machinery; and the options proposed - constrained collective bargaining, guided collective bargaining, arbitration agreement - to greater or lesser degrees satisfy the TUC's 'aspirations'. The option which Mr Fowler prefers - constrained collective bargaining - is probably the least dangerous of the three but as the paper acknowledges, its attraction to the unions is that it would establish a lower limit to pay increases. This lower limit may well turn out to be above the level consistent with the management considerations mentioned at the foot of para 3 - recruitment and retention of staff, the general economic situation, availability of resources. It would of course set a 'firm upper limit' but what the paper does not say is that this would - following the point above - almost certainly be excessive.

no point in this: we know how it happened. M/S
Mr Fowler wishes to open discussions with the TUC as soon as possible, presumably with a view to proposing his preferred option, rather than leaving it for the TUC to make the running, despite the fact that it will be the TUC, rather than the Government, which has more to gain from any machinery. In these circumstances I would suggest that, if the Prime Minister agrees, you might write to Mr Fowler's Private Office, registering the Prime Minister's surprise that Mr Fowler has got himself into this position; that she is not at all convinced that we should be as forthcoming with proposals; and that she expects to have an opportunity to consider E(PSP)'s conclusions before anything is said publicly.

NICHOLAS OWEN

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CC DHHS

Hu

bcc Peter Gregson

10 DOWNING STREET

From the Private Secretary

25 March 1983

Pay determination arrangements in the National Health Service

The Prime Minister has seen a copy of the Secretary of State for Health and Social Services's paper E(PSP)(83)6 on improved pay determination arrangements in the National Health Service.

The Prime Minister would be grateful for an opportunity to consider E(PSP)'s conclusions on this matter before any public announcement is made.

I am sending a copy of this letter to David Clark (Department of Health and Social Security), and to Peter Gregson.

M. C. SCHOLAR

Miss Margaret O'Mara,
H.M. Treasury.

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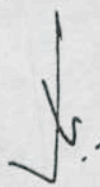
MR MOUNT

cc Mr Scholar ✓

NHS PAY

PSP(O) had a second go this morning at new pay arrangements for the NHS groups who will not be covered by the new Review Body. We considered DHSS proposals for collective bargaining based on agreed data collection, but I will not trouble you with the details because even the DHSS accepted that there were overwhelming objections. So, despite the universal condemnation of the system which they encountered two weeks ago, the DHSS are likely to propose to Mr Fowler that he puts to his colleagues the suggestion of a Megaw type system of "constrained collective bargaining" for these groups.

There continues to be an almost total divergence of view between the DHSS and other departments. They feel under an obligation to honour Mr Fowler's commitment to new pay arrangements; we feel that this commitment was given without authority, is a commitment only to discussion, and refers to "arrangements" rather than "systems". I have suggested that if they feel obliged to embark upon such discussions, they should combine their proposals to objectives we ourselves wish to pursue - a procedure agreement, a clarification of relationship between cash limits and the negotiations, the need for agreement of recruitment and retention data, and the need for a unilateral undertaking by the unions not to strike. There is a good deal of support for this, which would not of course lead to any new pay arrangements but would at least give the DHSS something harmless to talk about. Mr Fowler will probably put a paper to E(PSP) after I have left, but you and Michael Scholar may wish to bear these points in mind when it all comes to the Prime Minister. There is absolutely no need at all for us to make yet more concessions to the NHS about pay determination arrangements.


4 March 1983

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MR MOUNT

cc Mr Scholar ✓

PAY DETERMINATION ARRANGEMENTS FOR NHS WORKERS OTHER THAN NURSES

PSP(O) had its first discussion yesterday of the DHSS proposals for long-term pay arrangements for NHS ancillaries. You will recall that Mr Fowler made a commitment to enter into discussions about improved pay determination arrangements for those who will not be covered by the Review Bodies; the DHSS Paper proposed a system of "constrained collective bargaining" analogous to the Megaw system.

The Paper received short shrift. The Treasury pointed out that they were very doubtful whether a Megaw system could be negotiated with the Civil Service unions, and there were still many uncertainties about how it would work if they did. To establish a Megaw type system for another group of public service workers would therefore be premature. Those representing other groups of public service employees also objected to singling out the ancillaries in this way. I argued that improved pay determination arrangements did not imply a whole new system, and that we should be addressing ourselves to what was wrong with the present system. That seemed to me to come down to a question of the relationship between cash limits and pay out-turn and the effect on manpower. We had an extensive discussion of the cash limit process, with which I need not trouble you. The Department of Employment supported me, and suggested that the only improvement needed - apart from clearing up the cash limits confusion - was an arbitration agreement, providing for access only by consent. Peter Gregson concluded that there was not support for the system proposed by DHSS, that we should stick with a system of collective bargaining but consider minor improvements such as the Group had identified. But, knowing Mr Fowler, I doubt if we have heard the last of this. We must now wait and see what he puts to his colleagues on E(PSP).

N.
10 February 1983