NATIONAL HEALTH SERVICE: DANCKWERTS AWARD

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The Award gives the general practitioners the arrears of pay—back to the beginning of the Health Service in 1948—which Mr. Justice Danckwerts thinks they should have had on the basis of the Spens Report which the previous Government accepted. These arrears amount to some £27 million for the period July 1948 to March 1952. We must also take into account the cost of applying the Award in the current year, which will be about £10 million, in addition to the existing Estimate provision. Thus the gross total which we should have to find this year as a result of the Award is £37 million.

2. This is a heavy blow, especially in view of all the other factors such as wage and price increases which are also tending independently to reduce the estimated Budget surplus this year.

3. I have, therefore, been considering whether the burden on the Budget might be lightened by taking the line that we cannot pay off the arrears in full at once, but would propose to pay them over a period, say, the five years 1952-57, at the rate of something like £5½ million a year. This would mean that I should have to find some £15½ million this year (£10 million for 1952-53, plus, say, £5½ million of arrears) instead of £37 million.

4. Apart from the Budgetary aspect, payment of these arrears by instalments over a period, by making it clear that the Government are not in a position to splash money about on the doctors, might have a good psychological effect in helping to keep other wage and salary claims within reasonable limits.

5. The Minister of Health and the Secretary of State for Scotland have represented to me, however, that a decision to postpone payment would be strongly resented by the medical profession. The B.M.A. have been persuaded with some difficulty to use their influence against any demand that doctors' remuneration should be on a sliding scale linked to the cost of living, and the Health Ministers are reluctant now to become involved in a further dispute on this subject. In addition, payments of the arrears by instalments would give rise to a number of administrative difficulties. In the circumstances I do not propose to press this suggestion.

Effect of the Award on other Classes of Staff

6. The Award raises certain other serious wages policy considerations. It will probably be claimed that the Danckwerts Award is an indication that the salaries of other professional grades in the public services should be increased to rates 100 per cent above the rates in force in 1939. Such a claim, if accepted, would have most serious reactions. The class immediately affected is consultants in the National Health Service. At present whole-time consultants are paid salaries ranging from £1,700 at age 32 to £2,750 at age 40, but these rates may be supplemented by Distinction Awards ranging from £500 to £2,500 per annum. The full effective salary range is thus from £1,700 to £5,250. The application of Danckwerts principles would increase those rates to £2,750 at the minimum and to £7,130 at the maximum. There would inevitably be further reactions—first on University
medical staffs and thence to the non-medical staffs of the universities. Reactions would then spread first to the higher Civil Service, then probably to the teaching professions and ultimately widely throughout the public services. Moreover, if large numbers of the higher paid staff in the public services were given substantial salary increases at the present time it would be quite impossible to expect the lower paid staffs or workers in industry to exercise restraint. Unless, therefore, the chain of reactions is broken at the first link, viz., the consultants, we shall find that a further inflationary cycle in the country at large has been started.

7. I consider that we should be justified in going to considerable lengths to prevent these reactions. I think we must declare publicly that we are not prepared to apply the principles of the Danckwerts Award to other professional classes, and indeed that we cannot continue to be bound by the recommendations of the Spens Reports (of which the Danckwerts Award was supposed to be an application).

8. If my colleagues agree that a statement to this effect should be made, we have the alternative of waiting and making it in reply to some particular claim (e.g., that of the consultants which is understood to be in preparation) or of taking the initiative and making an early statement in anticipation of claims for increases corresponding to those of the Danckwerts Award. If we wait until an opportunity arises in negotiations on a particular claim, we may be accused of making up our policy on the spur of the moment for the purpose of dealing with that particular claim, and we may also in the meantime encourage, by our silence, classes who are nourishing hopes of supporting salary claims by appealing to the argument that what is sauce for the goose is sauce for the gander.

9. A refusal to extend Danckwerts increases to consultants will not be an easy proposition. Spens dealt with consultants and general practitioners on precisely the same basis in so far as he recommended rates of remuneration applicable to the conditions of 1939, leaving it to subsequent negotiation to settle how far these rates should be increased to take account of subsequent changes in the value of money. Before Danckwerts both general practitioners and specialists got the Spens rates plus 20 per cent.—a figure prescribed by the Government but not accepted by the B.M.A. The consultants will certainly say that it is manifestly unjust that Spens’s recommendations should be implemented for the general practitioners but be discounted by 80 per cent. in their own case. They may also argue that the Spens Committee, as a body of independent experts of high standing, established a relationship between the remuneration of consultants and that of general practitioners which should not be disturbed without reference to some similar independent body. If we meet these arguments by a flat refusal of the Danckwerts increase we shall almost certainly be involved in a row with the Consultants Committee and probably also with the B.M.A. But if we are to avoid the serious consequences I have outlined in paragraph 6 above, I consider that we must take a tough line on this question, even at the risk of criticism.

10. I therefore ask my colleagues to agree that I should make an early public statement, in reply to an arranged question, on the lines of the draft attached. I understand that the Secretary of State for Scotland and the Minister of Health are in broad agreement with my conclusions.

R. A. B.

Treasury Chambers, S.W. 1,
11th June, 1952.
APPENDIX

DRAFT STATEMENT TO BE MADE IN REPLY TO AN ARRANGED QUESTION

Question
To ask the Chancellor of the Exchequer whether, in the light of the Danckwerts Award to general practitioners, he has any statement to make about the adjustment to pay in other occupations.

Answer
Yes, Sir. While the adjustment of salaries is a matter to be dealt with through the established negotiating machinery, the Government must be much concerned, as is this House, at any developments which might substantially affect the public purse and the general economic situation.

I feel that it is my duty to make clear that the Government in accepting Mr. Justice Danckwerts's Award on the remuneration of general practitioners have not at all accepted that similar adjustments in other fields are appropriate. The Government do not accept the principle that in other professional classes, including those in other branches of the National Health Service, the right standard of remuneration is 1939 salaries increased by 100 per cent. In their view salaries should be determined in the light of all the circumstances prevailing at the time.