



Prime Minister

MUS 13/4

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

PRIME MINISTER

PAY DETERMINATION ARRANGEMENTS IN THE NATIONAL HEALTH SERVICE

The Ministerial Sub-Committee on Public Service Pay (E(PSP) met under my chairmanship on 12 April to discuss the memorandum by the Secretary of State for Social Services (E(PSP) (83)6 on pay determination arrangements for workers in the National Health Service (NHS). Your Private Secretary's letter of 20 March said that you would wish for an opportunity to consider E(PSO)'s conclusions on this matter before any public announcement was made.

2. The Secretary of State for Social Services argued that as part of the settlement of the 1982 pay dispute in the NHS the Government had indicated that it would be willing to enter into discussions about improved pay determination arrangements for groups of staff other than those whose pay was the subject of recommendations by a review body (doctors, dentists and nurses). He was under pressure from the Trades Union Congress and others to fulfil that commitment. Moreover, it was in the Government's own interest to change current pay arrangements in the NHS. With effect from April 1984 the pay of about half the staff of the NHS would be determined on the basis of recommendations from review bodies. Unless something was done about the other half, their pay would effectively be determined by cash limits, which were increasingly coming to be regarded as a pay norm.

/The resulting



The resulting tensions would be unsustainable. The main options for change were constrained collective bargaining, of the type recommended by the Megaw Committee for the non-industrial civil service; guided collective bargaining, under which agreed data would be collected and analysed so as to provide a background (but no more) for collective bargaining; and to seek to negotiate an arbitration agreement providing for access by agreement to some agreed form of arbitration. The trade unions would probably press strongly for guided collective bargaining (which they would see as likely to provide comparability material which they could use as a floor for pay claims). He favoured constrained collective bargaining, which would, among other things, show that the Government was taking a consistent approach to the civil service and the NHS.

3. In discussion, it was common ground that the Government was committed to being willing to discuss possible changes with the NHS trade unions; and that it must approach any such discussions in good faith. This did not, of course, mean that the Government must be determined to reach an agreement at any price. But the Government should not put forward proposals which it regarded as being without merit or adopt deliberate wrecking tactics.

4. Views were divided, however, on what this meant in practice. Some members of the Sub-Committee supported the Secretary of State's proposals. They considered that the Government must be prepared to put forward its own proposals for change; and that, of the various possibilities which had been identified, constrained collective bargaining was the best.

5. Other members took the view that there was no clear advantage to the Government in proposing substantial changes in current NHS pay negotiating arrangements. It was far from certain that  
/we should be



we should be able to negotiate acceptable arrangements based on Megaw for the non-industrial civil service. It would therefore be dangerous in itself to offer similar arrangements to the NHS: and to do so would increase the risk of reinstating pay arrangements based on comparability more widely in the public services. Even if changes eventually had to be made, they might well take the form of detailed improvements rather than the erection of complete new structures. The Government was committed to being willing to enter into discussions, not to launching them. It would be better to allow the trade unions to make the running, if they wished, and in particular to ask them what concessions they would be willing to make, in such matters as acceptance of the relevance of market factors and affordability and avoidance of industrial action, as part of any new pay arrangements. We should then be able to judge better the chances of making progress. We should also avoid the risk, which would be inherent in our making the running, of gradually coming to be regarded as committed to making changes, whether we regard them as desirable or not. I must say that, on the basis of the arguments as they emerged in discussion, I tend to share these views.

6. The division of view was too sharp to make agreement possible at the meeting on 12 April. The Sub-Committee therefore accepted an offer from the Secretary of State for Social Services to circulate, as the basis for a further discussion, a paper setting out the negotiating brief which he and the Minister for Health proposed to use in discussion with the trade unions. It would also explain how a system of constrained collective bargaining would help in practice to avoid industrial action in the National Health Service and to reduce unit labour costs. This would allow the Sub-Committee to assess in more concrete terms the advantages and disadvantages of the course which he was recommending. The preparation of this paper was on the clear understanding that it was without prejudice to the eventual resolution of the difference of view which had emerged in discussion.

