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NBPM MS 30/6

CCDO 16

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

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

Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon Nigel Lawson
Chancellor of the Exchequer
Treasury Chambers
Great George Street
London SW1

29th June 1983

Dear Nigel.

You may find it useful to have some background to the paper attached on pay determination arrangements in the NHS which I have just circulated to E(PSP).

As my paper explains, we are committed to holding discussions with the trade unions, and E(PSP) considered before the election what the Government's stance should be in such discussions. I was asked to provide, as a basis for further consideration, a note indicating what the negotiating brief might be for the Government's representatives in any talks with the TUC.

That was rather more than two months ago. Since then, the political imperatives have become much more pressing. I believe that, if we are to avert a public row and a charge that we have not fulfilled our undertaking to enter into discussions, we must within the next couple of weeks make a start on discussions.

I indicate in the latter part of the paper what I envisage our general stance in the discussions should be. I doubt whether it would be appropriate to go into further detail at present. There are several reasons for this:

1. It will not be necessary for the initial meeting. If the trade unions declined to proceed on the basis proposed, the discussions would come to an end - but the political imperative of publicly establishing the reasonableness of the Governments' attitude would have been secured.

2. If on the other hand the discussions continued, detailed matters would be likely to arise which cannot be completely foreseen now and on which I should need to seek the views of colleagues as matters proceeded.

3. I believe that we must regard the political need to make a very early move as the overriding consideration at this stage.

SECRET

E.R.



In view of the urgency, I hope it will be possible to have an early meeting of E(PSP).

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

Yours ever
Norman

NORMAN FOWLER

SECRET

bc N.O.

20

cc Home Office

# 10 DOWNING STREET

*From the Private Secretary*

5 July 1983

Dear Steve,

NATIONAL HEALTH SERVICE PAY DETERMINATION

The Prime Minister has seen your Secretary of State's minute of 29 June covering his memorandum (E(PSP)(83)11) about the determination of pay for National Health Service groups not currently subject to the recommendations of a review body. The Prime Minister's earlier views were set out in my letter of 15 April to the Private Secretary to the Chancellor of the Exchequer.

The Prime Minister has noted that the main thrust of your Secretary of State's paper is that the Government should take the initiative and make proposals. She remains unconvinced that this is either necessary or desirable. The Government's commitment is merely that it would be willing to enter into discussions about improved pay determination arrangements. The Government is not committed to making proposals for the non-nursing groups. Indeed it has not yet been demonstrated that there would be advantage to the Government in changing the present bargaining arrangements for these groups or that there is any alternative to the present arrangements which would not involve serious difficulties.

The Prime Minister therefore remains of the view that the unions should be left to make the running. She considers that this would be in accordance both with the undertakings given to the trade unions at the end of last year's NHS dispute and with the reference to NHS pay in the Election Manifesto.

The Prime Minister also remains of the view that the Government should neither offer nor agree to proposals for a Megaw-type system for non-nursing groups, including any arrangements (paragraph 7 of your Secretary of State's paper) under which agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place.

The Prime Minister has enquired whether Mr. Roy Griffiths and his team have taken a view on whether improvements in

/ productivity

productivity would be facilitated by "more stable" pay determination arrangments. She has enquired, too, whether new national pay arrangements would rule out, or would sit uneasily with, alternative organisational structures which Mr. Griffiths might recommend involving, possibly, decentralised pay bargaining.

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, to Mr. Sparrow (CPRS), and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

S.A. Godber, Esq.,
Department of Health and Social Security.

JDG

CONFIDENTIAL

Prime Minister

These were points from Nick Owen.

MCS 18/7

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

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

Telephone 01-407 5522

*From the Secretary of State for Social Services*

M Scholar Esq
Private Secretary
10 Downing Street

18 July 1983

Dear Michael

NATIONAL HEALTH SERVICE PAY DETERMINATION

Thank you for your letter of 5 July.

In the penultimate paragraph, you raise two questions about the attitude of Mr Griffiths and his team. As to the first, Mr Griffiths has made clear from the outset that he assumed that it is for Government to handle the discussions with the trade unions about pay determination arrangements; but that it will be essential for the successful implementation of the recommendations he will be making aimed at improved productivity that the problems over pay should have been satisfactorily disposed of on lines which will avoid any deterioration in industrial relations in the NHS and hopefully will improve them.

As to the second, Mr Griffiths foresees no conflict between his work and possible changes in pay determination arrangements. He does not so far see attraction in the principle of decentralised pay bargaining.

Yours

Steve

STEVE GODBER
Private Secretary

10 JUL 1983

Next theirs
STAN Penn P2

Prime Minister

MR SCHOLAR

4 July 1983

cc Mr Mount

NATIONAL HEALTH SERVICE PAY DETERMINATION

Mr Fowler has, as requested, circulated his negotiating brief for discussion in E(PSP) on 7 July, prior to discussions with the NHS trade unions on pay determination arrangements.

