

MR SCHOLAR

**CONFIDENTIAL**

Prime Minister

①

Agree to the publication  
submission of the DOE  
cc Mr Hoskyns

Yes

and DHSS evidence, subject

Evidence to the Megaw Inquiry

to X?

MLs 22/1

I do not think the Prime Minister need read very far into the various pieces of evidence for the Megaw inquiry which have been submitted for her approval this weekend. It may be helpful if I record these comments, only the first of which raises any doubt about the actual text:-

- i) The evidence from the Department of the Environment very clearly implies in paragraph 5 that there are acute and persistent recruitment problems, especially in London. Not only is this not demonstrated - it certainly does not follow from the previous paragraph - but as the Prime Minister will know it would, when published, be prejudicial to the approach we are currently considering on this year's Civil Service pay offer. It would be better, I think, if this paragraph were deleted.

Yes - Please  
Publish independently  
I can't see how  
come in the book / X  
Thursday, independently  
finances.

The remainder of this evidence is quite useful, especially on merit pay and on the need for flexibility in paying specialists. There is now so much departmental evidence favouring some form of relationship between pay and performance that Megaw cannot but take some account of it.

- ii) The evidence from the DHSS on the NHS pay system makes it clear (paragraph 17) that market factors at present play no part in pay determination in the NHS; and implies, in paragraph 20, that the DHSS will be looking to Megaw for some ideas as to how to reconcile market factors with the present formalised comparability system. That is indeed one of the major problems for next year.

/iii)

**CONFIDENTIAL**

CONFIDENTIAL

-2-

- iii) The two pieces of evidence from the Government Actuary are of rather specialised interest: the memorandum arguing for some form of outside assessment, so as to ensure and demonstrate the professional independence of the Government Actuary, and the attached technical notes on how to assess pension values are uncontroversial; the memorandum on the Government Actuary's Department's experience in recruiting and retaining staff is a helpful addition to the case for more flexibility and market orientated pay.

JK

22 January 1982

CONFIDENTIAL