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PRIME MINISTER

1979 Report of the Review Body on Doctors' and
Dentists' Remuneration
(E(79) 3)

BACKGROUND

Following the 1978 Report of the Doctors' and Dentists' Review Body (DDRB) the previous Administration committed themselves to achieving fully up-to-date remuneration for National Health Service (NHS) doctors and dentists by 1st April 1980 and to move at least midway to that position by 1st April 1979 i.e. they committed themselves both to implement the 1978 report in stages by 1980 and to update the 1979 and 1980 payments in the light of developments since the 1978 report was prepared. The Government, both in Opposition and since the election, have given a similar undertaking. The 1979 DDRB Report recommends increases of 25.9 per cent in net remuneration in order to meet this commitment. This represents both the second instalment of last year's recommendations (leaving one further stage to come in 1980) and updating these rates for inflation. It is not out of line with the equivalent Armed Forces Review Body (AFRB) figure of 24 per cent.

2. In addition to dealing with the pay of doctors and dentists generally the report recommends the levels of pay to be offered for new contracts with Consultants, medical assistants and general practitioners (but not junior hospital doctors who got their new contracts earlier). The terms of these new contracts were agreed by the doctors and the previous Administration after lengthy negotiations. They are optional in the sense that eligible doctors can either switch to them or stay with their existing contracts at choice. The DDRB have not accepted the arguments of the Health Departments that introduction of the new contracts should not add to the total cost of doctors' and dentists' remuneration. They say it must entail extra cost and put this at £23.2 million (approximately 3 per cent of the current wage bill) in a full year though it is unlikely to be more than £5-6 million this year because of the time it will take to introduce the new arrangements.

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3. The Cabinet agreed on 17th May (CC(79) 2nd Conclustions, Minute 5) that NHS cash limits should be adjusted on the basis decided by the previous Government. That decision - which health authorities already know about - was that, in addition to the volume squeeze resulting from higher prices, they would be expected to meet part of the cost of higher pay settlements by reducing the volume of their expenditure in 1979-80 by £24 million at 1979 survey prices. Subject to that the cash limit would be increased to cover the cost of settlements, including that arising from the DDRB report.

4. The Government's undertaking to stand by the commitments it made in Opposition extended to pensions as well as pay. This means allowing the DDRB figures for the 1980 recommended rates to be used for pension purposes so that no one's pension suffers because pay updating is staged. This is exactly comparable to the treatment proposed for the TSRB groups.

5. In their main report the Armed Forces' Review Body said that they would put forward their recommendations later on the pay of doctors and dentists in the Armed Services once they knew what the DDRB had recommended. The Government is already committed to implement whatever the AFRB recommends for these groups.

HANDLING

6. You will want the Secretary of State for the Social Services to introduce his paper and to ask the Secretary of State for Scotland if he has any comments to add from a Scottish viewpoint; you might then invite comments from the Chancellor, the Secretary of State for Employment and the Lord President.

7. Questions for decision relate to:-

- (a) Updating. The starting point must be the Government's attitude to the recommended 1979 salaries giving average net increases of 25.7 per cent. Given the commitments already made the only question here is whether the Government wishes to go further and implement now the salaries recommended for full catch up in 1980 (as it did for combatants in the Armed Forces). Presumably not if

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the Armed Forces position as a special case is to be preserved, but the professions will be disappointed if they don't get full updating now and are almost certain to want specific reassurance that they will get full updating by 1st April 1980.

- (b) New Contracts. The only other question is whether to accept the DDRB's recommendations on the pricing (and hence the cost) of the new contracts. There is no specific commitment to this. But the new contracts themselves cannot be rejected without provoking a really major and disproportionate row with the doctors. To accept the contracts but to tamper with the DDRB recommended rates to reduce their cost would have similar effects whilst also souring relations with the DDRB.
- (c) Timing. Mr. Jenkin is under strong pressure from the doctors and dentists to announce the Government's decisions and publish the report. He would like to do so as soon as possible, without waiting for Parliament to return on 11th June. This is technically possible both for the DDRB report and the TSRB report and there would be advantage in announcing decisions on both at the same time.


The question of how the extra costs of the DDRB settlement are dealt with under cash limits has been decided by Cabinet (paragraph 3 above) and you will not want this reopened.

CONCLUSIONS

- 8. Subject to the discussion, you might guide the Committee to agree that:-
 - (a) the DDRB's recommendations for the phased updating of pay under existing contracts should be accepted, giving net average increases of 25.7 per cent;
 - (b) if necessary, the Government should reaffirm their commitment to complete the updating by 1st April 1980;
 - (c) the DDRB recommendations on pricing the new contracts should also be accepted;

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- (d) the Government's decisions should be announced as soon as possible, and, subject to discussion on the TSRB report, at the same time as decisions on that report.



John Hunt

31st May 1979