Mr Fowler is firmly of the belief that it is a political imperative to take the initiative in the discussions which were promised, rather than simply play a straight bat to proposals which unions may make. He therefore urges a "substantive discussion" with the unions before the Summer Recess.

Mr Fowler proposes to put forward some essential principles (in paragraph 7) which the Government will insist upon. These are excellent: they rule out "guided collective bargaining", unilateral access to arbitration; they recognise market forces and the need for differentials.

Unfortunately, Mr Fowler does not seem to commit himself to these principles, since in the next breath he announces himself prepared to join in working out an arrangement under which "agreed factual material would be collected and analysed so as to define the range within which pay negotiations would take place". This corresponds very closely to guided collective bargaining ie negotiations based on agreed data, which Mr Fowler had already claimed to be ruling out of court.

Mr Fowler appears to be willing to concede exactly what the unions ask for - a Megaw-type arrangement which defines the negotiating boundaries - in the interest of appearing positive.

In order to condition the discussion in E(PSP) I would suggest that, if the Prime Minister agrees, you minute Mr Fowler's office endorsing the principles set out in Mr Fowler's paper, making the observation that:

1) the kind of arrangement which Mr Fowler proposes to enter into with the unions looks indistinguishable from guided collective bargaining which, quite rightly, Mr Fowler rules out as a matter of principle;

2) in view of the similarities between the Megaw proposals for the Civil Service and the proposals envisaged for the NHS by Mr Fowler, we ought to tread water on the latter until we have a clearer idea of the advantages or otherwise of the Megaw arrangements.

The note might also enquire whether Mr Roy Griffiths and his team, which is investigating ways of improving efficiency in the NHS, have a view on whether improvements in productivity would be facilitated by "more stable" pay determination arrangements; would national pay arrangements rule out, or sit uneasily with, alternative organisational structures which Mr Griffiths might recommend for the NHS involving, possibly, decentralised pay bargaining?

NICHOLAS OWEN

NHS Pay Pt 2

Note - what does Nick Owen's point at Flag C on consulting G. Fletcher mean?

Prime Minister

(1)

18

I consulted Peter Gregson about the DHSS paper you saw over the weekend on NHS ancillaries etc pay. He shares my concern. Agree I write as at Flag A?

Yes

MCS 4/7

SECRET

Flag B

P.01058

MR SCHOLAR

*So do the Policy Unit - please see Nick Owen's note (Flag C)

We spoke this morning on the telephone about the Secretary of State for Social Services's memorandum (E(PSP)(83)11) about pay arrangements for the non-nursing groups in the NHS and its inconsistency with the Prime Minister's views as recorded in your letter to the Private Secretary of the then Chancellor of the Exchequer (copied to Mr Fowler's office and other E(PSP) members) of 15 April.

2. You also referred to the apparent discrepancy between the statement in paragraph 7(iii) of the Secretary of State's memorandum that "guided collective bargaining" would be ruled out in discussions with the unions and the statement in the final sentence of paragraph 7 that he would be prepared to join in working out "an arrangement under which agreed factual material would be collected and analysed to define the range in which pay negotiations would take place".

3. The explanation is that the Secretary of State for Social Services has always been against "guided collective bargaining", ie a system (favoured by the TUC in respect of the NHS) which involves the production of material which is relevant to the pay negotiations but does not formally constrain them in any way. The Secretary of State has however (contrary to the views of most of his colleagues) tended to favour "constrained collective bargaining", ie a system in which the range within which settlements may be negotiated is limited, as under the "inter-quartile" system proposed by Megaw for the non-industrial civil service.

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4. Mr Fowler's memorandum therefore not only goes against the Prime Minister's view that it should be left to the trade unions to make the running, but also against her view that a Megaw-type system for the non-nursing groups should be ruled out. We had thought that Mr Fowler had accepted this latter point when he wrote to the then Chancellor on 29 April (copied to the Prime Minister) saying: "there will obviously be no question of offering a Megaw-type system to the trade unions". His officials now say that those words on 29 April had a very limited meaning, ie that he did not contemplate officials proposing a Megaw-type system in their initial explanatory discussions with the unions and that he intended in due course to revive the proposal for a Megaw-type system, as he has now done.



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5. The history of this correspondence reinforces the case for the Prime Minister's re-stating her views in advance of the E(PSP) meeting on Thursday 27 July. If she agrees, you might like to write on the lines of the attached draft.

PLG

P L GREGSON

4 July 1983

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4 July 1983

GR/ Pl type Amts.

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A

DRAFT MINUTE FOR PS/PRIME MINISTER TO SEND TO PS/SECRETARY OF STATE FOR SOCIAL SERVICES

MCS 5/7

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