

B.R.  
Civil Service

MR SCHOLAR

Prime Minister (2) 9

To note

cc Mr Mount

MS

MUS 12/11

MEGAW: SAFEGUARDS

I think I should report to you the progress being made by the Official Group (in which I participate) on incorporating adequate safeguards into a Megaw pay system, following your letter of 8 November to the Chancellor's office conveying the Prime Minister's views. Since these discussions will be continuing early next week, it would be helpful to know if the Prime Minister is content with the way in which they are moving.

I think a good deal of progress has been made, and that subject to a careful look at the detailed drafting we will be able to come up with safeguard provisions that I will feel able to recommend to the Prime Minister. As you know, I have had a number of bilateral discussions with Peter Le Cheminant about it. The eventual Pay Agreement could incorporate quite an arsenal of safeguards, notably:

(i) Termination. Either side would be permitted to terminate the Agreement, without having to give an explanation, at six months notice (or possibly three months, which might be more advantageous to the Unions than to us). This would be an irrevocable act, and not subject to approval by a third party such as the House of Commons.

(ii) Suspension. Similarly, either side would be enabled to suspend the Agreement for a specified period (normally twelve months) after a similar period of notice. This particular provision may cause difficulties in the negotiations.

(iii) Revision. Either side would also have the right to ask for revisions to be made to the Agreement in the light of

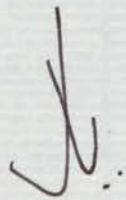


changing circumstances; a particular amendment could of course only be insisted upon by threatening termination.

(iv) Statutory Override. Since the Government and the Unions will not be entering into a legally binding agreement (just as the old Pay Agreements were not legally binding), the Agreement would automatically be overridden by national pay policies having statutory force.

(v) Imposition. And the Treasury have now agreed that we should seek to negotiate the power to impose a settlement outside the interquartile range, subject to the consent of Parliament.

It is this last provision which gives the Government what it really needs, ie the power to avoid paying at least the lower quartile, if it finds there are good reasons for not doing so. It is negotiable with the Unions only if it is subject to parliamentary agreement, and we shall have to accept a form of words limiting the circumstances under which we could seek that. But it would be a considerable advance on the system as first proposed. The other safeguards are desirable, but much less significant.



12 November 1982