

PRIME MINISTER

Merit Pay

Briefing for your meeting on merit pay is attached as follows:

- A. Summary of Lord Gowrie's proposals
- B. Policy Unit comments
- C. Chancellor's comments
- D. Lord Gowrie's paper.

So far, little has been said about the industrial relations implications of these proposals. It could be a mistake to underestimate the strength of trade union opposition. The proposals will appear to the unions to offer a pay rise for the most senior grades in the Civil Service, with nothing except discussions for the grades below.

It is also far from clear how the introduction of merit pay for Under Secretaries is supposed to relate to the current Civil Service pay round, for which the settlement date is nominally 1 April.

As a result of the meeting, Lord Gowrie will be hoping to secure your agreement to the circulation of the draft Cabinet paper at Flag E.

*Dms*

15 March 1984