

PRIME MINISTER

cc: Mr. Ingham
Mr. Alexander
Mr. Hoskyns

DOCTORS AND DENTISTS AND ARMED FORCES PAY

We have now received the reports of the Review Bodies on Doctors and Dentists and Armed Forces Pay.

Doctors and Dentists

You will remember that there is a final staging to be paid as from 1 April on the Review Body's 1978 recommendations. This amounts to 10.7 per cent on average. This is a belated "catching up" element. The new report recommends an average increase of 18.7 per cent to be paid on top of this - ranging from 16.5 to 20.5 per cent for different groups. In addition, it recommends a further 0.6 per cent increase in the pay bill in return for the changes in consultants contracts which were introduced in January. This comes to an increase in the total pay bill of 31 per cent.

We are of course getting advice on the handling of this report. DHSS tell me that they should be able to meet the increased bill from within the 14 per cent cash limit. This sounds surprising. However, they tell me that the Treasury agreed that the 14 per cent increase in cash limit should be calculated on a base which assumed that the final 10.7 per cent staging had already been paid last year. So in effect, as with the Civil Service, the cash provision in 1980/81 for non Civil Service pay in DHSS is a good deal higher than 14 per cent. I fear this is likely to be embarrassing when it comes out, as no doubt it will. On the other hand, to have limited the cash limit increase strictly to 14 per cent would have meant either not implementing this latest report or a large cut in the number of doctors and dentists.

Armed Forces

The average increase recommended here is 16.8 per cent - ranging from 14½ per cent to 20 per cent for different ranks. This is slightly lower than we were assuming in the cash limits discussion earlier this year. We have of course agreed that the MOD cash limit will be set so as to accommodate the Review Body's recommendations.

/ We will

We will get early advice on the handling of this report as well.

If you would like to see the reports, I will put them in the weekend box.

R.

22 April 1980