/7. At this stage,

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7. At this stage, then, the Sub-Committee has taken no decision on the matters discussed in E(PSP) (83)6 and will discuss them further on the basis I have described. I shall, of course, continue to keep you informed.

8. I am sending copies of this minute to the members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health, Mr Sparrow, and Sir Robert Armstrong.

G.H.  
13 April 1983

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10 DOWNING STREET

*From the Private Secretary*

15 April, 1983

FIN- SW  
bc: Owen.  
cc: D/Emp D/SS  
CDL D/Env.  
CS-HMT LPO  
SO NIO  
+ those listed WO

Pay Arrangements for Non-nursing Groups in the NHS

The Prime Minister was grateful for the Chancellor's minute of 13 April recording the discussion at E(PSP) about pay determination arrangements for workers in the National Health Service.

The Prime Minister is opposed to the proposal that a Megaw-type system should be offered to non-nursing groups. She considers that the Government should agree to discussions with the trade unions, as it is committed to do, but should thereafter leave the trade unions to make most of the running. The Prime Minister believes that the unions may press for some form of data collection to establish the basis for a system of pay comparisons, and that the Government could in response say it attaches more importance to other matters, such as market factors and the need to reduce unit costs in the NHS. Mrs. Thatcher considers that there is no reason why talks on these lines should not be considered as having taken place in good faith and in fulfilment of the Government's commitment, even if they lead to a situation in which both sides agreed to differ.

I am sending copies of this letter to the Private Secretaries to other members of E(PSP), the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister for Health and to Mr. Sparrow (CPRS) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss Margaret O'Mara,  
H.M. Treasury

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SW



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

9 May 1983

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

CG NO 2

Prime Minister

To note.

MCS 10/5

#### PAY ARRANGEMENTS FOR NON-NURSING GROUPS IN THE NHS

Thank you for your letter of 29 April 1983 about the probable request from the TUC Health Services Committee for a meeting with officials to explore the Government's commitment to enter into discussions about improved pay arrangements for NHS groups whose pay is not the subject of recommendations by a review body.

I am glad that we are all now agreed that, as recorded in the letter from the Prime Minister's Private Secretary of 15 April, there is no question of offering a Megaw-type system to the non-nursing groups. I note also that you regard the forthcoming discussions with the trade unions as primarily an opportunity to get some indication of their thinking and of what their main objectives are. This is, as you say, in line with the Prime Minister's proposed approach to the discussions, namely that the trade unions should be left to make most of the running.

Nevertheless I think that it would be useful, in order to avoid any misunderstandings which could cause difficulty later, for officials to be given a clear "line to take", approved by Ministers, in answer to possible questions from the trade unions about the Government's attitude to improved pay determination arrangements for these groups. I would assume that this would reflect the Prime Minister's view, expressed in the letter of 15 April, that the Government attaches importance to market factors and the need to reduce unit costs in the NHS.

I suggest therefore that you might like to write round to E(PSP) colleagues setting out the proposed "line to take". If, as I would hope, we can clear that in correspondence, I would see no need for a meeting of E(PSP).

I am sending copies of this letter to the Prime Minister, to the members of E(PSP), and to John Sparrow and Sir Robert Armstrong.

GEOFFREY HOWE

NATIONAL HEALTH : Industrial action  
↳ the NHS : PL2.

1100 MAY 1988

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9 8 7 6 5 4 3



Prime Minister

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## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

Alexander Fleming House, Elephant &amp; Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

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

29 April 1983

MCS 5/5

At the end of their discussion on 12 April about Pay Determination Arrangements in the National Health Service, E(PSP) invited me to circulate a paper setting out the negotiating brief which might be used for discussions with the Trade Unions. Subsequently the Prime Minister's Private Secretary wrote to yours saying that the Prime Minister was opposed to the proposal that a MEGAW type system should be offered to non-nursing groups.

