

CONFIDENTIAL

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Prime Minister

cc Mr. Hoskyns
Mr. Ingham

MR. SCHOLAR

Agree to this paper being
submitted to the Whitley Council, subject to X?

Long-term arrangements for handling nurses pay ^{NUS 1/2}

I think the Prime Minister ought to see the draft paper enclosed with the letter to today's date from Mr. Fowler's Private Secretary to the Chancellor's Office, intended for the Nurses' and Midwives' Whitley Council. It will no doubt attract a lot of media interest.

The Prime Minister will recall that this paper was promised the nurses at her meeting with them on 18 December. In the official discussions we have managed to downgrade the comparability approach inherent in Dr. Vaughan's letter of 28 August 1980, to the extent that market factors are now given similar weight. The Prime Minister may wish to glance in particular at the end of paragraph 8.

But the nurses, and the media, will probably concentrate on the proposals in the last three paragraphs - further work by consultants. This does lay us open to the accusation of using a delaying tactic. There is no avoiding that, since delay is precisely what we are after; but the Prime Minister may think it worthwhile ~~reformulating~~ this section so as to make it clear that we think that equal weight should be given by the consultants to the two elements - comparability and market factors - in the proposed approach.

asking
that this
section be
reformulated
NUS

X

I don't think the phrase
'market factor' or its distribution
surrounding it will spread
much to the nurses and
John Vereker

1 February 1982

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(1)

10 DOWNING STREET

Prime Minister

Paper for Nurses' Whitley Council

Agree to the submission
of this paper as it stands?

MUS 3/2

Reluctantly

Yes - but
I think it could have
been drafted more
sensitively in parts
not

Sw
not health



10 DOWNING STREET

From the Private Secretary

5 February, 1982.

Long-term arrangements for handling nurses pay

Thank you for sending me a copy of your letter of 1 February to John Kerr with which you enclosed a revised draft of the paper on the long-term arrangements for handling nurses pay which it is proposed to send to the Nurses and Midwives Whitley Council.

The Prime Minister feels that the paper might have been drafted with greater sensitivity at certain points, in particular in its references to the role of "market factors" in determining nurses pay. She, however, agrees to its submission as it stands, subject to the amendments agreed between the Treasury and the DHSS recorded in Peter Jenkins' letter to you of 3 February.

I am sending copies of this letter to the Private Secretaries to the other members of E(PSP), and to Muir Russell (Scottish Office), John Craig (Welsh Office), and Stephen Boys-Smith (Northern Ireland Office).

M. C. SCHOLAR

D.J.Clark, Esq.,
Department of Health and Social Security.

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MUR 5/2

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

3 February 1982

D.J. Clark, Esq.,
Private Secretary,
Department of Health and
Social Security

Dear David

LONG-TERM ARRANGEMENTS FOR HANDLING NURSES' PAY

Thank you for your letter of 1 February, with which you enclosed a revised draft of the paper on this subject which was discussed at E(PSP). *will request if required*

The Chancellor was grateful to your Secretary of State for accepting the changes proposed by Treasury officials. He feels, however, that the paper still gives the impression in places of inclining to a mechanistic comparability system. He suggests the following further changes:

Paragraph 5. In the last part of the paragraph delete "whether" in the penultimate line and substitute "the nature of"; and in the final line delete "were correct".

Paragraph 7 (should be paragraph 6?). Redraft first two lines to read: "The Secretary of State's view is that any analogues which might be used must be staff whose ...". Then in the final sentence delete "Under some of these comparability arrangements" and "by means of suitable weighting".

Paragraph 9. In the last line insert "comparable" before "occupational" and delete "chosen as analogues".

.... I attach a complete re-type of the last page which, again, is intended to reduce the apparent emphasis on institutionalised comparability and give rather more equal prominence to market factors.

I am copying this letter and attachment to the Private Secretaries to the other members of E(PSP) and to Michael Scholar (No.10), Nuir Russell (Scottish Office), John Craig (Welsh Office) and Stephen Boys-Smith (Northern Ireland Office).

Yours ever
Peter

P.S. JENKINS

possible programme of work

12. In relation to the possible comparability element, it seems premature, in advance of a study of certain technical problems, to decide which of the potentially acceptable approaches referred to in paragraphs 5-8 would be most appropriate. The issues include -

- a. what are the possible analogues (on what criteria) which it might be appropriate to consider?
- b. what degree of guidance to pay negotiators might such analogues be able to provide?
- c. ^{what} possible form of analysis might be developed, and within what timescale?

13. In relation to market factors, technical questions also arise on the data which would be likely to be required and on the current availability of such data, in relation both to nurses and to the other groups regarded as analogous.

14. The technical nature of these questions, both on comparability and on market factors, suggests that the best course would be to refer them to independent management consultants for early study. In the light of their report, the Whitley Council could consider further how these factors might be taken into account in the process of determining nurses' pay, and perhaps commission any further work it then judged necessary.

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cc. J. Verkat.

