

CONFIDENTIAL



Prime Minister

① cc NO

1 do not like this. It is entirely straightforward especially colleagues' views, Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000
with a more real cut-off

to the draft statement?

Jacobites not
PRIME MINISTER

MUS 22/7

MEGAW: NEW PAY ARRANGEMENTS FOR THE NON-INDUSTRIAL CIVIL SERVICE

As you know, we told the Council of Civil Service Unions that we were ready to accept in principle the broad approach of the recommendations of the Megaw Report and to seek agreement with them on a new pay system for the non-industrial Civil Service on that basis. This commitment was re-affirmed at the time of the Election and we must clearly now show ourselves ready to proceed.

2. So far, the discussions between my officials and the unions have been largely exploratory and we have not yet entered into commitments on any points of substance. It is clear that there is a number of difficult issues to be resolved before any agreement can be reached for the longer-term. These include the precise role for the

① proposed "Pay Information Board" (which I think we should rename:

I dislike the word 'Board' in particular in this context); the

② arrangements for access by the negotiating parties to the data which

it collects; the way in which the data on private sector pay compari-

③ sons should set the framework for the pay negotiations; access to

④ arbitration and powers of Government override; and also the transitional

⑤ arrangements for moving into a new agreement.

3. We cannot settle these points quickly and I shall want to consult colleagues on them in due course. I see no advantage from our point of view in moving any faster than we need towards a new long-term agreement. At the same time we want to keep the

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talks with the unions in progress and we do not want to incur blame for any break-down. Fortunately, some at least of the unions want to move forward quite cautiously themselves because their members view the Megaw recommendations with a good deal of suspicion. All the unions now accept that we cannot have a full-scale agreement in place in time for the 1984 pay negotiations. This means that we do not in practice need to complete discussions on it before next summer.

4. This is helpful. But it does mean that we need to consider what kind of framework for next year's pay negotiations would be consistent with our commitment to work towards a new system based on Megaw, while not at this stage involving us in any long-term commitment of either a general or specific kind. In particular, we do not want to set up a Pay Information Board or any similar body until (a) we are quite clear on its role and (b) we are certain that there is a prospect of an overall agreement with the unions which we would regard as satisfactory and into which this piece of machinery could sensibly fit.

5. The CCSU are due to have a full meeting of their Council on 2 August and it would be helpful if the union negotiating team were in a position then to give some indication where matters now stand between us. Otherwise there is a risk that they will be pressed to make faster progress and to bring issues to a head. That would be unhelpful.

6. An interim report could set out briefly the key points which need to be resolved, give an indication of the timetable to which we are now working and sketch out a possible approach to the framework of the 1984 negotiations without, at this stage, committing us firmly to this. Any report which was made would become public and



we have to approach it on that basis. Of itself, I do not think that a public statement in terms acceptable to us would be unhelpful, perhaps the reverse.

7. The main difference between the position this year and that which I have in mind for 1984 would lie in the proposal that some data on private sector pay movements in the 1983/84 round should be placed on the negotiating table. If we were not ready to agree to this, we should effectively have to abandon Megaw here and now. I envisage that the data would be collected by the OME on a basis to be agreed beforehand between the two sides, if necessary with someone acceptable to both overseeing its work. Unlike Megaw, the data which were collected would, however, only inform, not constrain, the negotiations. We should also make it clear that (consistently with Megaw) other factors, including recruitment, retention and cost, would have to be taken into account in arriving at a settlement. The unions will press us hard for an advance commitment to access to arbitration in the event of disagreement but I think we must resist this. Overall, a framework on these lines would leave us with more room for manoeuvre than we would have under a full Megaw system and would keep our options open for the future.

8. I attach a draft of the kind of statement on which we might consult the unions next week. It would be helpful to know by Wednesday, 27 July, if you and others are content for me to proceed in this way.

9. I am copying this minute to members of MISC 83 and Sir Robert Armstrong.

Margaret O'Hara

for N.L.

22 July 1983

(approved by the Chancellor

CONFIDENTIAL and signed in his absence)

* We are back to
comparability on a
revised scale.

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DRAFT STATEMENT ON PROGRESS TOWARDS LONGER TERM ARRANGEMENTS
FOR PAY DETERMINATION IN THE NON-INDUSTRIAL CIVIL SERVICE

The Government and the Council of Civil Service Unions both remain committed to the aim of working out in the light of the Megaw Report a new ordered pay system which will provide, for the longer-term, fair and sensible arrangements for determining pay in the non-industrial Civil Service.

