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PRIME MINISTER

Review body reports 1984

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The attached note summarises the 1984 recommendations of the various Pay Review bodies. They raise the following main issues:

i. The annual increases recommended (7.6 per cent for the armed forces, 7.5 and 7.8 per cent for the nurses and professions allied to medicine, 6.9 per cent for the doctors and dentists, and just under 6.5 per cent for the top salary groups) are, to varying extents, above the current average level of settlements both in the private sector (average in the pay round so far $5\frac{1}{2}$ per cent) and in the public sector (average so far just over 5 per cent).

ii. There may be repercussions for the public sector pay negotiations still pending and, in particular, those for the following groups:

- the non-industrial civil service;
- NHS staff not covered by review bodies;
- schoolteachers in England and Wales.

iii. The increases are well in excess of the pay factor of 3 per cent on which the expenditure provision for 1984-85 has been based. If the recommendations are accepted, departments will either have to absorb the excess or make a call on the contingency reserve.

2. The purpose of your meeting is to take a preliminary view of how far the recommendations should be accepted, to discuss the timing of publication of the reports and of announcements of



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Government decisions, bearing in mind the possible impact on outstanding public sector negotiations; and to consider the arrangements for further Ministerial discussion of the reports.

AFPRB Report

3. It may be best to start with the AFPRB Report since it would be an innovation for the Government to do other than accept the recommendations. The 1979 Manifesto contained the commitment: "We will bring Servicemen's pay up to full comparability with their civilian counterparts and keep it there." The 1983 Manifesto makes no explicit reference to comparability or to future action and says: "We have honoured our promise to give our regular and reserve forces proper pay and conditions".

4. The annual increase recommended for 1984 (7.6 per cent) is larger than that for 1983 (7.2 per cent) and than for 1982 (6.1 per cent). However the report lays great stress on recruitment and retention considerations, and says (para 2):
"There is already an indication that applications to leave the Services before the end of an engagement are increasing again, and recruiting difficulties remain in certain skills".

5. If it is concluded that there is no alternative to accepting the AFPRB's recommendations, there will need in due course to be a discussion between the Ministry of Defence and the Treasury about how to meet the difference between a cost increase of 7.6 per cent and the 3 per cent pay factor both in 1984-85 and in subsequent years. On some occasions in the past the Ministry of Defence has been able to absorb the difference in cost; the gap is however much larger this time.

Nurses Review Body Reports

6. It may then be convenient to turn to the two reports from the new Nurses Review Body. It has always been recognised that,



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whatever might be done in the future, it would be difficult to reject the first round of recommendations from the Nurses Review Body, It should be noted moreover that in both reports (paragraph 61 of the Nurses' report and paragraph 58 of the "professions allied to medicine" report) the aim this year is described as being merely "to stabilise the position while we proceed with our more detailed investigations". Finally it would be hard to defend rejecting the 7.5 per cent increase recommended for the nurses and the 7.8 per cent increase recommended for the professions allied to medicine, if the AFPRB's increase of 7.6 per cent was being accepted.

7. For the DHSS, as for the Ministry of Defence, there is the problem of the difference between the increases recommended and the 3 per cent pay factor. The Secretary of State for Social Services will say that he agreed to the 3 per cent pay factor last autumn on the clear understanding that if the Review Body Reports recommended higher increases there would be a case for a claim on the Contingency Reserve.

DDRB Report

8. If the recommendations in the two Nurses Review Body reports are accepted, it will be difficult to reject those for the doctors and dentists at a somewhat lower level (6.9 per cent as against 7.5 per cent and 7.8 per cent).

9. For the doctors and dentists there is also the problem of the difference between the increase recommended and the 3 per cent pay factor. The Secretary of State for Social Services will probably argue that the extra cost should be a claim on the Contingency Reserve.

Other NHS staff

10. The recommendations of the Nurses Review Body and the DDRB cover more than half the staff working within the NHS. There



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remain the ancillary workers (207,000) and the administrative, clerical and secretarial grades (128,900). In March management made offers of around 3 per cent to both groups which were rejected. Acceptance of the Nurses Review Body and DDRB recommendations which clearly exceed the 3 per cent pay factor will inevitably make it more difficult to achieve a low settlement for the non-nursing groups. There should be no difficulty in holding out against a settlement which equates to the Review Body recommendations which can be argued to relate specifically to the circumstance of the groups covered by them. It may be possible to hold the non-nursing groups to a settlement close to the 4.5 per cent secured by the local authority manuals, but the Review Body recommendations will make it difficult to do better than this.

