

MR. SCHOLAR

Prime Minister

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Agree to the submission of

c.c. Mr. Hoskyns

these 5 papers to Megaw, subject
only to the suggestion at X?

Yes not

Megaw Inquiry

MUS 26/2

Since there are no less than 5 pieces of draft evidence for the Megaw Inquiry now awaiting the Prime Minister's approval, you will no doubt be as happy as I am to know that the Inquiry has now set a deadline of the end of February for the receipt of evidence; this flow of drafts is therefore reaching its peak and should shortly dry up altogether.

I offer the following comments on the current batch:-

(i) Merit pay. The Prime Minister will recall that other Ministers, no doubt heavily briefed by their senior officials, showed a distinct lack of enthusiasm for the rather forthcoming line in the original draft proposed by the Chancellor. The Chancellor has now bowed to their pressure, and the latest draft is considerably more cautious. But paragraph 18, which summarised the concern of others, is fair; and the conclusion (paragraph 29) is well balanced. I think that the Prime Minister should accept this draft, not least because at an earlier stage we indicated that she would be content for the Chancellor to sort this out; but she may want to glance at the rather good comments by Derek Rayner, which tend to place less weight on the objections to the earlier version.

you have
already seen

(ii) Reductions in manpower. This is an entirely factual paper explaining how the reductions in manpower are being achieved. The only problem with it is that it does not sit well with the paper on productivity pay (see below) because it provides the unions with rather strong evidence of increased productivity - the description in paragraph 5 of the way in which the reductions have been achieved makes it clear that to a considerable extent the same task is being done by fewer people.

/ (iii)

(iii) Productivity Pay. I am sure this paper takes the right line on substance, which is that productivity pay of non-industrial civil servants is unknown, and would be extremely difficult to introduce; my only point is the link with the manpower reductions, and the best way of taking care of that might be to include a paragraph making it clear that the long-term process of getting civil service numbers down [was entirely different in nature from the immediate productivity objectives.

is related to the aim of reducing government and is
MCS

X

(iv) Pay Structure. The only point arising from the draft paper from the Chancellor of the Duchy of Lancaster is the potential conflict between pay relativities and market rates (paragraph 6). I am sure the paper is right simply to invite the Committee's views on the broad approach.

(v) Job Security. This draft takes us no further forward on a well-worn subject. But I have no suggestions for improving it.

25 February, 1982.