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E(80) 23rd Meeting

COPY NO 55

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at  
10 Downing Street on  
TUESDAY 1 JULY 1980 at 4.00 pm

PRESENT

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Lord Carrington  
Secretary of State for Foreign  
and Commonwealth Affairs  
(Item 3)

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon Peter Walker MP  
Minister of Agriculture,  
Fisheries and Food

The Rt Hon Michael Heseltine MP  
Secretary of State for  
the Environment

The Rt Hon John Nott MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Energy

The Rt Hon John Biffen MP  
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services  
(Items 1 and 2)

Viscount Trenchard  
Minister of State, Department of Industry

Mr Alexander Fletcher MP  
Parliamentary Under-Secretary  
of State, Scottish Office

Mr J R Ibbs  
Central Policy Review Staff

SECRETARIAT

Mr P Le Cheminant  
Mr D J L Moore  
Mr G D Miles

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1. NURSES' PAY

The Committee had before them a minute from the Secretary of State for Social Services to the Prime Minister dated 27 June, about the problem of finding suitable long term arrangements for determining nurses' pay.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the 3rd Report of the Standing Commission on Pay Comparability (the Clegg Commission) had recognised the existence of the problem that nurses' pay tended to decline between ad hoc periodic reviews, and had suggested that the Commission would be giving further consideration to the issue. It now seemed likely that the question would not be covered in any depth in the annual report which the Clegg Commission would be submitting shortly, and that if it were to be properly examined, a fairly substantial study would be needed - a task perhaps beyond the capacity of the Standing Commission in its dying days. The nurses Whitley Council would be meeting on 8 July, and the decision at that meeting on whether to accept a settlement within the 14 per cent cash limit would be fairly delicately balanced. He therefore wished to make an early statement confirming that the Government would be looking for possible ways of dealing with the problem. This could help to produce the right atmosphere for a settlement on 8 July. As to the particular mechanism to be employed, he thought it likely that, even if practicable, a further reference to the Clegg Commission would be unwelcome to the nursing profession. His own preferred solution would be to invite the Whitley Council to consider the matter and offer their own suggestions.

THE PRIME MINISTER, summing up a brief discussion, said that the Government was committed to seeking ways of putting the determination of nurses' pay on a better long-term footing. It was, however, premature to decide how this might be tackled. A number of other issues concerning public sector pay, including the future of the Review Bodies, needed to be dealt with first. The Secretary of State for Social Services should nevertheless make a statement, by way of Answer to a Written Parliamentary Question, in advance of the next

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negotiating meeting of the nurses' Whitley Council, confirming the Government's existing commitment. He should not however hint at possible ways in which the commitment might be met. It would be helpful if he could circulate the draft of his proposed Written Answer in advance to members of the Committee.

The Committee -

1. Took note, with approval, of the Prime Minister's summing up of the discussion.
2. Invited the Secretary of State for Social Services to circulate to members of the Committee his proposed Written Answer on nurses' pay.

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2. THE QUALIFICATION FOR UNEMPLOYMENT BENEFIT FOR WORKERS LAID OFF IN A TRADE DISPUTE

The Committee considered a memorandum by the Secretaries of State for Employment and for Social Services (E(80) 61) which covered a report by officials considering the case for extending the scope of the "trade disputes disqualification" which governs the eligibility of workers laid off as a result of a trade dispute to receive unemployment benefit.

THE SECRETARY OF STATE FOR EMPLOYMENT said that workers who were laid off as a result of a trade dispute, but who were not held to have an interest in its outcome, were entitled to unemployment benefit. The suggestion had been made that the law should be amended so as to debar wider groups of employees from unemployment benefit in these circumstances, in order to bring further pressure on strikers to return to work. Because the definition of those debarred from unemployment benefit was the same as that used in deciding whether supplementary benefit paid to the families of those affected by a trade dispute should be reduced by £12 per week, the effects of changing the definition of entitlement to unemployment benefit could have wide repercussions. Such a change would inevitably create bitterness, since many of those debarred from benefit would feel that they had no real influence over the actual strikers. Even under the existing arrangements, these people suffered loss of wages, through being laid off, which was only partially compensated by unemployment benefit. To go further, might well increase their militancy. He recommended that no action should be taken on this proposal at present.