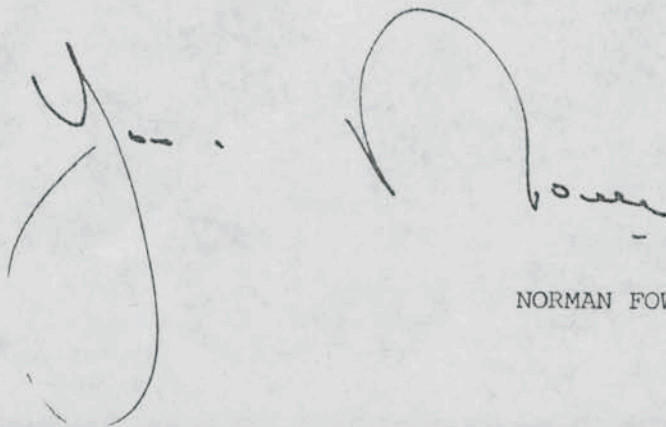
Since then, I have learned that the TUC Health Services Committee is about to write to my Department asking for a meeting with officials to explore possible ways of taking further the Government's commitment, after the conclusion of the two-year settlements, to enter into discussions about the improved pay determination arrangements for groups of staff whose pay is not the subject of recommendations by a review body. It is not surprising that the TUC should have decided to take this step, because they will no doubt have in mind the need to make progress soon if, as they hope, new arrangements are to be ready in time for the 1984 pay settlements.

It is clear that the TUC's request cannot be turned down, and until the discussions they seek have taken place I propose, with your permission, to regard the remit from E(PSP) as a piece of uncompleted business which will have to be taken up later. This fits in well with the letter from the Prime Minister's Private Secretary, because there will obviously be no question of offering a MEGAW type system to the Trade Unions. The discussions with officials will as far as my Department is concerned be low-key, exploratory and entirely without commitment. I regard them primarily as an opportunity to get some indication of the TUC's thinking - whether they do really want an agreement with this Government and, if so, what their main objectives are.



I will keep you and our colleagues informed about progress.

I am sending copies of this letter to the recipients of copies of your minute of 13 April and to the Prime Minister.

A handwritten signature in black ink, appearing to read 'Norman Fowler', written in a cursive style. The signature is positioned above the printed name.

NORMAN FOWLER

1983

12 1 2 3 4 5 6



10 DOWNING STREET

Prime Minister

You saw this last night.

May I write as at X

in para 6 of Mr Gregson's minute?

MCS 14/4



①

Prime Minister  
Please see the Chancellor's minute  
An unusually uninhibited (attached).

minute from Mr Gresson!

Agree to X in para 6?

Yes

MUS

P.0997

MR SCHOLAR

PAY ARRANGEMENTS FOR NON-NURSING GROUPS IN THE NHS

The Prime Minister will shortly be receiving a minute from the Chancellor of the Exchequer reporting on yesterday's discussion in the Ministerial Sub-Committee on Public Service Pay (E(PSP)(83)2nd Meeting) of a proposal by the Secretary of State for Social Services that the Government should offer a Megaw type system of "constrained collective bargaining" to the non-nursing groups in the NHS. In your letter of 25 March to the Chancellor's Private Secretary you said that the Prime Minister would be grateful for an opportunity to consider E(PSP)'s conclusions. In fact E(PSP) will be returning to the matter at a further meeting because there is a sharp division of view. The Chancellor, Chief Secretary, and the Secretaries of State for Education and Science, Employment and the Environment are all opposed to the Secretary of State for Social Services's proposal; he was supported by the other Health Ministers (the Secretary of State for Wales and junior Ministers from the Scottish and Northern Ireland Offices) and, albeit without much enthusiasm, by the Lord President.

2. The Chancellor will of necessity be reporting the balance of argument in an objective way, while indicating that he, like the majority, is opposed to the proposal. The Prime Minister may find it useful to have this less inhibited account of the arguments against it.