2. There have been full discussions between the two sides on the possible shape of these new arrangements and useful progress has been made. A number of important issues have been identified which will need to be resolved before any new long-term agreement can be reached and on which further discussion is required. These include:-

(a) the role of any new body established to collect data for use in negotiations under the agreement;

(b) the procedures for the analysis of the detailed information available to it on pay comparisons and the access which the negotiating parties should have to this material;

(c) how the information both on outside pay movements and on outside levels of pay is to be used to construct a framework for negotiations on Civil Service pay;

(d) the arrangements governing access to the Civil Service Arbitration Tribunal when agreement cannot be reached through negotiation and the safeguards the Government would look for in the operation of any new agreement and over access to arbitration.

? other factors which must be taken into account - especially with those in (a)

3. Any new agreement will need to cover in detail the way in which the new arrangements will operate on these and on other points.

It is clear that it will not be possible to settle all these matters

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in time for a new agreement to be brought into effect for the 1984 pay negotiations. The aim of the parties will, however, be to complete by June 1984 the preparation of a full draft agreement to enable the constituent unions of the CCSU to consult their membership before such an agreement is concluded.

4. The Government and the CCSU have considered what arrangements might meanwhile be made, consistent with progress towards a longer-term agreement, to provide a framework on an ad hoc basis for the 1984 negotiations. It is proposed, in line with the recommendations in the Megaw Report, to explore the possibility of inviting the Office of Manpower Economics (OME) to collect on an agreed basis data on pay movements in the 1983/84 pay round which can inform the 1984 negotiations. The basis on which this might be done will be the subject of further discussions between the Government and the CCSU.

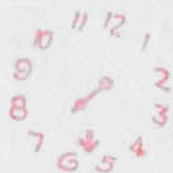
5. In addition to consideration of the data on outside pay movements, either party will be able to advance in the 1984 negotiations any other factor which in its view needs to be taken into account in deciding on new pay rates, including, for example, the position on staffing in the Civil Service and the cost of any prospective settlement.

6. In the event of a negotiated settlement not being possible, the question of recourse to arbitration before the Civil Service Arbitration Tribunal and the basis on which this might take place would be discussed at the time between the two parties.

7. Discussions will continue between the two sides on the detailed arrangements for the framework for the 1984 pay negotiations and on the content of a full procedural agreement covering the longer-term position.

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22 JUL 1983





15.15
2/8

10 DOWNING STREET

PRIME MINISTER

Agree to meeting as proposed
in paragraph 2?

Yes *mk*

Please see Mr. Tebbit's
attached letter (Flag A) and
also the note from Lord Gowrie
(Flag B).

M.C.S.

28 July, 1983

Ch/Ex	Huythoe
NT	Kemp
Gowrie	Peter Grogson
Defence	RCA if he wants
Forster	

B
CE No

PRIME MINISTER

MEGAW: NEW PAY ARRANGEMENTS FOR THE NON-INDUSTRIAL CIVIL SERVICE AND THE 1984 PAY NEGOTIATIONS

Nigel Lawson sent me a copy of his minute to you of 22 July on this subject and I have subsequently seen Norman Tebbit's comments set out in his letter of 27 July. TPM

I have a good deal of sympathy with Nigel's proposals. The Government said last December that it accepted, in principle, the broad approach of the recommendations of the Megaw Report and was prepared to enter into negotiations with the Civil Service Unions about them. We repeated this statement in the Election campaign in the course of replying to specific questions put to us by the Council of Civil Service Unions. We also said in our Manifesto that we were "committed to fair and reasonable levels of pay for those who work in the public services" and that we would "continue to seek sensible arrangements for determining pay in the Civil Service.....following the Megaw Report".

Against this background I am sure Nigel is right when he says that "we need to consider what kind of framework for next year's pay negotiations would be consistent with our commitment to work towards a new system based on Megaw". I share his judgement that an external, non-binding, source of data on private sector pay settlements next Spring would provide a convenient bridge to any new system while not committing us to accepting any particular level of pay settlement.

