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Dear Colleague

22 May 1986

PAY REVIEW BODY REPORTS

The Government has today announced decisions on the Reports of the Pay Review Bodies.

Despite the marked fall in inflation to 3 per cent we have agreed to implement all the recommendations, with the exception of those made by the Top Salaries Review Body, in full, but as from 1 July. They will provide increases averaging 8.2 per cent for professions allied to medicine, 7.8 per cent for nurses, and 7.6 per cent for doctors and dentists. The increase for nurses comes on top of a rise in their pay of 33 per cent more than inflation since 1979 while the number of nurses and midwives has increased by more than 60,000. This reflects the importance we attach to the National Health Service and those who work in it. For the armed forces there are increases averaging 7.5 per cent from 1 July.

But the implications of these pay awards in this financial year have to be faced. The addition to the paybills for 1986-87 is 6 per cent. Defence will live within its budget. For health, implementation as proposed might have adversely affected services to patients and we have therefore decided, exceptionally, to provide a further £60 million for health care this year, from within the total of planned public expenditure.

I mentioned that we have not accepted the Top Salaries recommendation. This group last year received very substantial increases: we did not judge it necessary this year to go beyond the amount necessary broadly to maintain last year's pay levels in real terms, while also further improving the link between pay and performance. We have therefore allowed a paybill increase for 1986-87 of 3 per cent, equal to the rate of inflation, which will be secured by paying an average 4 per cent increase from 1 July. This compares with the recommended increases averaging 6.5 per cent.

Since the Review Bodies took their evidence lower inflation has dramatically increased the real value of pay increases. It would be wrong, therefore, to look at these pay increases as in any way a guide for future settlements, either here or elsewhere. In the public services, as in private firms, we have to be conscious of what can be afforded; if we are not, services and jobs will suffer.

There will be many in your constituency with an interest in these awards. I hope that this letter will help to explain the approach which, faced with the Review Body recommendations, we have decided to take.

Howls from Nigel

NIGEL LAWSON