CABINET

STABILISATION OF SALARIES AND WAGES IN THE NATIONAL HEALTH SERVICE

MEMORANDUM BY THE SECRETARY OF STATE FOR SCOTLAND AND THE MINISTER OF HEALTH

We have been considering the application to the National Health Service of the statements about the stabilisation of personal incomes which the Chancellor of the Exchequer made in the House of Commons on 27th September. An extract from his speech is reproduced as an Appendix to this memorandum. In advance of any general statement by the Government on wages policy, the Minister of Health proposes that the Health Ministers should bring this extract to the special attention of the Whitley Councils for the Health Services (on the Management Side of which they are represented), and should impress on them that all discussions about salaries and wages must be conducted in accordance with the principles it sets out. The Secretary of State for Scotland considers that this might be open to objection as bordering on interference with wage-negotiating machinery, and that it would be no less effective if the Chancellor's statement were introduced into the discussions on the Whitley Councils by the official members of the Management Sides in the usual way.

2. Such action will, we hope, lead to claims which are pending being in general either deferred or rejected. With regard to the claims at present under consideration, there will in some cases be special difficulties in applying the broad principle of income stabilisation to the particular case. We set out below the sort of cases that we have in mind and the lines that we should like to follow in dealing with them.

3. The difficult cases fall into six broad groups:

(i) There are a number in which an agreement has already been reached but has not yet been published. An example is the basic nursing grades in tuberculosis and fever hospitals. Here new salaries have been agreed as part of the general settlement covering the basic hospital grades (the other parts of which have already been published), but they are not yet being paid. Our proposal would be to honour agreements of this sort and to proceed with publication.

(ii) In at least one instance, an offer has been made by the Management Side but has not so far been accepted by the Staff Side. Here again our proposal would be not to withdraw an offer already made.

(iii) In another case, an impossible anomaly would be created if the situation were left entirely as at present. This has arisen with nurses' salaries because we have dealt with the basic grades of hospital nurses but have not touched the higher grades. In accordance with the Chancellor's statement it would not be our intention to carry upwards the amount of the revision which has been made at the bottom, but at the moment a Ward Sister who is promoted to certain higher posts (e.g., Departmental Sister) actually loses money, and such an anomaly clearly cannot be allowed to continue.
(iv) There is another group of cases where a breakdown in an important service may have to be faced unless some adjustments are made. For example, the revision of the salaries of the lower nursing grades in hospital has not yet reached the Nursing Assistant in mental hospitals, though it has covered the student and trained nurses in both general and mental hospitals. To stop short of the Nursing Assistant grade might have serious consequences in the mental hospitals. Similarly, the priority dental services for mothers and young children have already suffered a set-back through the remuneration of public dental officers employed by local authorities falling out of line with that of dentists in other branches of the National Health Service, and there might well be a more serious breakdown if nothing is done. Difficulties are also being met in recruiting the very limited number of technicians required for the hearing aid service, and an improvement in the present wage is overdue. On this type of case, it would be our hope that necessary adjustments could be made.

(v) A further group is provided by certain grades for whom no national scale is in existence. Scientists employed in hospitals (e.g., biochemists and physicists) are an example. In cases where the negotiation of national scales would be a help towards economy in administration we would like authority to proceed.

(vi) A final group consists of claims where the Staff Side have strong arguments based on precedents which already exist both inside and outside the National Health Service, and which, if the claim is rejected, they could use with great effect before an arbitration tribunal. An example is provided by the medical auxiliary grades. Certain minor concessions have already been granted to medical laboratory technicians, including the award of London weighting and the ironing out of differences between the scales applying in England and Wales, on the one hand, and in Scotland on the other. Grades such as the physiotherapists will expect to receive similar concessions, and if they are refused will have strong arguments to place before an arbitration tribunal.

4. This last group raises the question of awards by arbitration tribunals. If we reject claims which can then be taken successfully to arbitration, our action may be nullified unless different standards are adopted at arbitration in future. This goes beyond the special problems arising in the National Health Service and could only be dealt with on a general basis, and we do not suggest that the Health Service should be made the subject of any special restriction in this respect.

5. Details of the particular cases will be furnished if our colleagues so wish, but we thought that it might be enough to describe them in the broad groups into which they fall. We should be glad to have agreement to our proceeding on the lines proposed in (i)–(v) of paragraph 3 above, and guidance on the line we should take on cases falling within (vi) of that paragraph.

A. W.
A. B.

1st November, 1949.

APPENDIX

Extract from Speech delivered by the Chancellor of the Exchequer in the House of Commons on 27th September, 1949

But the present policy demands for its success a great measure of restraint in the matter of personal incomes. If it is not made to succeed, then deflation will be added to it and we shall have failed to avert mass unemployment and poverty. It is, therefore, of critical importance that nothing—and I mean literally nothing—should be done to increase personal incomes arising out of profits, wages or salaries at least until we can see how far our policy has succeeded in bringing nearer a balance in our dollar-sterling trade.
The White Paper policy, which has been a most material part of our disinflation drive over the last two years, must now be reinforced. If we were now to allow costs to rise as a result of higher wages and salaries, we should very rapidly deprive ourselves of all the advantages of our lowered exchange rate. The White Paper must, therefore, be observed strictly, and it is only in the exceptional and genuine cases where some wage survives which, together with all the subsidies and social services, is insufficient to provide a family with a minimum reasonable standard of living, that there can be any possible excuse for going forward with a claim for an increase.

But even if such an increase is given to those at the bottom, we cannot accept the maintenance of differentials or relativities as any argument for present increases to those who are receiving higher rates. Especially and specifically, there can, in our view, be no justification for any section of workers trying to recoup themselves for any increase in the cost of living due to the altered exchange rate. That is a general burden spread over all, and must be accepted as a very real and essential contribution towards the avoidance of mass unemployment.