TSRB Report

11. The handling of the TSRB Report will need to be considered in the light of any provisional views reached on the other review body reports. The increase recommended is the lowest (just under 6.5 per cent). Moreover the TSRB make it clear (paragraph 14 of the Report) that the information they have on pay movements at senior levels elsewhere (9½ per cent on average) would support higher recommendations. In paragraph 15 of the Report they urge full implementation in the interests of supporting the credibility of a system of independent review and of avoiding catching-up awards in the future.

12. The TSRB recommendations for the higher civil service have a bearing on the negotiations for the rest of the non-industrial civil service. The Government has rejected a claim for 7.8 per cent and the Government's initial offer in line with the 3 per cent pay factor has been rejected by the unions. In recent years it has been possible to get the pay settlement for the non-industrial civil service out of the way before announcing the Government's decision on the TSRB report.



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Timing and tactics

13. In an ideal world the most convenient course would be to hold up publication of all the reports and Government decisions on them until the main outstanding public service pay negotiations have been concluded, hopefully at levels considerably lower than those recommended in the review body reports. It is however known that the Government has received the report on the nurses and it will be widely expected that by now all the reports will have been received. The approximate level of the increase recommended for the nurses has already leaked and press speculation about whether the Government will accept the recommendations has begun. It will not be feasible to hold up publication of the Nurses Review Body reports for much longer. Unless the Government is prepared to allow speculation to build up that it may reject the recommendations, it would probably be desirable to publish the Reports within the next two or three weeks and to announce at the same time that the recommendations have been accepted.

14. There is also a problem of timing about the AFPRB Report. Since the Government took office in 1979 it has been the practice to get the AFPRB increases into May pay packets. For this purpose a decision has to be taken by 18 May, although the timetable might be squeezed to allow for an announcement on about 21 May. The Secretary of State for Defence may argue that if there is no announcement about this year's AFPRB recommendations by late May, speculation will arise that the Government may be contemplating rejection or abatement of the recommendations.

15. The most crucial factor affecting timing is probably the pay negotiations for the non-industrial civil service. The latest view on the tactics is that after the civil service union conferences in the week 14-18 May, a Government offer



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of around 4.5 per cent might either be accepted or imposed with grudging acquiescence by about the end of May. Publication and acceptance of the Nurses Review Body and AFPRB recommendations of well over 7 per cent before the end of May would however substantially reduce the chances of success. The Chancellor of the Exchequer may therefore argue for postponement until the end of May. The Secretaries of State for Social Services and Defence may however argue that it will not be possible to hold off pressure for publication and clarification of the Government's attitude to the recommendations for so long. A second best solution for the Chancellor would be to defer publication and announcement of the Government's decisions until the week beginning 21 May so as to avoid strengthening the hands of the militants at the civil service union conferences in the previous week.

16. The DDRB report might as well be published along with the Nurses Review Body reports and, following past practice, the Government's decisions would need to be announced at the same time.

17. In the case of the TSRB report it would be possible either to defer both publication and announcement of the decision or to publish it at the same time as the other reports and to announce the decision later as was done last year. The disadvantage of deferring publication is that there would be speculation that the recommendations were even higher than in the reports which had been published whereas they are considerably lower. The Chancellor of the Exchequer is likely to argue that even if the TSRB Report is published at the same time as the other reports, the Government should postpone its decision until the negotiations for the non-industrial civil service have been concluded.

Further Ministerial discussion

18. In the light of the views expressed at the meeting you will wish to consider the arrangements for further Ministerial



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discussion. Decisions on the Review Body reports are a matter ultimately for the Cabinet. If early publication of some at least of the reports is thought desirable, you may wish to bring the matter before the next meeting of Cabinet, perhaps on the basis of a largely factual note by the Secretary of the Cabinet as in earlier years. If however publication is to be deferred for some time, you will probably wish to delay the Cabinet discussion, so as to minimise the risk of leaks.

