

bcc:JV

hr

B/15



10 DOWNING STREET

From the Private Secretary

22 October 1982

Dear John.

Megaw

As you know, the Chancellor and the Prime Minister have not been able to find time over the last week or so to discuss the central recommendations of the Megaw Report. It now seems unlikely that it will be possible to arrange a discussion before the meeting of MISC 83, and I am therefore writing to indicate the Prime Minister's general view of the Megaw proposals.

The Prime Minister is concerned that the Government's two principal criteria for any new pay system, of which much was made in our evidence to the Inquiry, will not be adequately met if we adopt the Megaw proposals.

First, the Prime Minister does not think it possible for the Government to relinquish its ultimate responsibility for deciding what can be afforded. Under the Megaw system the Government could not avoid paying at least the lower limit of the Inter-Quartile Range, save by abrogating the Agreement. The Prime Minister would be grateful if the Chancellor would carefully consider the extent to which further safeguards of affordability could be incorporated; and she hopes that MISC 83 will recognise the difficulty of accepting the Megaw system without such safeguards.

①

Second, the Prime Minister is concerned that both the Inter-Quartile Range and the outcome of the 4-yearly total remuneration survey are determined by a process of pure comparability, with no role for market forces until the negotiating stage is reached. She wonders whether it would be possible, and if possible desirable, to charge 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.

②  
B/R

Yours sincerely,

Michael Scholar

John Kerr, Esq.,  
H.M. Treasury.

CONFIDENTIAL

da