



THE SCOTTISH OFFICE

NHS Circular:
MEL(1993)10

National Health Service in Scotland
Management Executive

St. Andrew's House
Edinburgh EH1 3DG

Dear Colleague

PUBLIC SECTOR PAY RESTRAINT

Summary

1. The Secretary of State wrote to Chairmen on the day of the Chancellor's Autumn Statement, 12 November 1992, to explain the Government's policy on pay restraint in the public sector. This letter clarifies some issues which have arisen over interpretation of the pay policy and gives guidance on its application to NHS staff.

Action

- 2. The detailed guidance set out in the Annex to this letter is to be applied to all pay increases in the NHS in Scotland.
- 3. I am copying this letter to your Chairman for information.
- 4. This letter should be copied to Unit General Managers for action as required.

PP DON CRUICKSHANK

COMMON SERVICES AGENCY	
RECEIVED:	
- 1 FEB 1993	
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29 January 1993

Addressees

For action:

- General Managers, Health Boards
- General Manager, Common Services Agency
- General Manager, State Hospital
- General Manager, Health Education Board for Scotland
- Chief Executives and Chief Executive Designate, NHS Trusts

To be copied to Unit General Managers for Action

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Our Ref: WCP/5/16

PUBLIC SECTOR PAY RESTRAINT

1. It is the firm commitment of government to restrict pay settlements in the public sector to the range of zero to 1.5% in the coming year and that the policy applies to the whole of the public sector without exception. The period of constraint is for one year only (from 12 November 1992 to 11 November 1993) so that each public sector group will be caught once by it and none will be caught twice.

2. For those staff covered by national Whitley Council arrangements, the policy will be applied by Management Sides in the current round of pay negotiations. It has already been announced that the April 1993 settlements for Review Body groups will be worth 1.5%. Employing authorities should ensure that the policy is also fully applied to staff, wherever they may be employed in the NHS, who are wholly or partly on locally determined terms and conditions of service.

3. While increases in the paybill must be kept as small as possible, the public sector pay restraint is expressed as a cap on settlements for particular groups. This means that new staff can be taken on without fear of breaching the policy. But equally, a reduction in numbers that leads to savings on the paybill does not enable remaining staff to receive a settlement higher than 1.5%. Pay groups are essentially those already recognised for pay determination or bargaining purposes and so largely define themselves. Each group is individually subject to the 1.5% limit, which is a maximum rather than an entitlement.

4. Current incremental scales are not affected by the policy and staff can move up them in the normal way. Existing productivity and performance pay or bonus schemes may also continue, but any extension of them would have to be costed and counted towards the 1.5% limit for the group or groups affected. All new schemes count towards the limit with the exception of any that were agreed prior to 12 November 1992 but implemented thereafter. These latter may proceed outside of the terms of the pay restraint. For new schemes - or extension to existing ones - it is the increase in pay that counts, not the cost to the employing authority. Thus, for instance, a productivity scheme yielding on average a 1% increase in pay would leave only up to 0.5% available as a general pay increase, regardless of whether the productivity scheme was self-financing or not.

5. In the case of deferred or staged settlements, with commitments to pay all or part of the increase after the period of restraint ends (ie on or after 12 November 1993), the full eventual cost of the settlement counts in the pay year during which the agreement is reached.

6. Any payments or payments in kind defined by the Inland Revenue as taxable would be constrained by the settlement limit. Reductions in working hours or increases in holidays should also be costed as part of the settlement in the normal way.

7. Government policy permits flexibility within pay groups provided the settlement limit for the group as a whole is observed. One of the keys to the acceptance of public sector pay restraint by NHS staff, however, is their perception that it is even handed and that all staff are being treated equally. Differential settlements within groups could enable some

staff to receive considerably more than others. Even if acceptable within the group concerned, this might reduce the general sense of fairness across the NHS and prove divisive. In particular it could lead to claims for larger increases, that could not be met within the policy, from staff who felt disadvantaged.

8. The Secretary of State considers it in the best interests of the NHS to avoid these potential difficulties. He therefore asks employing authorities with staff on locally determined terms of service to consider carefully before proposing or agreeing differential settlements in the coming pay round, and to limit any differentials within the policy of pay restraint to those necessary to meet business or service objectives.