HANDLING

19. You will probably wish to invite comment first from the Secretaries of State for Social Services and Defence on the reports affecting the groups for which they are responsible. The Chancellor of the Exchequer will then wish to comment generally and about the TSRB Report. The Lord Chancellor should be given the opportunity to express views about the recommendations affecting the judiciary. The Secretary of State for Employment may have comments about the implications for the pay round generally.


CONCLUSIONS

20. You will wish:

- i. to establish how far there is a common view about the substance of recommendations in each of the five reports, i.e:
 - armed forces;
 - nurses and midwives;
 - professions allied to medicine;
 - doctors and dentists;
 - top salary groups;
- ii. to consider the timing of publication of the reports, and announcement of the Government's decisions;
- iii. to settle the arrangements for further Ministerial discussion.

1 May 1984

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P L GREGSON

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Prime Minister ① 3A

Mr Gregson suggests you hand this round at Thursdays meeting and collect in again afterwards.

Agree to proceed on this basis?

MR TURNBULL

Yes mt AT 30/4

Here is the factual note on the review body reports for handing round at the meeting after Cabinet on Thursday.

2. I am leaving it to you to make the copies required for that purpose and to number them as necessary.

P L GREGSON

30 April 1984

SECRET AND PERSONAL

Pay Review Body Reports 1984

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRb);
- iv. Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary.

Their recommendations in all cases take effect from 1 April 1984.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July last year) that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so". The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1st January 1984. The TSRB's recommendations have never been accepted in full in recent years but their 1983 recommendations were implemented in two stages, from 1 August 1983 and from 1 January 1984.

AFPRB recommendations for 1984

3. The AFPRB estimate that the net cost of their recommendations will add 7.6 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected is 321,000.

4. The increases for selected ranks are:

	<u>now being paid</u>	£ <u>proposed</u>
Brigadier and equivalent	25,001	27,101
Captain (Army) and equivalent	10,453-12,144	11,330-13,169
Sergeant and equivalent	7,895- 9,439	8,472-10,184
Private (I) and equivalent	5,552- 6,976	5,928- 7,490

NRB recommendations for nursing staff, midwives and health visitors 1984

5. The NRB estimate that the cost of their recommendations will add 7.5 per cent (£228 million) to the estimated 1984-85 pay bill for nursing staff etc. The number affected is some 550,000 (or 484,000 in "whole-time equivalent" terms).

6. The increases for selected grades are:

	<u>now being paid</u>	£ <u>proposed</u>
Regional Nursing Officer (R1)	18,973-24,292	20,491-26,235
District Nursing Officer (England) (DHA1(T))	17,594-23,039	19,002-24,882
Nursing Sister II	6,321- 8,103	6,827- 8,751
Staff Nurse (SRN)	4,998-6,094	5,398- 6,582
Nursing Auxiliary/Assistant (aged 18 or over)	3,530- 4,512	3,777- 4,828

NRB recommendations for professions allied to medicine 1984

7. The NRB estimate that the cost of their recommendations will add 7.8 per cent (£17.9 million) to the estimated 1984-85 pay bill

for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 44,000 (or 33,500 in "whole-time equivalent" terms).

8. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
District I Physiotherapist etc	12,561-13,067	13,566-14,112
Basic grade	5,367- 6,074	5,796- 6,560

DDRB recommendations for 1984

9. The DDRB estimate that their recommendations will add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected is 94,950.

10. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Consultant	18,900-24,260	20,200-26,080
General medical practitioner (intended average net remuneration)	20,670	22,070
General dental practitioner (target average net income)	17,890	19,100
Registrar	9,490-11,500	10,130-12,270

TSRB recommendations for 1984

11. The TSRB estimate that their recommendations will involve increases of just under 6½ per cent. The numbers affected are: 682 higher civil servants of the rank of Under Secretary and above, 215 senior officers in the armed forces of the rank of Major General and equivalent, and above; and 1117 members of the judiciary.

12. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
<u>Higher civil service/senior officers in the armed forces</u>		
Permanent Secretary/General and equivalent	42,750	45,500
Deputy Secretary/Lieutenant General and equivalent	34,250	36,500
Under Secretary/Major General and equivalent	27,750	29,500
<u>Judiciary</u>		
Lord Chief Justice	60,000	64,000
High Court Judge	48,000	51,250
Circuit Judge	31,000	33,000