

Prime Minister

Mr Tebbit's comments on the issues
being taken at Disc 66 are below.

DS 26/9,

MR NORGROVE

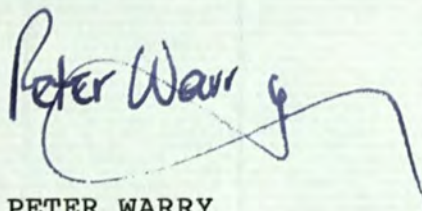
25 September 1985

CIVIL SERVICE PAY

If civil service pay is to continue to be controlled yet industrial action be avoided, then the Government will increasingly need a Megaw type framework to legitimise its stance. Such a framework would be a positive gesture towards civil service morale. But more importantly Megaw will help constrain pay in 1987 (and 1988) when the advantage of 'free collective bargaining' will swing against the Government.

Megaw would only determine the range for the increase in the total pay bill: individual groups may get higher or lower settlements. Special payments to meet recruitment and retention needs will continue but ought to be expanded further, ultimately perhaps to permit larger individual merit payments.

We recommend that Megaw be offered. If it is rejected, as seems likely, then Government should operate it unilaterally (which the unions may well secretly welcome). Such a response would leave it open to Government to fix the survey of pay levels (which under Megaw has to take place every four years) for 1990 rather than than 1987 as the unions would want.



PETER WARRY