



10 DOWNING STREET

From the Private Secretary

5 August, 1982

MANAGEMENT IN CONFIDENCEMEGAW REPORT: NEXT STEPS

The Prime Minister has seen the Chancellor's recent minute, in which he reports on the preliminary discussions in MISC 83.

Mrs. Thatcher notes that it was the unanimous view in MISC 83 that it would be preferable to have a pay system, provided that it met the Government's essential requirements, and that the Megaw recommendations offered a basis for attempting to negotiate such a system. She has commented that the proviso that any pay system should meet our "essential requirements" is very important, and that no commitment to negotiate on the basis of the Megaw recommendations should be made in the exploratory discussions at official level with the unions, or elsewhere, until we are clearer that this proviso can largely be met. In particular, the Prime Minister feels that no such commitment should be made until we are better placed to assess whether such a pay system would produce pay increases over the next few years consistent with the Government's objective of increasing competitiveness and therefore employment, and whether in particular it would be likely to produce a pay increase in the coming pay round consistent with the Chancellor's own objective of substantially lower settlements this year than last.

I am copying this letter to the Private Secretaries to members of the Cabinet, the Minister of State, Treasury (Mr. Hayhoe), Mr. Sparrow and Sir Robert Armstrong.

W.F.S. RICKETT

Peter Jenkins, Esq.,
H.M. Treasury

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Prime Minister 2

You saw the minutes of the last meeting of the Ministerial Group on the Megaw Report, so you will be aware of most of this report on its work.

WR/s

PRIME MINISTER

MEGAW REPORT : NEXT STEPS

We had a preliminary discussion in the Ministerial Group on the Megaw Report on 27 July (MISC 83(82) 1st Meeting). We do not need to take firm decisions on the Megaw recommendations until September, when officials have had the opportunity to analyse in detail how the proposed new pay arrangements might work in practice and when we have more information about the attitudes of the Civil Service unions. We nevertheless thought it desirable to reach some provisional conclusions, as a basis for further work and for initial contacts with the unions.

2. It seemed to us that the basic choice facing the Government was whether to try and negotiate a new pay system broadly on the basis of the Megaw recommendations, or to have no system and rely instead on free collective bargaining. Our unanimous view in MISC 83 was that it would be preferable to have a pay system, provided that it met the Government's essential requirements, and that the Megaw recommendations, which closely reflected the Government's evidence to the Inquiry, offered a broadly satisfactory basis for attempting to negotiate such a system.

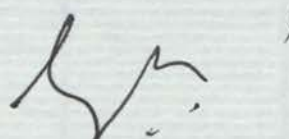
3. We concluded that it would be desirable to have exploratory discussions at official level with the Civil Service unions as soon as possible, without commitment on either side. This should give us a clearer view of union attitudes, as a basis for decisions in September. The immediate public union reaction has been hostile. Moreover the Executive Committee of the two largest unions, the Civil and Public Services Association and the Society of Civil and Public Servants, now dominated by militants, may well prefer to exploit the opportunities of confrontation afforded by free collective bargaining. Exploratory talks may enable the moderate General Secretaries to make some progress before the special conferences which several unions will be having later in the year.

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4. In order to enable us to take decisions in September on all the main recommendations in the Megaw Report, the Official Group (MISC 84) will be carrying through a work programme which we have approved. It seems unlikely that we could have a new system fully in place in time for the 1983 negotiations. We felt however that there would be advantage in having at least some elements in place in 1983 and officials have been asked to identify as soon as possible what these might be.

5. Finally we discussed briefly the interaction between the Government's consideration of the Megaw recommendations, and the discussions which have been taking place about a pay system for nurses as well as the proposal, which the Secretary of State for Social Services recently put forward, that there might be discussions about a pay system for the generality of National Health Service employees. We agreed in MISC 83 that the Government should not become more firmly committed to the introduction of pay systems in the NHS or embark on discussions about such arrangements with the NHS unions until detailed proposals and their implications had been examined by Ministers in the light of whatever proposals the Government decides to put forward in due course for the Civil Service. Meanwhile officials are being asked to consider, as a matter of urgency, the implications of the Megaw recommendations in the public services generally.

6. I am sending copies of this minute to other Members of the Cabinet, the Minister of State, Treasury (Mr Hayhoe), Mr Sparrow and Sir Robert Armstrong.



GEOFFREY HOWE

3.8.82 (?)

15 AUG 1952

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