Letter from Westminster

Rough waters ahead on pay

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The Government has scrapped the Civil Service Pay Research Unit Board and set up in its place an independent inquiry to make recommendations on future arrangements for determining Civil Service pay. According to the Prime Minister, when she accepted the resignation of Lord Shepherd as chairman of the board, the present system had lost public confidence and a thorough review was now required. In fact the review proposal is simply a move by the Government to placate the Civil Service, and if there has been any loss of confidence in the research unit it has been caused by the fact that the Government chose to ignore its findings in pursuit of its own determination to keep public sector pay down to 7%. The affair, however, is a sign of things to come.

The Government's decision to reject the recommendations this year of the Doctors' and Dentists' Review Body seems to have been reluctantly accepted by doctors, though junior staff have made their displeasure clear in a letter to the Prime Minister. But supposing this happens two years running? Certainly there are fears at the DHSS that this is likely to happen. According to one senior official, the "buzz" is that the Chancellor will fix on a cash limit figure of well under 5% for next year. "In those terms it seems to be totally inconceivable that any review body or any inquiry or any commission is going to come up neatly with recommendations or findings which will match that figure," he said. "I have heard some people shaking their heads and saying it is going to be a hell of a problem in the coming pay round." The background was set out in a recent Commons answer, which said that the average pay of general practitioners went up by 2½% in 1976-7, by 10% in 1977-8, by 26% in 1978-9, and by 32% last year. Clearly no one can yet say what next year's figure may be, but it will be far lower than doctors are likely to swallow.

Ministers have still to get down to thinking seriously about the problem, which is, of course, not confined to the DHSS since there are many other independent review bodies who are also likely to question their usefulness when their proposals are ignored twice running. The cash limit will not be set until the autumn, when the Cabinet will start the hard bargaining with the Treasury over the next round of public spending cuts. The problem is compounded by the fact that in most areas of the public sector pay represents between 60% and 70% of the total cost: that makes it difficult to keep public spending down while allowing pay increases that meet the expectations of public sector workers. After a year in which the Government has been having some success with its 7% policy it is going to be all the harder to repeat the exercise.

Sympathy for the Government from some of its backbenchers is, to say the least, limited. Right-wing members see it as having fallen into a trap of its own making since the Government could have opted to get rid of the independent review bodies in the same way as it disposed of the Clegg Comparability Commission and the Civil Service Pay Research Unit Board. But that would be drastic action and would mean a confrontation with the medical profession in the case of the DDRB, which the Government does not want. If the DDRB was to oblige the Government by resigning, should next year's recommendations

be turned down, that would, of course, be another matter.

One solution the Government will not turn to is a formal incomes policy. Mrs Thatcher made that quite clear the other week in the Commons when she defended the Government's record on unemployment. "Every time that we have tried an incomes policy it has not lasted for more than two years," she said. "The problems that have occurred during the unwinding of an incomes policy have more than cancelled out any benefits that accrued. Even the threat of an incomes policy sometimes means that the unions pre-empt it with large wage increases. We cannot go that way again. It is a short-term palliative. We must take the long-term solution." Incomes policies, she said, broke down under their own weight and in the process created more and more distortion in the economy.

The 6% this year taken against the background of public sector pay as a whole and against the background of the massive awards for doctors in the previous years—even if those were the result of staging—has been accepted by the profession. But there are clearly rough waters ahead. The Confederation of British Industry, the employers' organisation, has already told the Government it believes pay increases in the next round, which begins in August, should be half the rate awarded in the current round. That would mean 3% for the public sector next year—a figure almost impossible to square with an independent review.

Labour's general secretary, Mr Ron Hayward, is a man who knows his horses for courses, so the tone of his speech to the Confederation of Health Service Employees' conference in Bridlington is hardly surprising. Fiery is the word. He claimed that the 34-year-old NHS, created by Labour to give working people and their families a decent standard of health care, after two years of Mrs Thatcher was "creaking and wheezing like a nonagenarian at death's door." Then, warming to his theme, he claimed that the NHS was in the front line of the Prime Minister's attack on "our people" in favour of the privileged. "In 1979-80 NHS spending was cut by 2½% in real terms through failure to allow for increases in VAT and pay," he added. "In 1980-1 the 14% cash limit—when pay and prices were nearer 18%—wiped out any hopes of a growth in spending, although growth is needed just to keep up with demographic and technological changes. The same is likely to happen this year. It all adds up to declining services, with wards and hospitals closing down, beds lying unused, longer waiting lists, and fewer NHS staff, doctors, and nurses, many of the latter so badly paid that 200 a week are inquiring about working abroad."

He did, however, admit that not all is gloom and despair on the health-care front under the Tories because thanks to their active encouragement private health care was one of Britain's few growth industries. The trouble with setting off along that course, however, soon revealed itself. "The Tories justify all this by saying that the growth in private medicine provides more health resources for all," cried Mr Hayward. "It doesn't. It provides better health care for the rich and for those who pay private medical insurance." It was at this point that the rub came. "Sadly, that includes some of our trade union colleagues," he was forced to add in the interests of truth.