At the same time I recognise Norman's worries. Data collected by OME "on a basis to be agreed beforehand between the two sides, if necessary with someone acceptable to both overseeing its work" would inevitably, and whatever we might say, limit our freedom of action to some extent. But the reality is that our freedom of action is already constrained by the statements made during the Election campaign. If we are still in negotiation next year for a post-Megaw pay system it will be very difficult to refute arguments that the current experience of private sector pay settlements is relevant to the pay settlement we seek with our staff. And the OME and the Department of Employment are not the only sources of such data. The Unions will be able to make all of their arguments using other sources of current information on the pay scene irrespective of whether new information is collected by OME. The difference is, perhaps, that data collected by the OME, with the Civil Service in mind, might be more readily described as unique and irrelevant to other negotiations.

The effective choice for us to make appears to be between:-

- (a) a pay negotiation next year which is directed, by agreement, towards the current pay movement experience of the private sector - and which expressly includes recognition of the importance of arguments about recruitment, retention, affordability and so on, or
- (b) an unconstrained negotiation in which the Unions will be free to argue not only for a Megaw minimum but to indulge all of their higher flights of fancy on "catching up" and to accuse us, into the bargain, of going back on our Election promises.

On balance I prefer course (a) provided that the unions will agree to suitable wording.

I am sending copies of this minute to members of MISC 83 and to Sir Robert Armstrong.

Gey.

LORD GOWRIE
28 July 1983

CIVIL SERVICE: Pay: P-13

20 JUL 1985



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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

27 July 1983

D. Nigel

MEGAW: NEW PAY ARRANGEMENTS FOR THE NON-INDUSTRIAL CIVIL SERVICE

You copied to me your minute of 22 July to the Prime Minister.

I doubt whether it would be advantageous for 1984 to ask the Office of Manpower Economics to provide the two sides with data about private sector pay movements in the coming round. You do not specify the kind of data you have in mind. But given the formidable technical problems involved, and the time constraints, it must be quite likely that the data would be of a generalised nature relating to all private sector settlements, or perhaps to all private sector settlements for white collar workers, rather than to settlements covering workers whose jobs can be directly compared with Civil Service jobs. Generalised data of this kind would in my view be damaging. It would be authoritative and public. It would provide the unions, both in the Civil Service and elsewhere in the public services, and perhaps more widely, with valuable negotiating information. It is largely on such grounds that we have hitherto consistently declined to make publicly available the settlement data collected by my Department.

Data more specifically related to the jobs of Civil Service comparators would of course be less repercussive. But I still fear that it would help the unions more than it would help us. The unions would be bound to insist that the data be arranged in a way which would reveal the upper and lower quartiles of pay movements; and in my view this would in practice constrain the negotiations. There would be clear expectations that the settlement would not be below the lower quartile; and indeed a settlement demonstrably below this level for 1984 would surely rule out any prospect of the unions agreeing to long term arrangements based on Megaw. Such expectations could well conflict sharply with our negotiating aims.

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I would like to be clearer about the data you have in mind, and about how you see these risks being avoided or reduced, before going along with what you propose.

I am sending copies of this letter to the Prime Minister, to members of MISC 83, and to Sir Robert Armstrong.

cf
Nov

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Civil Service: Bay Pt B

27 JUL 1983



Subject
g. Matter
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10 DOWNING STREET

cc. Min State Tsy (Hayhoe)
MOD
DHSS
D/M
Min Arts
CPRS
CO
bc. N.O.

From the Private Secretary

27 July 1983

Dear John,


MEGAW: NEW PAY ARRANGEMENTS FOR
THE NON-INDUSTRIAL CIVIL SERVICE

The Prime Minister and the Chancellor discussed this morning the Chancellor's minute of 22 July, to which was attached a draft statement on progress towards longer-term arrangements for pay determination in the non-industrial Civil Service. The Prime Minister said that she disliked the terms in which the statement had been drafted: it gave the impression that the Government had gone straight back to comparability writ large. She hoped that the text could be revised, to give more prominence to the need to take into account in future negotiations affordability, market factors and so on. The Prime Minister also expressed doubts about the proposal to collect on an agreed basis data on pay movements in the 1983/84 pay round.

After discussion, it was agreed that the Chancellor would submit a revised draft, taking account of the Prime Minister's points. He would also, when the information was assembled, let her know the basis on which it was proposed to collect the pay movements data, including the comparators which were envisaged, and whether the comparisons would be made with movements of average earnings, including back-pay and overtime. Meanwhile, his announcement could include, in general terms, the proposal to explore the possibility of collecting such data on an agreed basis.

I am sending copies of this letter to the Private Secretaries to members of MISC 83 and to Sir Robert Armstrong.

Yours sincerely,

Michael Scholar


John Kerr, Esq.,
HM Treasury.

SK