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DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

D J Clark Esq
Private Secretary to the Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1

3 February 1982

Dear David,

LONG TERM ARRANGEMENTS FOR HANDLING NURSES PAY

will request if required

Thank you for sending me a copy of your letter of 1 February to John Kerr, together with a copy of the revised text which it is proposed to send to the Nurses and Midwives Whitley Council.

My Secretary of State accepts that the commitments given to the nurses mean that an exercise of some kind is inevitable. Nevertheless, he would wish colleagues to be in no doubt about the risks if there is some partial rehabilitation of the idea of comparability, or any significant erosion of cash limit principles.

On the draft paper itself, we have three main points:

- (i) paragraph 5d says that indexing would not be acceptable to Government and goes on immediately to say that "indexing is not true comparability at all". We consider that the implied blessing for comparability would be best deleted.
- (ii) paragraph 6 perhaps contains a hint of an initial catching-up exercise: E(PSP) decided last Wednesday that any such implication must be avoided. Could the last sentence not be deleted without damage to the argument?
- (iii) paragraph 10 raises a doubt about the central positions of cash limits and "affordability" in our policies for public service pay (set out in plain terms in paragraph 4b), by mentioning the possibility that cash limits would not be set until the pay position was known fairly definitely. This would seem to risk serious erosion of the cash limit system. My Secretary of State thinks that this should surely be avoided.

Copies of this letter go to recipients of yours.

Yours sincerely
Majors Wilde

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MRS I WILDE Private Secretary



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
 ELEPHANT AND CASTLE
 LONDON S.E.1
 TELEPHONE: 01-407 5522

CC JV

CONFIDENTIAL

John Kerr Esq
 Private Secretary to the
 Chancellor of the Exchequer
 H.M. Treasury

1 February 1982

Dear John

LONG TERM ARRANGEMENTS FOR HANDLING NURSES PAY

Following the E(PSP) meeting last Wednesday, I enclose a revised draft of the paper which formed Annex A to E(PSP)(82)1. The draft incorporates a number of amendments suggested by Treasury officials and has been approved by my Secretary of State.

Unless I hear from you or other copy recipients by close of business on Wednesday, I shall assume that you are content for the paper to be sent to the Nurses and Midwives Whitley Council.

I am copying this letter and enclosure to the Private Secretaries to the other members of E(PSP) and to Michael Scholar (No. 10), Muir Russell (Scottish Office), John Craig (Welsh Office) and Stephen Boys-Smith (Northern Ireland Office).

Yours ever,

D.J. Clark

D J CLARK
 Private Secretary

NURSES' PAY

NOTE BY THE HEALTH DEPARTMENTS

Introduction

1. The Government is committed to developing long term arrangements for handling nurses' pay which will work and can be afforded, and wishes to have the views of the Nurses and Midwives Whitley Council on the type of arrangements that they, for their part, would wish to see. This paper suggests lines of work which could most usefully be pursued by the Council during the coming months. Both Sides are invited to consider these suggestions and to respond by saying whether they are willing to embark on a programme of work within this framework. If so, they are invited to suggest suitable terms of reference for the proposed study (see paragraphs 13-15) and a plan of action which could be considered at a further tripartite meeting in, say, April.

2. The Government will, in the light of the report of the Megaw Committee when this is received later in 1982, give careful consideration to whatever provisional conclusions are finally reached by the Whitley Council. The Government hopes it will be possible to reach early and firm decisions on new long term arrangements for handling nurses' pay, but cannot commit itself either on the timing or the substance of these future decisions in advance of considering the conclusions of the Nurses and Midwives Council and of the Manpower Committee.

General Principles

3. Any new arrangements should be compatible with the continued functioning of the Nurses and Midwives Whitley Council. It is important that there should be continuing scope for the knowledge and expertise of both Sides of the Council about the functioning and practical requirements of the NHS to be brought to bear on the settling of nurses' pay, and that their pay should be seen as fair in relation to that of their colleagues in the NHS. This implies that any new system should feed into the Whitley Council, not replace it.

4. One element which may form part of any new system of handling nurses' pay is the drawing of comparisons with other staff groups. Comparability by itself has however proved an unacceptable method of pay determination, in particular because:

a. it fails adequately to reflect market factors, the most important of which are recruitment and retention of staff, job security and efficiency;

b. it ignores the principle that the size of pay increases must be related to what can be afforded (which, in relation to the public services, is reflected in the cash limits fixed by the Government).

Insofar therefore as any system of pay determination takes account of comparability, it must also take account of market factors and what can be afforded. These major considerations are discussed in paragraphs 9-12 below.

