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SUBJECT



cc DES.

cc M. M. M.

10 DOWNING STREET

From the Private Secretary

8 September 1983

Dear Margaret,

MEGAW

The Prime Minister took a meeting on Monday evening about the questions raised in the note by the Chairman of the Official Committee on Megaw attached to your letter to me of 2 September. The Chancellor of the Exchequer, the Secretaries of State for Defence, Social Services and Employment, the Minister of State, Privy Council Office, Sir Robert Armstrong, Mr. Kemp (HM Treasury), Mr. Gregson and Mr. Mount were present.

In a short discussion it was agreed that the Government should continue the attempt to agree a new pay system based on Megaw's recommendations. But this did not imply unconditional agreement by the Government to data collection as a background to the 1984 Civil Service pay negotiations. Such agreement might lead the unions to suppose that the lower quartile would be the floor of negotiation, and if so the outcome would almost certainly be higher than the 1983 pay settlement. It would be essential to include amongst the data which would be collected information about retention, recruitment and affordability; the Government should make it clear that it was not binding itself to negotiation within the inter-quartile range; and there could be no question of agreement to the unions' requests that the inter-quartile range should be narrowed so as to lie between the 40th and 60th percentile, that the Government should allow unilateral access to arbitration, and that Parliamentary override of an arbitration should be possible only in clearly defined circumstances such as the operation of a national pay policy.

Summing up the discussion, the Prime Minister said that the Official Side should indicate that the Government wished to make progress in the discussions to agree a system based on Megaw. They should make it clear that the Government could not accept any narrowing of the inter-quartile range, unilateral access to arbitration, or a restrictive Parliamentary override. Collection of data on private sector pay movements by the Office of Manpower Economics could go ahead, providing it was part of a wider collection of data, as envisaged in the discussion. The Official Side would need to make it clear from the start that, in the 1984 pay negotiations, the collection of data did not imply that the Government would negotiate within the inter-quartile range; indeed, the Government should say explicitly

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that it was not bound to that range. As to the two broad approaches to the collection of data, set out in annex A to the MISC 84 report, there was a preference for the generalised approach (paragraph 5b of annex A), since it seemed to be further away from comparability.

I am sending copies of this letter to Richard Mottram (Ministry of Defence), Steve Godber (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Mary Brown (Privy Council Office), Richard Hatfield (Cabinet Office), Mr. Kemp (H.M. Treasury), Mr. Gregson and Mr. Mount.

Yours sincerely,

Michael Scholar

Miss Margaret O'Mara,
H.M. Treasury.

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