THE SECRETARY OF STATE FOR SOCIAL SERVICES, supporting the Secretary of State for Employment's recommendation, said that he felt there would be great difficulty in justifying the specific legislative change needed to give effect to any of the options in the paper. Existing arrangements already left an element of discretion to the Insurance Officer, on deciding entitlement, and this should suffice in most practical situations.

In discussion there was general agreement that early legislation should not be introduced, but some members of the Committee felt that the possibility of changing the law at some future date should be held open. In the event of legislation being introduced the most promising line of approach might lie in disqualifying from benefit those laid off as a result of a dispute at their place of work.

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THE PRIME MINISTER, summing up the discussion, said that the Commission agreed that early legislation on these matters should not be introduced. This decision did not rule out the possibility of legislation at a later date if developments appeared to warrant such a course.

The Committee -

Took note, with approval, of the summing up of their discussion by the Prime Minister.

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3. FAST REACTOR POLICY

The Committee considered a Note by the Secretary of State for Energy (E(80) 60) containing proposals for a policy for the development of fast reactors.

THE SECRETARY OF STATE FOR ENERGY said that fast reactors would almost certainly be an important element in energy supplies during the early part of the next century. A great deal of development work had been done in a number of countries, but it was clear that fast reactors, while a good long-term prospect, would only become economic when the price of uranium rose. Though such an increase was almost inevitable, its timing was very difficult to foresee. It was important that the United Kingdom should maintain a capability to enter the fast reactor field, but it was premature to consider commercial fast reactors at present. When the time came to build on a commercial scale a number of possible options would be available. We might set out to build, after appropriate planning inquiry and safety clearance, a demonstration commercial-scale fast reactor, entirely from our own resources, but this would be very costly, both in research and building costs, and would leave us to bear the risks alone. Second, we might seek to enter a collaborative partnership, either with the French, Germans, and Italians, who were already partners in this field, or with the Americans. If the right terms could be obtained, this would be cheaper, and would have the advantage of sharing the risks. Third, we might maintain our existing research effort to stay in the forefront of the technology, and to keep abreast of foreign developments, but defer any decision on how and when to build a commercial-scale reactor until the future energy scene was clearer. Finally, we might decide to withdraw from the field altogether, since the timescale was so long, and to buy fast reactor technology under licence from other countries if and when it was needed. This would be cheaper, at any rate in the short term, but would leave the United Kingdom without industrial capacity for entering the fast reactor field, and would leave us entirely dependent on the nuclear policies adopted by other countries. His own recommendation was for seeking a collaborative programme, so as to reduce

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costs, and spread the risks. In order to convince other countries that the United Kingdom was serious in seeking collaboration, he would favour an early statement that the United Kingdom intended, subject to all necessary safety and planning clearances, and at a time to be decided later, to build a full-scale fast reactor.

In discussion the following main points were made -

a. Continued expenditure on fast reactor development must be seen as an insurance premium against uncertain, but potentially large, problems in the future. A collaborative programme could help to reduce costs, to spread the risk of wrong design decisions and, in due course, could provide accumulated operating experience of a number of large fast reactors, rather than the limited experience obtainable from a demonstration project in a single country.

b. The French, Germans, and Italians were already engaged in collaboration, and each country tended to believe that it had a lead in particular aspects of the technology. These countries, and particularly the French, might try to extract heavy terms for United Kingdom entry to their club. The proposals that they had floated at official level, while almost certainly not their last word, indicated the type of approach that they might adopt in negotiation. They would need to be persuaded that they had much to gain from collaboration with the United Kingdom if heavy entry costs were to be avoided.

c. The French programme was based on the Super-Phoenix reactor which was currently under construction. There were indications that the French had cut corners in arriving at a full scale design and it was by no means certain that the reactor would operate effectively.

d. Although the Americans were currently spending large sums on fast reactor development, President Carter had taken a firm stand against any early consideration of a programme of fast reactors. This attitude might change, however, either following the American election or because of changes in the world energy scene, and an American collaboration might be more attractive for the United Kingdom than a European one.