Interpretation of comparability

5. Several methods have in the past been used for establishing comparisons for pay purposes, though their potential usefulness in relation to nurses' pay will vary -

a. Job for job comparisons have tended to be the first choice; but nurses and midwives have few, if any, direct comparitors. There are groups whose

work is in various respects analagous with that of nurses and midwives; but this is less precise, and there appears to be virtually no scope for true job for job comparison.

b. Factorial analysis is a possibility in principle. But in the form which is often adopted, it is very complex, and would involve the derivation of pay rates for individual nursing grades. This would conflict with the preservation of the Whitley Council's role - see paragraph 3. The application of this method by the Clegg Commission did not prove satisfactory, owing in part to the absence of the necessary data. But it is for consideration whether the basic principle of factorial analysis - the drawing of comparisons based on the analysis of jobs into certain component elements - may not be of value if suitably applied.

c. The establishment of direct pay links between specific nursing grades and specific occupational groups outside nursing (eg ward sister - senior housing officer) has been seen as a possible course, but in the long run is open to objection, particularly because of its inflexibility. If the pay of the outside groups with which links have been established moves in an unsynchronised way - as could well be the case - there could be demaging consequences for the pay structure and pay relativities of nurses.

d. Various forms of indexing have been suggested - eg with the pay of single occupations which have some of the same characteristics as nurses, or with the pay index as a whole or some part of it. Such an arrangement would not be acceptable to the Government. It is not true comparability at all, and it allows no scope for market factors to be taken into account. Experience has shown it to be a recipe for inflation.

e. The 'basket of analogues' approach suggested in Dr Vaughan's letter of 28 August 1980. This system may prove to merit further study, though it could have the defect of involving something akin to indexation. It could be used either to assist in establishing the size of the average pay increase for nurses in any particular year, or to assist in establishing the absolute average level of nurses' pay.

In all these cases, the aim would be to leave the Whitley Council with the maximum scope to settle in negotiation how increases should be distributed amongst the various nursing grades. Some of the options would imply that there would at the outset have to be a separate operation to establish whether the relativities between the pay of nurses and that of other relevant groups were correct.

7. The Secretary of State's view is that any approach based on analogues would have to use true analogues - ie they must be staff groups whose work has a definite affinity with part of all the work of some (not necessarily all) nurses. Affinity with other staff groups may be of various kinds - for example, sharing the same level of responsibility (perhaps in the same organisation) or doing a similar type of work. Examples (for illustrative purposes only) are, for the former, junior doctors and NHS administrators; and, for the latter, lecturers, social workers, nursery school teachers and staff of residential homes. Under some of these comparability arrangements account would also need to be taken, by means of suitable weighting, of the closeness of the analogy between the work of the outside occupations and that of nurses, and the number of nurses doing work analogous with that of the outside occupation.

Market Factors

8. The main factors are recruitment and retention of staff, job security and efficiency. In principle, factual material could be obtained which would bear on the first three; but efficiency is difficult to measure. The factors are relevant in at least two major respects:-

- a. The extent to which the recruitment etc position is more or less favourable for nurses than it is for the occupations chosen as analogues and the implications this should have for the level of nurses' pay.

b. In absolute terms, the extent to which health authorities are finding it easy or difficult to recruit and retain nurses, and the resulting implications for nurses' pay in terms of these services considerations.

It is for consideration how market factors can most effectively be brought to bear. But the aim should be to establish arrangements which will provide agreed market data in a form which can be set alongside comparability data in the annual pay determination process, including negotiations in the Whitley Council.

9. It is premature to seek to reach a final conclusion on these very difficult matters until the Government have received and given consideration to the Report of the Megaw Committee, which will be considering very similar questions in relation to the Civil Service. There is, however, little doubt that, whatever the solution which finally emerges for nurses, factual data relating to market considerations will be required for nurses and midwives and also for any occupational groups chosen as analogues.

What can be afforded

10. The principle of "affordability" must be reflected in any new system; and the main practical problem is how to reconcile cash limits on public expenditure with the Government's responsibilities as an employer. Associated with this central issue are some procedural questions - for example, whether a change in the timetable for settling pay is needed so as to enable cash limits to be fixed on the basis of firm information as to the size of the pay increases for which financial provision is to be made.

11. These matters lie at the heart of the remit of the Megaw Committee; and although their recommendations will of course be immediately related to the particular circumstances of the Civil Service, the Government will again not wish to come to any conclusions on the arrangements for nurses until they have received the Committee's report. There does not appear to be any work which the Whitley Council can usefully do in this area in the immediate future.

A possible programme of work

12. In relation to the possible comparability element, it seems premature, in advance of a study of certain technical problems, to decide which of the potentially acceptable approaches referred to in paragraphs 5-8 would be most appropriate. The technical questions include -

- a. By what criteria could suitable analogues be chosen?
- b. What are the actual analogues which it might be appropriate to consider?
- c. How rigorous a form of analysis would it be possible to develop on the basis of these analogues?
- d. What would be involved in developing such a system, and how long would it take?

13. The technical nature of these questions suggests that the best course would be to refer them to independent management consultants for early study. In the light of their report, the Whitley Council could consider further what would be the most suitable approach to any comparability element included in the process of determining nurses' pay, and perhaps commission any further work it then judged necessary.

14. In relation to market factors, management consultants might be commissioned to make a preliminary report on the data which would be likely to be required and on the current availability of such data, in relation both to nurses and to the other groups regarded as analogous.