3. This issue has arisen because the Government made a commitment, recorded in the exchange of letters when the NHS dispute was settled, that it "would be willing to enter into discussions about improved pay determination arrangements for groups of staff whose pay is not the subject of recommendations by a review body". The Prime Minister may recall that the Government had, until recently, a commitment only to search for an improved pay system for the nurses, dating from 1980. The possibility that the Government might be prepared to discuss new pay arrangements for the non-nursing groups was mentioned for the first time,



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without any prior collective endorsement, in a radio interview by the Minister for Health some time last autumn. When the Prime Minister and others queried this its significance was played down and we were told that the Minister for Health had stated no more than was already the case, ie that the Government was of course always ready to talk to the unions about any ideas they might have for improving their pay arrangements. At the end of the dispute the formula about the Government's being willing to enter into discussions was incorporated in the exchange of letters, with collective endorsement, but on the basis that this was merely repeating what had already been said by the Minister for Health. We are now told that because of this commitment the Government must not only launch discussions about a new pay system for the non-nursing groups but should also put forward positive proposals for a new system and that this should be a Megaw type system of constrained collective bargaining.

4. The main arguments against agreeing to this are as follows:

i. There is little evidence as yet that the NHS unions are actively pressing for new pay arrangements. Indeed the Minister for Health told E(PSP) that he was sure that they would prefer to keep free collective bargaining. Such modest pressure as there is appears to be coming from Mr Jacques of the TUC who is thought to want to establish that systems based on comparability should be the main determinant of pay throughout the public services.

ii. From the Government's point of view there is no clear advantage in moving away from the present arrangements of free collective bargaining constrained by a cash limit. The nurses (not only trained nurses but students and auxiliaries) are being hived off under the new review body on the clear understanding that they will not take industrial action. This is bound to decrease further the industrial muscle of the non-nursing groups, already weakened by last year's unsuccessful action. It would therefore seem perverse for the Government to choose this moment to move away from free collective bargaining. The Secretary of State for Social Services is now saying that the existence of a review body for the nursing groups will give rise to intolerable pressures unless the non-nursing groups are given some new arrangements. He did not say this when seeking the



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agreement of colleagues to the review body for the nurses and it does not seem plausible. The Government has now firmly established that it intends to give different and preferential treatment to the nursing groups.

iii. Even if the Government were to find it desirable to concede some change in the pay arrangements for the non-nursing groups, the option of proposing a Megaw type system would be particularly unattractive. The Government has no alternative but to explore its feasibility for the non-industrial Civil Service since it was recommended by a Committee set up by the Government and was designed as a compromise between the Government's wish to place more emphasis on market factors and affordability and the old Civil Service pay research system which rested on automatic pay comparisons. It is a much more dubious proposition to volunteer this for the NHS where there was no previous standing system of pay research based on comparability, especially as it will be a long time before we know either the Government will be able to negotiate an acceptable arrangement with the Civil Service unions and an even longer time before we know whether a Megaw type system will work out satisfactorily in practice.

5. The course of action favoured by most members of E(PSP) therefore seems greatly preferable. The Government should agree to discussions in fulfilment of its commitment but should leave it to the trade unions to make most of the running. The unions are likely to press for some form of data collection to establish comparability. The Government will then say that it attaches much more importance to other factors such as market factors and the need to reduce unit costs in the NHS and will deploy the case for considering data on these and other matters of concern to management. Eventually both sides may well agree to differ and to leave the matter on the basis that in future pay negotiations either side will continue to deploy whatever arguments and data it thinks fit. There is no reason why talks on these lines, if skilfully conducted, should not be seen as having taken place in good faith and in fulfilment of the Government's commitment.



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6. Since there is to be further work and another meeting of E(PSP), the Prime Minister does not need to intervene at this stage if she does not wish to do so. If however she shares the view of the majority of E(PSP) that there are strong arguments against the Secretary of State for Social Services's proposal, she may well feel that there would be advantage in saying so now, in ruling out firmly the option of offering a Megaw type system to the non-nursing groups, and in steering the future work on the brief for the talks with the unions in the direction of the responsive approach outlined in the preceding paragraph. There is the danger that if the option of offering a Megaw type system for the non-nursing groups is allowed to have further currency it will sooner or later appear in the newspapers and the talks with the trades unions will then become much more difficult to handle.

*PLG*

P L GREGSON

13 April 1983

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