

(1)

Prime Minister

MR SCHOLAR

Agree to X, and

cc Mr Mount
Mr Walters

to (i) - (iv) being completed
before a Cabinet discussion
about whether to go for a Megaw

MEGAW

In his note of 4 November, the Chancellor reports to the Prime Minister the endorsement by MISC 83 of the Megaw recommendations as a basis for seeking to negotiate a new civil service pay system. The Prime Minister has received much recent advice from us about Megaw, most notably in the papers leading up to your letter of 22 October to the Chancellor; and I think there is no need to repeat our views on the substance of the Megaw recommendations.

system?
mes 5/11

The essence of the position taken by MISC 83, as reported by the Chancellor, is that a Megaw system is acceptable provided there are satisfactory safeguards (paragraph 7). Since it is not yet established whether such safeguards could be made satisfactory, it is strange that MISC 83 could be "firmly of the view" (paragraph 6) that Megaw is an acceptable basis for negotiation. Since the Chancellor indicates (paragraph 8) that we have still a little time before the Government's position need be made public, we think it essential that the promised official work be completed before we let ourselves in for the Megaw system.

We suggest, therefore, that if the Prime Minister agrees, your reply to the Chancellor might say that the Prime Minister recognises that it will be difficult to avoid opening negotiations with the Unions about Megaw; but that before she can agree that the Government has to accept that the Megaw recommendations are the basis for negotiations on a new pay system, she will wish to be satisfied that the safeguards to which the Chancellor refers can be made adequate.

X

Further work by officials should proceed urgently, therefore, on four fronts:

(i) The examination of suspension and termination provisions. Clearly there will have to be a break clause, under which any Pay Agreement can be ended by either side; but there should also be provision for temporary suspension under certain circumstances. The official work should address itself to the definition of those circumstances, the period of notice, and whether such suspension should require the consent of the House of Commons.

(ii) The extent to which a system incorporating regular annual reviews can be reconciled with the avoidance of regular annual awards, a point to which MISC 83 clearly attached importance. Officials ought to consider this in the context of the possibility of encouraging Review Bodies also to move away from automatic annual increases.

(iii) The possibility, as suggested in your letter of 22 October, of charging the proposed Pay Information Board with responsibility for taking recruitment and retention data, and job security, into account before reaching the conclusions of its comparability work.

(iv) The draft of a public statement, or announcement to the Government's employees; the Prime Minister will wish to consider these texts carefully.

The Prime Minister may feel that there ought to be a discussion in the full Cabinet of the implications of going for the Megaw system, when this essential further work has been completed.

5 November 1982

When (i) (ii) + (iii) are complete we will discuss w/ L^g whether Regard is satisfactory or not