

Prime Minister

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MR SCHOLARYes - see
note below
notShall I make the
observation at X on the
proposal at Y?DEBATE ON THE SCOTT REPORT

ML 515/10

(attached)

The outline, in the letter of 15 October from the Chancellor's Private Office, of what Mr Hayhoe proposes to say in the debate on 22 October is perfectly consistent with the conclusions of the Prime Minister's meeting on 15 June. If Mr Hayhoe succeeds in fending off criticism that the Government is prevaricating over Scott, without making commitments which would adversely affect pay behaviour, he will do well.

But there is one point which I think needs to be considered carefully. Cabinet did decide on 10 December 1981 not to change the benefits, and instead to examine possible changes in contributions. Yet the Chancellor proposes that Mr Hayhoe should say, if asked, that action on contributions does not imply that nothing is to be done about benefits. I fear that that would be taken, quite wrongly, as an indication that the Government has not given up hope of restricting the benefits - which would provide public service unions with an unnecessary argument in support of higher pay claims. Of course, in order to avoid criticism that the Government is doing nothing, Mr Hayhoe will not be able to rule out action on benefits categorically; but I should have thought it will be possible for him to say that, for instance, the Government's prime and for the moment exclusive concern is to see that existing index linking benefits are properly paid for.

J.S.

15 October 1982I agree - we really
must note thisthat phrase about benefits.
It is contrary to Cabinet's
decision. not.