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e. There was a danger, in entering any form of international collaboration, that it would acquire a momentum of its own, and impose obligations for expenditure, or for the timing of projects, which would not coincide with unfettered United Kingdom choices. It might therefore be preferable to adopt the holding option, which would keep the United Kingdom in the field, but would not tie us to the policies of other countries, whose need for nuclear energy was greater than our own.

f. Any announcement of a firm intention to proceed with a fast reactor, even in the distant future, could arouse unnecessary public anxieties and might increase opposition to the nuclear power programme generally.

g. There was a danger in following a holding option, that decisions would be deferred for so long that the United Kingdom industry would have difficulty in getting back into the field. But other countries would be anxious to recoup some of their past development costs, and might well be keen to licence their technology if it were successful.

THE PRIME MINISTER, summing up the discussion, said that the Committee were not at present in a position to take decisions about fast reactor policy. While recognising the advantages, they had considerable doubts about particular aspects of possible collaboration with other countries, and were unwilling to contemplate paying a heavy entry fee as the price for such collaboration. Moreover our own work in this field was of high quality and should make us attractive and sought-after partners in our own right. In the circumstances the Secretary of State for Energy was free to probe without any commitment, the possibilities of collaboration with the French, German, Italian and American Governments. In undertaking such discussions he could point to our genuine interest in and knowledge of fast reactor development, but could give no commitment that the United Kingdom intended to build a fast reactor in due course. That would be a matter for later

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consideration by the Committee, when more facts were available to them about the possible courses open. It had to be remembered, too, that a decision to build a fast reactor would be subject to a full and independent public inquiry into the safety and planning aspects. The Committee were not prepared to authorise a public statement about fast reactor policy at the present time.

The Committee -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. Invited the Secretary of State for Energy to be guided accordingly.

Cabinet Office

3 July 1980

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cc Mr Le Chemist  
 Mr [unclear]  
 Mr Ibbotson

Prime Minister

E Committee has already agreed that work should go ahead on finding ways of preventing the relative decline in nurses' pay which in recent years has followed upon each report establishing it on an up-to-date basis.

There are two points which need urgent attention. First, it is important if we are to prevent a further worsening in our relations with the nursing profession that we should be seen to make an early start on tackling the problem. We need the advice of an independent person or body, and had hoped that the Clegg Commission, following what they said in paragraphs 93-4 of their report on nurses and midwives, would be dealing with the matter this summer in their annual report. I now gather that it is in fact unlikely that they will do more than touch on the subject in general terms, and that we therefore should not look for any real help on the specific problem of nurses. What we need is advice either on detailed comparability arrangements for nurses (ie a suggested actual comparability structure) or on possible systems for dealing with their pay which would prevent falling behind. This is something which might have been referred at once to Clegg, but in view of Thursday's decision of 'E' Committee, this may not be practicable. It is for consideration whether, because the Commission has already taken on board, in general terms, the 'falling behind' point, they could even now be asked to make recommendations in greater detail than they currently propose as indicated above. I would hope that this might be done to a timetable which would not prejudice our decision about the Commission's long-term future. Alternatively, we could establish some kind of ad hoc review; but past experience suggests that ad hoc arrangements are very much a second best. I should be glad to know whether an immediate request to Clegg would be acceptable. No doubt we could discuss this in E Committee next week if necessary.

Secondly, I believe it would be helpful for me to indicate, by way of an arranged Parliamentary Question, that we understand the anxiety of nurses about the problem of falling behind and are committed to arranging for it to be studied in time for a report to be available in advance of their next pay settlement. I should of course avoid any assurance either that we could automatically accept in principle whatever recommendations might emerge or that, even if we accepted them in principle, we could necessarily find the money to put them into effect at once. But even with these reservations, I consider that such a statement would be helpful. Its exact timing needs careful thought, bearing in mind that the next meeting of the Whitley Council on 8 July may determine whether a satisfactory settlement can be reached for this round. If you and other colleagues agree, I should like to be free to make such a statement at a favourable opportunity.

I am sending copies of this letter to the other members of E Committee, the Secretaries of State for Scotland and for Wales, and to Sir Robert Armstrong.

P.J.

circulated 27 June 1980

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